

9 January 2017

PFA Response to

THE GENERAL PURPOSE STANDING COMMITTEE NO. 5 INQUIRY: COMMERCIAL FISHING INDUSTRY IN NSW

Question: Please explain what is latency, how does it actually work in practice and what is the impact now under the Business Adjustment Program to latent shares with individual businesses?

Definition:

It is the PFA's understanding that latency in its application to shares is where a share is "unused or inactive".

The debate in defining such an extremely broad concept is what the quantification period that specifies "latent" – is it a time period (and for how long) or an activity level (and for how much).

The real understanding of latency within the fishing context is where a potential exists of it becoming active.

Positive Vs Negative

The debate is where it impacts on a fishing business:

Positive impact of Latent shares.

Unused share classes held in a fishing business is the owners' ability to diversify his or her effort due to the seasonal variations of the wild caught fishing industry. Seasons and stock availability vary constantly and fishers need to be able to adapt to these conditions. Diversification of shares enables fishing businesses to adapt to these ever-changing environmental fluctuations, fishing conditions and natural disasters. It reduces the risk to individual businesses.

Prior to the introduction of the Subsidiary Market, DPI had considered that latency was those with shares in a fishery that reported a catch of less than 5% (refer to NSW Parliamentary Research Centre Briefing Paper No 2/2013: *NSW Commercial Fishing: Background to the 2012 Review*). The briefing paper stated that:

...many fishing businesses with shares in a fishery reported a catch of less than 5% of the total catch in the fishery. In at least 4, of the 5 Fisheries (excluding Lobster and abalone), over 60% of the fishers contribute less than 5% of the total catch.

However, PFA notes that the 5% of the total catch in the fishery might be worth a significant value to the specific fishers' livelihood. Being able to bring in a harvest ensures income to a Fishing Business. Removal of this ability to diversify leaves a Fishing Business vulnerable.

Negative impact of Latent shares.

1. Part-time fishers

As stated in the NSW Parliamentary Research Centre Briefing Paper (No 2/2013),

the access of more viable fishers to the resource was diminished when small-scale fishers intermittently appeared on the scene [] often only fishing when fish were abundant.

These operators are often considered by the operators as "part-timers". When a fisher operates in his area, working both good and bad seasons – it is the good season that help the fisher cope with the bad season. However, during a good season fishers who do not usually operate in an area will come to capitalise on the good season. This has been blamed on the "latency of shares" however, PFA disagrees with this general understanding. The blame more lies in the large size of a region.

- Example: Region 4 Estuary General fishers can operate in an area that reaches from north of Forster to south of Newcastle. Wallis Lakes fishers will operate in their lakes but if a good crab season is on than fishers from Newcastle are able to come and operate in the area as well – this is not latency but rather the large size of the permitted region.

2. Buyback into industry through latent shares

During the establishment of marine parks and Recreational Fishing Havens, a number of fishers were bought out for the purpose of removing the reciprocal fishing effort for the closed area. However, a number of these fishers bought back into the fisheries utilising latent effort/shares. This then created additional issues of fishers crowding into remaining waters open to commercial fishing (Stevens *et al.* 2013).

There are latent shares within regions that are held within exiting packages that have little risk of becoming active.

ISSUE:

1. Quantification of Latency

The problem is in trying to define latency into a usable quantification, where the quantification needs to be flexible enough for fishers to continue to diversify but not too broad that inactive fishers can utilise the same opportunities as active fishers.

2. Quantification through Shares rather than Fishing Business

At this point in time latency is being judged on a per share basis when it needs to consider it at a business level. Only then can the difference of an active vs inactive operation be qualified.

What the impact now under the Business Adjustment Program to latent shares with individual businesses?

DPI has tried a more flexible approach to defining latent shares (than the previous defining of 5% catch) and stated that, for the purposes of this program, an active share (which has been interpreted as the new definition of non-latent share) a business must have reported fishing activity in that share class over the last five years, from May 2011 to April 2016 inclusive. **However, PFA has strongly protested this approach as it does not satisfy the need to identify the difference between active, part-time and inactive fishers.** Historically, a fisher was not able to renew their NSW commercial fishing licence unless the major portion of income by personal exertion was attributed to commercial fishing. The removal of this rule has exacerbated this situation.

The vision for our industry should focus on viable active fishers who are sustainably fishing – to achieve this vision we should recognise that diversity ensures viability. We need to not focus on quantification of a latent share but rather focus on defining an active fishing business.

The focus should not be on defining “latent share” but rather identifying the difference in an active, part-time and inactive fishing business and targeting the removal of actual inactive fishing businesses and assisting active fishing businesses to remain.