

INQUIRY INTO COMMERCIAL FISHING IN NEW SOUTH WALES

Name: Wanderer Marine Enterprises, Commercial Fishing and Marine
Consultancy

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WANDERER MARINE ENTERPRISES

Commercial Fishing and Marine Consultancy

ABN 70441319335

General Standing Committee No.5

Commercial Fishing in NSW

Submission by Lawrence McEnally

Positions Currently Held:

- . Chairman Macleay River Fishermen's Co-operative
- . Director NSW Maritime Safety Committee
- . Co-Owner Wanderer Marine Enterprises

Experience

- . 10 years as a commercial fisher
- . 10 years as fishing charter boat owner
- . 23 years NSW Public Service, including working in Ministerial offices and as a Division Head in NSW Maritime Services.

. 45 years as an author, journalist, photographer and commentator on recreation and commercial fishing.

I have been fortunate enough to observe commercial fishing on every continent except Antarctica, with particular emphasis on Asia and the Pacific Islands.

General Standing Committee No. 5**Commercial Fishing in NSW****Submission by Lawrence McEnally****Chairman Macleay River Fishermen's Co-operative****1 (a) history of commercial fishing in NSW including reforms to the industry since 1994**

I have been a commercial fisher for 10 years (2007) and have come into the industry in the current era. Reforms were first mooted in 2010 at a meeting at Port Macquarie. The real appearance of reform for me started with the release of details in 2013 and then shareholder and SARK meetings in 2014 and 2015.

Real reform encompasses management, behaviour, industry efficiency and measurable outcomes. The reform now before you is about allocation and use of shareholdings plus the addition of quotas and trip limits.

At no stage in any of my meetings with DPI, SARK or the Minister have I seen anything that resembles real reform.

There is an agenda to be met and this reform is it.

In 1994 there were more than 4000 commercial fishers, today there are around 800. The average age of fishers now is nearly 60. No matter what reforms are put in place our industry may shrink further.

The reasons for the shrinkage are many. Vast areas of NSW waters are now No Go Zones for commercial fishers. Recreational Fishing Havens (RFH) closed many rivers and lakes, grey nurse shark critical habitat zones (GNS) closed highly productive inshore reefs and Marine Parks shutdown a lot of water to commercial fishers.

The end result meant many fishers became unviable. A large number were bought out by the Government in Marine Park and RFH settlements.

Low fish prices, ever rising costs, the closure of fish co-ops and other factors all contributed to the downward slide. Thankfully, some of this is changing and at the Macleay Co-Operative young, industrious fishers are appearing and making a living.

How these young fishers survive will determine the fresh seafood supply in NSW for the next couple of decades.

The current reforms do not encourage these people, the Business Adjustment Program (BAP) encourages people with lots of money who can buy the highly productive shares. This is not a smart way to run an industry. It puts power in the hands of the few and is a recipe for disaster.

1 (e) NSW Government's Commercial Fisheries Business Adjustment Program and its aims

(i) Relevance of Draft Productivity Commission Report into Marine Fisheries and Aquaculture

No opinion on this subject.

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(ii) Implementation of the restructure to date

Overview

The restructure to date has not gone well. It has been in delivery mode for 4 years and has yet to achieve a result. It has almost no support from the fishers and no support from the seafood industry.

Despite its name, the BAP has little relationship to the business of fishing. Critically, it has no business base at all. It is share focussed and agenda driven.

The NSW fishing industry can only be damaged by the BAP. If this plan is implemented the industry will struggle to survive.

The only good policies in the BAP are the industry wide provisions. Some of these like training and promotion are much needed but at the individual fisher level there is only pain.

Key BAP Issues

Any plan for restructuring an industry must be able to show its scope, intent, outcomes and benefits. I invite this Committee to put this vignette over the BAP.

The BAP does not pass even the simplest test of good public policy.

I have been to many meetings with DPI, SARK and the Minister and I am still none the wiser. I am not a stranger to managing public policy but I still cannot understand what DPI wants to achieve with the BAP. The essential clarity of vision and delivery are missing at every level.

To balance the argument, I do agree that some sections of the fishing industry could be improved. This level of change involves some restructure, policy changes and hands-on management to steer the result.

There must be clear 'wins' for those fishers remaining and a civil, dignified exit by those displaced.

No restructure is painless, I accept that.

Shares

When talking to the DPI and SARK the focus is all about the shares. The fact that we have had a shrinking industry for more than a decade should lead to the obvious conclusion that there are plenty of shares. The real question is why does the current industry need to absorb all these old shares, what is the fixation?

Licence No. 1067

I have recently agreed to purchase the shares from this licence. There were problems with the transfer because the owner had paid no fees for more than 10 years.

He owed more than \$15,000 in back fees yet the licence and shares were still valid. In the real world this licence would have been cancelled long ago.

There are no words to cover this. The question is how many other licences are like this and how much money is owing to the DPI.

The question that only the Committee can ask is aimed straight at DPI. Is every share ever issued still 'live' and are they using the BAP process to clean up their appalling housekeeping. Worse, they appear to be doing it with fisher's money.

Slippery Slide Shares

I and most others in the Macleay Fishermen's Co-operative have bought shares on the open market. The prices have doubled or trebled in short order. We have used our own funds, despite the Ministers mish-mash about supporting fishers; no one has had any assistance at all.

In my case I have agreed to pay \$25,000 cash for 25 Line West shares. Others have paid far more.

I could not take the risk that these shares may be available in the subsidised share trading market.

I suggested in writing to both the SARK and the Minister that fishers who reach the set share benchmarks should get some form of refund to support their share purchases. I received no response.

Those buying on the supported share market will get government support to do exactly the same thing.

This is not right. I believe the supported share market will either fail or turn into a waste of taxpayers' money as opportunists with large shareholdings milk the system.

As I have spent my money I can't enter the supported system either. There must have been a better way to do this.

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Ethics in Negotiations

I sit on several government and private boards and I am acutely aware how ethics and governance contribute to functional decision making.

All Line West meetings with DPI, SARK and the Minister raised the minimum shareholding from 40 to 50 shares. I and my fellow Line West fishers agreed to this, as it was not too onerous.

I invite the Committee to ask DPI or SARK where 60 shares appear in any of the negotiations particularly where it appears in print. I would demand it.

Nobody knew of the 60 shares for Line West until the Minister signed off on the BAP.

This change has caused an acute shortage of Line West shares on the market.

I have said clearly to the Minister and his DPI staff that they could all benefit from a course at the St. James Ethics Centre.

The Standing Committee needs to ask the Minister how this breach of ethics and governance occurred and why was the agreed position changed.

Improved Conditions

While the BAP focuses on shares and little else, the initial process made overtures to the fishers that improvement in their operating conditions were to be part of the process.

There were to be changes in red tape, adjustment of closed areas, a simpler set of rules etc. etc. The aim was to reward fishers for accepting a little pain from the BAP by giving them improved conditions.

Of course when the BAP appeared in print all of these little lures had been removed.

In fact, I and a dozen others in October 2014 wasted a day at the Sydney Fish Markets sorting some of this out with senior DPI commercial fisheries managers.

Both DPI and the Minister now need to account for this theft. We got plenty of pain but almost no gain.

It should be noted that some of these changes also made things easier for the enforcement side of DPI saving the department significant amounts of money.

Balance Sheets

Unfortunately, many commercial fishers consider themselves as catchers and not small business operators. I have worked hard to change this focus.

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One of the real issues forced by the BAP which the Standing Committee should note with alarm is the way it has burned the capital of commercial fishers.

The BAP has changed the normal use of capital from the purchase and maintenance of vehicles, boats, motors etc. to a debt repayment scheme for paying off shares.

It does not matter whether the shares were purchased with fishers' funds or cheaply funded shares from RAA money, the end result is the same. The fisher has used funds to purchase non-productive shares. This is a debt spiral that will bleed many into bankruptcy in short order. It may affect whole sections of the fishery if there is a bad season, weather or whatever.

The Standing Committee also needs to note the comments of the Minister who regularly spruiks that fishers have borrowed in excess of 2 million dollars from the RAA. The average loan is greater than \$60,000. This means 35 to 45 fishers in total have been approved. This is 4% of fishers at most.

Someone should bring this to the Minister's attention.

Shares, Quota, Nights etc.

The one real problem with the Structural Reform is that it has been squeezed into too tight a time frame.

Real reform takes time and as this reform focuses only on shares or quota or nights some of the real foundation issues have not been attended to first.

- 1) In my view, those fishers who wanted to leave the industry should have been bought out first at a fixed price. Their shares should have been held by the government in a holding exercise for later sale or use.
- 2) Those fishers who had not weighed any product for more than 5 years should have been compulsory acquired. The shares retained for later.
- 3) Fishers with high levels of malfeasance, there are quite a few fishers with more than 30 convictions in the last decade who should have been removed from the industry. The Minister has the power to do this but his public servants are very short on courage. The industry wants these criminals removed and have said so publicly.
- 4) All share trading should have been conducted through DPI. I like the idea of a fixed price mechanism but note it has legal issues attached and would probably result in off market trades anyway.
- 5) The shares needed to work in a particular fishery should have been set in increments over 5 years to allow for a staircase method to reach the desired level. Forcing it all into one bite is just putting a financial squeeze on people who have very little money.

Quota

The setting of quotas can never be fair. I strongly object to the fact that quota has been given to people who have never used the shares. It is just wrong. DPI has taken an easy path here.

On the other hand, using the historic catch records rewards those who have spent years breaking the rules and achieving very high catch rates.

I will lose about 1 tonne of historic mud crab catch per year when quota comes in. At present I catch 2500 kilograms per annum and this will fall to 1440 kilograms in 2017.

It would have been far simpler to use my average catch for the past 5 years as the base and then reduce it by 10% per year over 5 years to bring it back to the quota. Or a mathematical permutation of this. The idea is to gradually re-set the bar.

This would allow me to adjust rather than just ripping \$25,000 out of my business in 2017. This radical reduction in cash flow will damage all crabbers and eelers.

Only businesses like mine that have income outside of fishing will survive or those who gambled and purchased shares early.

Mud crab shares in Region 3 are now trading around \$100,000 per 125 shares so no average fisherman can buy them.

This is a very poor outcome by any measure. My only positive thought is that it may balance out over time or we end up like Queensland with all the mud crab shares held by just a handful of owners. This is not my preference for a sound, productive and successful industry.

Overview

It is very hard for any government to provide structural change when the fishers and their surrounding industry (Co-operatives) just don't support it.

I have met few fishers who want the BAP. No fisher at my co-op supports the BAP.

Where fishers are facing big losses they will actively use other methods to circumvent the BAP.

Without support at any level this Adjustment Program will fail.

The Minister may introduce it, the DPI may push it and the whole industry will walk away from it.

If local Fish Co-ops start to fail, and they will, the National Party will get all the blame and they are not keen on more pressure at present.

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The rot may go deeper and may start to affect the supply of fresh fish. At this point there is no way of fixing the damage, the fishers will be gone.

The industry is probably in too deep to go back now, but it is not too late to introduce a bit of stair casing to the adjustment process to spread the cost and quotas rather than forcing them to do it in one hit.

The Minister is smart enough to do this but his department is not.