

## **INQUIRY INTO COMMERCIAL FISHING IN NEW SOUTH WALES**

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To the Committee ,

My name is Gordon Hareide I am 59 years old and I have been a licensed commercial fisher for 38 years and for the last 14 years I have been operating as a sole trader .I live and fish out of the small village community of Minnie Water ,36 kilometers from the Pacific Highway and 50 kilometers east of Grafton , one road in and one road out,possibly the most remote village on the north coast of NSW. Prior to the Marine Parks Buyout the fishers that operated out of Wooli and Minnie Water were members of the Wooli Fishermans Co-Op which served as a conduit for movement of product in and out of the villages as well as the financial connect with our main market ,the Sydney Fish Markets .The Co-Op ceased to function in 2002 after the Marine Park Buyout took place, one of the most controversial and ill-conceived handouts made by any government in N.S.W , whereby funds to compensate fishers who predominantly made their living within the new marine park boundaries ,and who were going to be impacted the most by the closures , would have their fishing businesses purchased by the government at a fair price. Instead we saw the monies spent on buying out fishers who earned the bulk of their income well and truly outside the marine park and as wide afield as 150 km to sea but consistently outside marine park boundaries .After the massive handouts to these fishers ,they were then allowed to purchase other fishing businesses to continue fishing but with fat bank accounts .

This meant that new strategies had to be put in place to accommodate this change which for myself ,delivered a more business aware type approach ,an increase physical effort apart from actually fishing , and with this came an increase in profitability . It has also improved my business and financial skills and taught me to identify and work the most profitable areas with in my business.

Since 1978 there have been many changes of government in N.S.W ,and it seems to be the case that when a new government is ushered in , it feels the need to bring with it changes in policy to various portfolios,the fishing industry has had its fair share .

The 1990's produced the biggest change we have seen in the fishing industry with the issue of shares in the Lobster Fishery.Managers and politicians told us that we needed shares for security and to increase the value of our business . The strategy was to pick 4 years determined by the managers ,1987 to 1990, take a fishers 3 most profitable years and divide it by 3 to get an average of what the fisher caught ,and this will determine what the fisher was entitled to as quota when Total Allowable Catch Rates were determined .Fishers who had participated in this fishery over long periods of their career but ,for what ever reason had not caught enough to meet entry criteria ,were told that they would not be able to participate in this fishery .They could however ,sell off what ever they had ,on record caught , to one of the few lucky fishers that would get an endorsement , or they could purchase enough "kilos" to allow them entry . No consideration had been given to the circumstances of these fishers as to why they didn't fit in to the narrow time period determining their illegibility . For some of these fishers the 4 year window was very small compared to their life long fishing participation .

The same criteria was also set for all other fisheries although with the notable change that entry was determined by' fish return' frequency . Again isolating and eventually ousting more fishers who may have been participating elsewhere due to particular fishing cycles or personal reasons.

So from this period of 78 to 94 we saw the number of commercial fishers drop from around 5000 to around 1500 . With the implementation of the " share minimum holding" to participate ,we have seen the numbers drop lower again.In the " line west fishery ",which I consider to be a grass roots fishery where probably most fishers start their profession, the numbers are down to 326 fishers . Fisheries managers have decided that the industry only needs 270 fishers and believe that by increasing shareholding from 40 shares to 50 shares per business to participate,then 50 or more fishers will leave this fishery ,I feel this is a bit over expectant. When the total shareholding of the entire fishery is only 13,515 , even with their target of 270 fishers the amount of shares available is only 50 per fisher with no room for even 1 extra fisher staying in the line fishery . Furthermore when you consider that the line fishery is the most environmentally friendly and sustainable fishery we have ,you must ask why are managers pushing for a decrease in numbers ,when the number of fishers is already at an all-time low.If the answer is the threat of latent effort becoming active , then the government should consider purchasing the shares of inactive fishers at a reasonable price and give to those business owners a refund on 5 years worth of management fees.

Unfortunately the government has been somewhat irresponsible in the implementation of the program so far in that it has allowed people who have had privy of knowledge ( those involved in working groups and the such) to make preemptive decision and take preemptive actions to secure themselves considerable financial advantage ,before final decisions are to be implemented .This has led a speculative approach by people inside the industry who may have some financial excess , as well as some outside our industry who are looking for financial advantage,creating an" insider trading type

situation". This will increase the cost on active fishers to acquire more shares by pushing up the purchase price of those shares. This will mean that the monies fishers have in trust \$13.4M, will be eroded at a faster rate and speculators will receive a financial benefit at the cost to active fishers. To alleviate this issue the Department should have ceased all trading of shares and businesses until such time that a final decision had been made and the implementation taken place.

As far as productivity is concerned I can say without a doubt that my fishing businesses (Lobster and Trap and Line) have never been more productive or profitable. From my Lobster and Line fisheries I secure my whole income, and as these two fisheries are very cost effective and as I have grown older, my experience has increased which has given me good insight as to what conditions are productive and where fish are likely to be. We have also seen the biggest increase in fish prices ever over the last 7 years which has also increased our profits and we have seen species which have been at the bottom of the price range increase by up to 100% whereas other species considered top price staples, remain the same and are being slowly but surely out-priced by other species. Fishers now have the opportunity to choose which species to target on a daily or weekly basis depending on what fish are paying the premium price. Personally I will not target fish species that are paying under \$6/kilo as the costs of production start to diminish my returns (I would rather leave the fish in the ocean until such time that the returns are greater) and search out other higher priced species instead. This is becoming more the case for fishers these days.

Up until 2005 I was heavily involved in the trap fishery, target species was snapper, being the premium priced fish. However, imports from overseas and interstate created a leveling of the price and to a degree a decline, whilst the costs increased. The advantage of having a co-op to buy bait and gear collectively was gone which tripled the workload and doubled the costs. To this day snapper prices are much the same as they were 20 years ago. When the price of snapper increases to a level of consistently \$15 /KG then it becomes viable for me to trap fish again. These are the sorts of things that drive productivity in our fisheries- price, quantity and economics. Those fishers associated with co-operatives do find themselves in a different situation with increased cost sharing and markets that can accommodate lower priced product. If I was to consign any product at \$2/kg I would not make any money after costs whereas a co-op can value add and through cost sharing still gain a profit for its fishers.

Fishers and their businesses can be made up of many facets and to get a true picture of its productivity would be a real challenge for any organisation. The nature of fisherman is to be secretive as to what is happening in their business and to what they are catching and where and when value adding, to protect their markets at all costs as local markets are finite and competition is high. We are also reluctant to divulge financial information to any one other than our financial representatives, just as any other business person. Fishers have always been suspicious of information gatherers because of past experiences where others have used the information against fishers' interests.

The first productivity report was probably a victim of this type of fishers' response. As far as I am aware I think the report determined that the fishing industry contributed to around \$80 m. statewide where a report looking more in depth at industry suggested that it was more like \$500 m annually which is a substantial difference and throws considerably more light on the importance of getting things right in this restructure if it is to go ahead. If they do get it wrong as in the Marine Park Buyout in 1999-2000 then the impact on all the coastal communities will be substantial as it was in ours. Every local business, the school, club and hotel, transporting, charities, tourism, holiday lettings, even further afield in Grafton where engineering shops and supply shops of other types all paid a price. Although the

MP Buyout was a slightly different scenario, the affect has been significant and long lasting. If the government goes ahead with this plan, after allowing a speculative "insider trading" like situation to have occurred, then I think there will be many fishers out there (which there are at present) who will feel betrayed by the managers and politicians who are ushering through these reforms. If this situation were to occur on any share market in the world where speculators were allowed to take advantage of inside information then no doubt heads would roll and they would be jailed.

Since the introduction of share fisheries there has been a constant trade in shares largely driven by forces outside of our industry looking at fishing as some sort of way of tax incentive. When I have spoken to people seeking to buy shares in the lobster fishery I found that 8 out of 10 were business people from other trades and industry. eg. one was an electrician from New Zealand who was doing contract work in Brisbane, another was a builder from the south coast, another was a pilot who spotted tuna for the tuna farms down in South Australia. When I asked them why they wanted to buy lobster shares they all said they were looking to invest their extra cash where they could get a tax right-off and

at the same time secure a good yearly return on their investment, which after all costs and leasing entitlements comes in at around 10% pa. substantially more than what they would get in a bank . Miners have been another group that have been speculating on fishery shares ,gaining a tax deduction whilst buying up our businesses hoping to speculate in the future . These people are now waiting for trading to begin so that they can sink their teeth into our trust money ,or inflating the price of the shares by purchasing more ,they have plenty of cash .Where does this leave those who are working fishers ,the backbone of the industry ,having to buy back our jobs while other around us are throwing money around whilst laughing aloud "well may as well buy shares in the fishing industry than give it to the tax man " . One farmer was asked if he would sell his shares ,he said he didn't want to lose his fuel benefits so he would be hanging on to them for as long as he could .

We as business operators have not been able to ever make a business plan for longer than 3 years as this is when govts usually change hand.Its actually a relief when the same govt is voted back in sometimes because there's hope that nothing will change for the next three years so you at least have that certainty for that period . For those that are active fishers uncertainty drives many emotions fear ,anger , reluctance , insecurity ,erosion of self belief ,uncertainty of what the future holds ,for some thoughts of suicide , suicide ,marriage breakups , financial loss , these are the things that determine the success of the society we live in . Its not all about how productive some people think we should be as against how productive we are.On one hand we have managers and politicians telling us that we must preserve our resources for sustainability purposes which every true fisher will do instinctively (secure the future) while on the other hand telling us that we lack productivity and need to get our house in order . You need to be more productive but ,hang on we need to place more restrictions on you because your a threat to the sustainability of the resource .Or, your business is not worth enough money when you sell it so we will put quota or night restrictions on you so if you want to make a living you have to buy or lease more quota off the miner up the road who bought quota or nights as a tax deduction or investment .

This could be the new reality of future changes .When the reforms do occur they should be subtle .We, the active fishers have more at stake than anyone else taking part in this process and our welfare and the welfare of our families should be of the utmost importance in any decision making . There are those out there who are not obligated in any other way to our fishery than to seek out ways to capitalize on the uncertainty of decision makers and their mistakes and in the end it will be theirs that make or break fishing families and their fishing businesses whilst all others will go about their day seeking out other opportunities and other portfolios or jobs to get to.

My conclusion.

- 1) Rather than make active fishers buy more shares , legislate to buy back shares that have had no activity for a 5 year period . Give those shareholders a fair price and also reimburse them 3 years of management fees .
- 2) Those that have bought shares in the last 5 years and have not participated at all in those fisheries (speculators) ,buy back these shares for same price as was paid and give them 3 years of management fees.
- 3)To increase future interest in the fishing industry and prospective fishers , use some of the trust funds , whilst seeking federal govt funds as well and invest in an apprentice / fisher training program for young people to gain the skills and knowledge that is available at the moment ,that will disappear further down the track.This will also nurture a natural progression of fishing talent and prospective buyers for those wishing to step out of the industry through natural attrition .

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