

**Submission  
No 85**

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

**Organisation:** Professional Fishermen's Association

**Date received:** 9 December 2016

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9 December 2016

Please find attached the PFA Submission to the Parliament Inquiry in the NSW Commercial Fishing Industry. I am available to provide advice and answer any questions in regards to this submission. The Professional Fishermen's Association is the representative body of 250 licensed commercial fishers from across NSW. We have been established to represent their interests and communicate concerns since 2009. This submission has been authorised by the Committee of Management (CoM) of the Professional Fishermen's Association of NSW (PFA).

Yours sincerely

Tricia Beatty  
Executive Officer

PFA providing effective representation on NSW commercial wild harvest fishing to all levels of government and other key stakeholders

# **PFA SUBMISSION TO THE GENERAL PURPOSE STANDING COMMITTEE NO. 5 INQUIRY:**

## **COMMERCIAL FISHING INDUSTRY IN NEW SOUTH WALES**

In accordance with the General Purpose Standing Committee No. 5 requirements, the PFA submission is based strictly upon the Terms of Reference:

- a) The history of commercial fishing in New South Wales, including reforms to the industry since 1994,
- b) The value of the commercial fishing industry to the New South Wales economy,
- c) The scientific research underpinning fisheries management,
- d) Current arrangements for the assessment of fisheries by the NSW Department of Primary Industries Fisheries Resource Assessment Unit,
- e) The New South Wales Government's Commercial Fisheries Business Adjustment Program and its aims, including:
  - I. the relevance of the Draft Productivity Commission Report into Marine Fisheries and Aquaculture,
  - II. the implementation of the restructure to date,
  - III. the impact on industry and regional communities to date, including economic, social and cultural impacts,
  - IV. the economic modelling underpinning the restructure and any independent analysis of that modelling,
  - V. the approach of other jurisdictions.

# **The history of commercial fishing in New South Wales, including reforms to the industry since 1994.**

## **Key issues**

We refer the Standing Committee to the long history of continuous reform in the New South Wales commercial fisheries. This history has been adequately documented in the NSW Parliamentary Research Centre Briefing Paper No 2/2013: *NSW Commercial Fishing: Background to the 2012 Review*. This document outlines the management changes that commercial fisheries have been subjected.

However, the PFA would like to note the following additional issues not covered by the Briefing Paper:

### ***Share Management Fisheries Management***

The original intent of share management fisheries in NSW was to define the State's fisheries and link and allocate shares to commercial fisheries based mostly on catch history, to create well defined and strong, transferrable fishing rights. This did not occur. Instead, as explained by the 2012 Review: other than in the OH and OT fisheries, shares were allocated on a 'flat' or equal basis, with each restricted fishery endorsement holder receiving an equal number of shares, which, in general allowed the holder to use a standard amount of fishing gear (e.g. net length, number of traps or hooks).

However, two main failings occurred in the introduction of shares in the NSW Commercial fisheries:

- over allocation of shares
  - the issuing of shares was only loosely based on catch history and did not appropriately reflect whether a fisher was active, part time or inactive
- shares were not immediately linked to value except in the Lobster and Abalone Fisheries. The shares were made into a minimum entry required and not a "share" of a fishery.

In the strict understanding of Share Fisheries – these would not be deemed an appropriate "share" of the fishery as they hold no tangible right or portion of the fishery to the commercial fisher.

### ***Reduction of historical fishing grounds***

There is a menagerie of spatial impacts on commercial fishing areas in NSW that reduce the availability of viable fishing grounds. The layers of spatial exclusions and pressures include: Commonwealth Marine Parks, NSW State Marine Parks, national park access restrictions; wetland protection; threatened species restrictions; expanding urbanisation; aquaculture lease areas; defence restrictions; recreational fishing exclusive access; port facilities and large vessel anchoring locations; outfall pipes; and, other use demands including scuba, dolphin watching and recreational fishing. In addition, there has been two area restrictions due to contaminations – Sydney Harbour and sections of the Hunter River.

### ***Loss of Industry Voice and lack of Co-management***

As quoted in the Stevens et al (2012) report:

*The very strong view expressed throughout this review, and in previous reviews, is that the consultation process has not been satisfactory for a number of years and there is little confidence in it. Some of the issues are no doubt related to the*

*geographical spread of many of the fisheries and the highly complex, regionally differentiated, management issues associated with the share classes within them. The lack of a peak industry representative body has also been cited as a barrier to effective consultation and representation. Consultation processes have been unclear and many felt distrust or that they were not well served by, the Management Advisory Committee (MAC) and Seafood Industry Advisory Council (SIAC) processes and were not supportive of the outcomes and recommendations from them. As a result, many selectively ignored the process or lobbied around it to achieve an alternative outcome, thereby exacerbating the governance issues raised above or resulting in no outcomes being achieved at all. While fault has existed with all parties from time to time, the result has been a breakdown in trust, respect, goodwill and a willingness to work together. Scarce resources have been wasted fighting ad hoc issues both within and outside of the proper consultation processes.*

The report recommended:

*It will be necessary to re-build trust and relationships before any significant co-management can occur as currently few, if any, of the necessary pre-conditions for co-management by industry are in place in NSW. Nevertheless, with the forming of the peak industry body and a commitment to improving relationships through the new consultation arrangements, some co-management opportunities could arise in the consultation, advice and research areas.*

## **Evidence**

The PFA refers you to:

- NSW Parliamentary Research Centre Briefing Paper No 2/2013: *NSW Commercial Fishing: Background to the 2012 Review*.
- Stevens, R., Cartwright, I. and Neville, P. (2012) *Independent Review of NSW Commercial Fisheries Policy, Management and Administration*, prepared for NSW DPI - Appendix 1: Historical Background

## **Case studies**

The constant upheaval and changes to Governmental statements and commitments has results in a severe lack of trust in any Government statement. This has in turn created serious stress and uncertainty amongst fishers and their families. In acknowledgement of this anxiety, the NSW Government promoted mental health assistance phone contacts. However, many PFA members advised that these assistance phone numbers created further anxiety due to the operators' lack of any understanding or appreciation for the issues facing fishers. Fishers also advised that they were instructed to seek medical assistance.

## **Recommendations**

- A strong co-management approach should be adopted in NSW commercial fishing industry.
  - Stronger more representative involvement in decision making
- Review of DPI Fisheries with consideration of it to become a Statutory Authority with a Board of Stakeholders, Governance Experts and Industry experts
- Deliver targeted counselling and mental and physical health support services tailored to the needs of the professional fishing community, as per King et al. (2014), to address the impacts of industry marginalisation and regulatory uncertainty.
- Conduct a social and economic impact assessment of existing fisheries regulations with a view to revising restrictions that have disproportionately impacted on the

wellbeing of NSW fishers and their ability to contribute to community wellbeing, especially in relation to impacts on Indigenous communities. This impact assessment should investigate how much and to what extent restriction or removal of restriction would impact on the wellbeing of NSW fishers and their ability to contribute to community wellbeing.

# The value of the commercial fishing industry to the New South Wales economy.

## Key issues

The NSW Commercial Fishing Industry has always been limited in being described by its first point of sale of \$80million annual GVP. In recognising that any discussion regarding the value of our industry would be impaired without an appropriate valuation of our industry, the Professional Fishermen's Association lobbied for funding of independent research to provide these answers.

The recently released two-year research project funded by the FRDC and its research partners: the University of Technology Sydney, the University of Wollongong, ENVision Consulting and Western Research Institute, aimed at evaluating the wide-ranging social and economic contributions that the commercial wild-catch fishing industry makes to NSW coastal communities. A copy of the report can be found at <https://www.uts.edu.au/about/faculty-arts-and-social-sciences/research/projects/valuing-coastal-fisheries>.

One reason for the evaluation is to help to inform the NSW Government of the likely impacts on coastal communities of its resource management decisions. Another equally important reason is to provide information for the general public about the benefits that flow from the commercial fishing industry. Specifically, the research aimed to answer the question: What do communities lose if the industry continues to decline at current rates?

The following is direct excerpts from the project but we encourage the Standing Committee to call as a witness Dr Kate Barclay who was Principle Investigator on the project.

*For the past 25 years, at least, there have been many attempts at quantifying the respective contributions that the fishing sectors, primarily commercial and recreational, make to the Australian, state and NT economies in order to assist in the allocation of fisheries resources. Unfortunately, such quantifications have rarely been useful as they have varied in their methodologies and, hence, not led to 'like-for-like' comparisons of the contribution one sector makes against another.*

*In amongst these allocation debates, little regard has been given to the greater economic and social well-being contribution that commercial fishing makes to communities.*

*The following results are grouped under each of the seven identified 'dimensions of community wellbeing'.*

### *A resilient local economy*

- *The Project indicates that professional fishing has a Gross Value of Production (GVP) of \$81.7m; total direct and indirect impacts of \$219.1m; \$104.8m of added value; household income of \$50.8m; and provides 1,403 full-time jobs, of which 403 are fishing industry suppliers. The fishing and the secondary sector in 2012–13 had a likely direct and indirect output of \$436m–\$501m; added value of \$215–\$248m; household income of \$117–\$137m; and provided between 3,291 and 3,857 full-time jobs across NSW.*

- *Nine out of ten NSW coastal residents agree that professional fishing is an important industry for NSW. The same number believe the industry provides important employment opportunities in NSW towns and eight out of ten were concerned about potential job losses that might occur if further restrictions were placed on the industry. These results varied slightly between regions but remained consistently high across the state.*
- *The professional fishing industry has highly complementary and interdependent social and economic relationships with a number of other industries that are important to local economies in regional areas. In particular, regional tourism and recreational fishing are both supported by, and in turn support, professional fishing.*
  - *Regional tourism: 89% of NSW residents expect to eat local seafood when they visit the coast, 76% feel that eating local seafood is an important part of their coastal holiday experience and 64% indicated they would be interested in watching professional fishers at work while on holidays.*
  - *Recreational fishers: Recreational fishers are more engaged with seafood quality and provenance issues than non-fishers. They are more likely to support their local industry, especially their local co-operatives, when purchasing seafood products. They were also significantly more likely to be interested in purchasing local seafood and watching professional fishers at work than non-fishers when on holidays.*
  - *Recreational bait: The professional fishing industry and the NSW recreational fishing industry directly support and sustain each other through the bait market, specially Sardines (Pilchards) and School prawns. The available data indicates that the local bait caught by the NSW professional wild-catch industry accounts for up to a quarter of the \$39 million spent on bait and burley by recreational fishers each year.*
- *NSW professional fishers tend to fall into two categories with quite different needs, aspirations and fishing practices, which is of relevance to both fisheries and business management. 'Group A' are larger-scale, specialist fishers. 'Group B' fishers are smaller-scale, largely inshore, multi-method, multispecies fishers who seek to maintain non-commercial aspects of fishing in preference to business growth or expansion. Fishers across both groups are increasingly using vertical integration and direct marketing to sell their products to local consumers, rather than the Sydney Fish Market (SFM) and co-operative systems of marketing.*

#### *Community health and safety*

- *Locally sourced seafood is an important source of food and nutrition within local communities, especially in regional areas where preferences and purchasing patterns indicate moderate to strong consumer demand for these products. Further growth of this market is inhibited by a lack of awareness amongst the public as to whether the products they are buying are locally caught. While supermarkets are the primary market for seafood sales in most areas, the results indicate a strong reliance on local co-operatives for those seeking out local seafood. It is likely that consumers are less aware of the provenance of the seafood they are buying when they purchase from other popular outlets such as supermarkets, fish shops, restaurants and takeaway food shops.*
- *The NSW general public believes the NSW industry is important for local food security – 94% agree that it is important we produce our own seafood in NSW. It*



also wants to know where its seafood comes from – 37% were 'extremely interested' and 35% 'very interested'.

- Ninety-six percent of NSW coastal residents indicated that the desire to support their local community was a major motivation in purchasing local product.
- Professional fishing contributes to the health and wellbeing of Indigenous communities in a range of ways. A small group of Indigenous fishers are active within the industry and play a significant role in their communities through the provision of culturally and materially important food, involvement in traditional practices, and providing employment opportunities. The project results suggest that compartmentalising cultural fishing from other components of Indigenous health and wellbeing is leading to a failure to adequately understand and address the complexity of the social determinants of Indigenous health, with fishing and seafood consumption intricately linked with improved health outcomes through improved nutrition, as well as the strengthening of social connections and cultural bonds.
- Professional fishers play an important role in on-water safety and have undoubtedly saved many lives. Over 60% of the fishers we interviewed had been involved in search and rescue activities; for inshore fishers this was often on a regular basis.

#### *Education and knowledge generation*

- There is an overwhelming reliance on informal modes of teaching within the NSW industry. Knowledge passed on within families, between mentor and trainee, or between Indigenous fishers and their communities is integral to the process of learning to be a fisher. This in turn influences the success and extent of all other contributions to community wellbeing, including economic contributions, the ability to provide seafood products to the community, and the development of environmental knowledge.
- Fishers exchange information about the local environment, fish movements and weather patterns in formal and informal ways with the wider community, including regulators, researchers and recreational fishers.
- The reliance on unwritten, accumulated knowledge is highly vulnerable to any disruptions in the relationships that facilitate its transfer, such as regulations which restrict the ability for unlicensed crew to assist in fishing operations. This vulnerability is especially relevant to Indigenous communities, where restrictions on community participation in ocean haul activities has impacted cultural teaching and learning. In addition, the transfer of knowledge is threatened by an ageing industry with few new entrants, and little or no succession planning.

#### *A healthy environment*

- Fishers can and do contribute to overall environmental health by practicing sustainable fishing methods, monitoring environmental changes and sharing environmental knowledge with researchers, decision makers and the wider community, and by participating in stewardship activities such as cleaning up rubbish and rescuing injured wildlife.
- Sixty-seven percent of the NSW public in coastal communities believe that the industry can be trusted to act in a sustainable manner. Seventy-two percent support the continuation of the industry. These levels of trust were consistent across the state and amongst recreational fishers and non-fishers.

#### *Integrated, culturally diverse and vibrant communities*

- The professional fishing industry has historically played an important role in migration of Italian, Vietnamese and Croatian families into a number of NSW coastal communities, contributing to the cultural diversity of regional NSW. Today the

*industry continues to contribute seafood products and job opportunities to an ethnically and culturally diverse marketplace. The industry also contributes to socio-economic diversity by providing opportunities to a range of people, including those with limited levels of education or from socially disadvantaged backgrounds.*

- *Industry contributions to an integrated community are influenced by the relationships the industry has internally, with the wider community, and with decision makers (referred to as bonding, bridging and linking forms of social capital). All forms of social capital present challenges as well as opportunities for the industry. Bonding social capital is an area in which there are currently considerable challenges, with evidence of an industry 'turning on itself' in the face of external pressures, including a current reform process. Despite this, the industry plays an active role in community life and in supporting local communities through sponsorships, donations (especially of ice) and involvement in community events.*

### *Cultural heritage and community identity*

- *Professional fishing has played a crucial role in the development of many NSW coastal communities. A large number of NSW coastal residents (76%) indicated that they would be concerned about a loss of character or identity in NSW communities from further reductions in professional fishing. Professional fishing also assured the survival of many Indigenous families in NSW by providing income and food to supplement Government rations in reserve and mission communities.*

### *Leisure and recreation*

- *Material contributions to recreational activities provided by the wild-catch industry include the provision and maintenance of public infrastructure, such as wharfs, slipways, moorings and fuel supplies associated with fish merchant businesses (largely co-operatives). In particular, ice is one of the most significant in-kind contributions made to local community events and groups by fish merchant businesses.*
- *Our questionnaires revealed that recreational fishers put a high value on access to local bait supplies, with 78% of recreational fishers across the state agreeing or strongly agreeing that they preferred local bait, even if it is more expensive. This is an under-recognised connection between professional and recreational fishing.*

### **Evidence**

I refer you to:

<http://www.uts.edu.au/about/faculty-arts-and-social-sciences/research/projects/valuing-coastal-fisheries>

### **Recommendations**

- Integrate the wellbeing framework into the management and industry reporting process by conducting annual or biannual reporting against each dimension of community wellbeing, and by formalising consideration of each dimension of community wellbeing in regulatory and socio-economic impact assessment processes.

### **Summary**

- The NSW professional fishing industry contributes more than \$436 million in revenue annually to the State
- Over 3,290 full-time jobs in fishing operations, service industries, sales and marketing.

- 94 per cent of the general public in NSW believes it is important that seafood continues to be produced in NSW
- 96 per cent believe buying local seafood is better for the local community
- 89 per cent of NSW residents expect to eat fresh local seafood when holidaying on the coast, 76 per cent say it is an important part of their coastal visit experience
- 60 per cent of professional fishers have helped out with search and rescue operations in estuaries and coastal waters
- Fishing is part of the heritage of many towns
- 78 per cent of recreational fishers across the state prefer local bait

# **The scientific research underpinning fisheries management**

**&**

## **Current arrangements for the assessment of fisheries by the NSW Department of Primary Industries Fisheries Resource Assessment Unit,**

### **Key issues**

- It is the responsibility of DPI Fisheries to undertake the research that underpins state-based fisheries management.
- The PFA is a member of the Fisheries Research Development Corporation's (FRDC) Research Advisory Council for NSW to identify overarching strategic research issues (not considered core business by the NSW Government DPI Fisheries Strategic Plan).
- Commercial fishers are involved in Observer Programs and provide assistance in many other research projects.
- It is understood by the PFA that many of our fisheries would be considered "data poor" as their assessment are based largely on data logbook system that is admittedly flawed. Due to this, it is understood by the PFA that DPI has mainly adopted a Harvest Strategy approach, underpinned by risk management and precautionary principles. In the PFA's opinion, this approach will never allow commercial fisheries to reach the maximum sustainable yield and therefore potential but it is not an isolated problem for commercial fisheries management.
- However, it should also be noted that the significant lack of data for the recreational and indigenous fishing harvests severely limits the strength of fisheries management decision and therefore creates higher risk and heavier use of the precautionary principle. This further limits the potential development and growth of the commercial fishing sector of NSW.

# The New South Wales Government's Commercial Fisheries Business Adjustment Program and its aims, including:

## *The relevance of the Draft Productivity Commission Report into Marine Fisheries and Aquaculture,*

### Key issues

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#### *Recreational Fishing*

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*A developing issue is weak knowledge of the impact of increasingly successful but unmanaged recreational fishing on some high value fish stocks.*

*Recreational and Indigenous customary fishing activity is at best sporadically monitored and impacts on stock sustainability largely uncounted in fishery management regimes. This is despite the fact that recreational fishing is a popular pastime for millions of Australians, and that recreational catch rivals commercial catch for some species, placing pressure on some key stocks.*

*Recreational fishing needs greater recognition in fisheries management, and decisions on restrictions and facilities for fishers require development of a sound evidence base.*

The NSW Commercial Fishing Industry has been declared a share managed fishery and subjected to significant restructure due to this. However, catch sharing among fishing sectors requires credible data for decision-making, allocation and management. Historically, the commercial fisheries sector has received most attention by management agencies as it was considered to harvest more fish and have greater economic importance than the recreational sector. However, it is becoming widely accepted that the recreational sector takes a significant proportion of the catch from some fisheries (Cooke & Cowx [2006](#); Ihde *et al.* [2011](#); Lloret & Font [2013](#)).

Attempts have been made to create stronger recreational fishing management arrangements and monitoring regime however these have become so diluted due to political interference that that are ineffective. For example,

- recreational fishing licence arrangements give no true indicator of fishing numbers as significant groups within the community are not required to hold a licence.
- A discussion paper on recreational fishing management arrangements that proposed stronger bag limits and fin clipping to support the bag limits met with significant opposition and very little of the original proposals were adopted

The recent ABC's Landline Report titled "Fishing for votes: The political power of recreational fishing" featuring on Sunday 20th November 2016 highlighted the Australian Fishing Trade Association (AFTA) intention to lobby for "net fishing bans in New South Wales". This would centre on the Hawkesbury River, the Central Coast and in Shoalhaven. They also stated that they had no interest in the science that demonstrates our professional fishing industries as sustainable. That their agenda would drive political propaganda and use this to pressure the Government into designating sustainable fishing grounds solely for the use of 8-10% of the community. The video is available from <http://www.abc.net.au/landline/content/2016/s4578037.htm>

This tactic has already proved successful in Victoria and Queensland in closing and denying this public resource to the community and designating it solely for a leisure pursuit.

Already PFA members have expressed their fear that they will invest in the purchase of additional shares through the Reform to then face area closure and restricted access of historical fishing grounds.

Already 33 productive NSW rivers are exclusively designated for recreational fishing to the detriment of the supply of local seafood. AFTA's sole agenda to increase recreational fishers is based on the need to increase recreational fishing tackle and gear sales – not to safeguard the communities' best interests.

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## CoOL

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This decision is based on food safety only. It ignores that CoOL provides information on consumer values, not food safety. The Blewitt Review (2011) identified that Country of Origin (CoO) is a consumer value, not a food safety issue, and that other legislation addresses food safety.

The Australian Government set a precedent when it mandated CoOL be provided for seafood sold at retail and in packaged format. CoOL addressed consumer demand for information that the vendor did not provide voluntarily.

The market has failed to pass on seafood origin information despite it being provided by the industry. The market is conflicted and opts not to volunteer CoOL for seafood. Growth in the seafood market category requires transparency that is not provided by the food service sector. Advising against any government intervention stalls any progress that the seafood industry and food service sector can make to mutually address the issue.

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## Fisheries Management

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As stated in the Productivity Commission's Key Findings (page 14 of report) available for download at <http://www.pc.gov.au/inquiries/current/fisheries-aquaculture/draft> :

*Current policy settings are sometimes overly prescriptive and outdated. In particular:*

- most commercial fisheries are managed primarily through controls over fishing methods, despite long recognition that this is a relatively inefficient way of meeting catch constraints, and inhibits fishers from introducing more cost effective practices*
- recreational and Indigenous customary fishing activity is at best sporadically monitored and impacts on stock sustainability largely uncounted in fishery management regimes. This is despite the fact that recreational fishing is a popular pastime for millions of Australians, and that recreational catch rivals commercial catch for some species, placing pressure on some key stocks*



– governments differ in the extent to which they have adopted best practice fishery management techniques, which is leading to significant costs for fishers operating in some cross-jurisdictional fisheries, and risks to sustainability of stocks.

- Commercial fisheries should move as a default position to apply transferrable quota systems. This would result in fewer constraints on fishing practice and provide a more efficient and effective means of adhering to harvest limits.

The PFA strongly reject the suggested default position of fisheries management to apply transferable quota systems. This is a simplistic approach to fisheries management with no real understanding of the issues surrounding ITQs or the complexities of the NSW fisheries management arrangements. These issues include:

- Expensive management tool

ITQs are known as a highly expensive fisheries management tool that, in comparison to other fisheries management tools requires more administration and research to maintain.

- Discards and high grading

High-grading is a common issue in quota fisheries where fishers discard fish of low value to allow them to land more valuable fish *Batsleer et al (2015)*.

- Quota issues for multi-species fisheries

Multispecies fisheries, however, can present particular difficulties for IFQ management because it is very difficult to know ex ante the catch composition (Squires et al. 1998). While fishers have some ability to alter the species composition of their catch either by location choices, timing of trips, or alteration of fishing methods, it is almost inevitable that individual fishers' species mix of catch will not exactly match their ex ante portfolio of catch rights.

- Misallocation of quota.

## Evidence

Batsleer, J., Hamon, K.G., van Overzee, H.M.J. et al. *Rev Fish Biol Fisheries* (2015) 25: *High-grading and over-quota discarding in mixed fisheries* 715. doi:10.1007/s11160-015-9403-0

Cooke S.J. & Cowx I.G. (2006) *Contrasting recreational and commercial fishing: searching for common issues to promote unified conservation of fisheries resources and aquatic environments. Biological Conservation* 128, 93–108.

Ihde T.F., Wilberg M.J., Loewensteiner D.A., Secor D.H. & Miller T.J. (2011) *The increasing importance of marine recreational fishing in the US: challenges for management. Fisheries Research* 108, 268–276.

Lloret J. & Font T. (2013) *A comparative analysis between recreational and artisanal fisheries in a Mediterranean coastal area. Fisheries Management and Ecology* 20, 148–160.

Squires, D., J. Kirkley, and C.A. Tisdell. 1995. Individual Transferable Quotas as a Fisheries Management Tool. *Review in Fisheries Science* 3(2):141–169.

## Outcomes

The PFA supports elements of the Productivity Commission's Report and rejects others. The scope of the Productivity Commission's Report was too broad and resulted in investigation of broad issues and appearances – not the deeper details that must be considered before any formalisation of Government policy.

## **Recommendations**

- Emphasise the need to promote community understanding and appreciation of the NSW Professional Fishing Industry as an important primary producer and supplier of a sustainable protein source for the entire NSW community.
- The commitment to introduce Country of Origin Labelling and funds to promote the social licence of our industry is an important step forward in assuring the community of seafood and reducing the political momentum of AFTA's "no netting" agenda
- Do not adopt the recommendation to use quota allocation regimes and a default fisheries management tool as this is a simplified approach that does not appreciate the complexities of both the NSW commercial fisheries and the of fisheries management itself.



# The New South Wales Government's Commercial Fisheries Business Adjustment Program and its aims, including:

## *the implementation of the restructure to date*

### Key issues

It must be recognised that the majority of industry rejects the reform and its objectives amongst the PFA members. Many believe that the proposed reform will create too much disadvantage for the industry and that latent effort does not impact upon the viability of their business. This objection is very strong amongst specific share classes and specific regions and must be given value in this process. There is a potential for regional management that will allow certain share classes and certain regions, with little latent effort risk associated, to be able to be removed from the reform and access to the Exit Grant. This issue lends itself to a possible share class by share class approach where priority "risk" areas are addressed first.

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### *Ability to Improve Viability*

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In 2013, the stated objective of the SARC to deliver for the reform was the "long-term viability of the industry, improved strength and value of shareholders' access rights and improved opportunities and flexibility to tailor access."

However, in the 2016, the SARC Final Recommendations states that the problems facing NSW commercial fisheries are a result of over allocation, difficult economic circumstances and sustainability concerns for some species. These problems facing the industry are caused by Government managements of the industry and yet the pressure is put on the industry to resolve the issue. Although the \$16million for the Exit Grant was meant to assist in program, it is understood that this amount is not enough to address the overallocation of shares issues by the NSW Government. Therefore, the Reform is not utilising a simple buyout (as adopted in the majority of industry restructures). Instead, a significant portion of the Reform is based on pressuring the industry to purchase the over-issued shares.

In the 2013 the Questions and Answer Document provided by the DPI states:

*The future will bring a different scenario altogether, where if a fisher invests in more shares they will get a direct benefit for doing so. They will get a proportional increase in their level of access, and will have certainty that additional effort cannot spill into that sector of the fishery at any time (e.g. should fish prices or fish abundance increase). This means their investment is protected in a way that it is not at the moment. Theory and logic suggests that shares should also be worth more in the longer term.*

*The future scheme will also enable shareholders to easily upscale or downscale if they choose, to focus their fishing activities on the things they want to do, and at the levels they want to fish. The removal of historic rules and regulations that will no longer be needed because the total catch or effort is capped should mean fishers will be able to operate in a more efficient way compared to now.*

Copies of the document are available at:

[http://www.dpi.nsw.gov.au/data/assets/pdf\\_file/0010/631639/Independent-Review-Q-and-A.pdf](http://www.dpi.nsw.gov.au/data/assets/pdf_file/0010/631639/Independent-Review-Q-and-A.pdf)

However, this is not the case for many of the shareclasses – there are those who are required to increase minimum shareholdings with no direct benefit or ability to easily upscale or downscale their businesses. There is no apparent direct benefit obvious to the industry – even quota requires significant investment without direct benefit in comparison to the existing management arrangements. Those fisheries going through the Independent Allocation Process are also questioning how they can “further invest” in their shares when their quota allocation criteria are completely unknown.

In addition, the statement that it will create certainty for the sector and that “additional effort cannot spill into that sector of the fishery at any time” is doubtful when there is no knowledge or strict management control of the recreational or Indigenous harvest levels.

The SARC also state that the “share linkage is fundamental to instilling greater value and security in shares and ensuring that NSW fisheries begin the shift towards contemporary, best practice fisheries management rather than being hamstrung with the same problems and issues that gave rise to the reform in the first place. When complete, the process will not have resulted in ‘buying jobs back’ since each fisher will have a known portion of access to the fishery, which, in the long term will result in increased profitability, sustainability and enhanced social licence.” However, the “hamstrung” nature of fisheries management remains with no obvious additional incentive for many shareclasses to further invest.

The concept of reform was to provide viable fishers with security and the creation of a strong link between commercial fishing shares and their level of access to the resource. The process to link the shares requires the activity of fishers (their gear, catch or days) to be shared amongst all fishers, both active and inactive. However, due to the high level of distortion across the share classes the linkage has resulted in a significant reduction in active fishers’ activity levels forcing them to make significant investment to return to the current levels if they are to remain in the industry. The investment required by the operators is not likely to be returned in any near future thereby making it a difficult decision to invest.

Fundamentally, the PFA is opposed to the concept of active fishers required to further invest into their businesses if they wish to remain viable with no certain and immediate gain of similar value to the business.

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### *Industry Acceptance*

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The level of acceptance of the Reform Linkages has been mainly based on whether a share class and fishing business has been largely impacted or can cope with the required level of further investment. From what the PFA has witnessed, the level of acceptance has not been widely based on fishers’ belief in the linkages ability to actually create positive reform and improve economic viability.

Some fishers have already invested in additional shares in response to the announcements while others are either waiting for the Subsidiary Program or simply cannot afford the level of re-investment in the industry required with the allocation levels stated.

In a survey conducted by the PFA of its members in September/October this year, we asked our members if they supported a Parliamentary Inquiry. The following is the results received:

Out of the 246 surveyed, 154 participated in the survey (through either a survey monkey or telephone interview), 92 refused to participate or could not be contacted:

Although the PFA had wanted a breakdown per share class regarding PFA members' stance on the reform, unfortunately the majority of those who participated left that specific question blank for reasons we can only assume, (i.e. they did not understand the question or were happy to provide a simple YES or NO in the previous question asking if they support the reform to go ahead or not).

**The following is the results received:**

Out of the 246 surveyed, 154 participated in the survey (through either a survey monkey or telephone interview), 92 refused to participate or could not be contacted

Do You Want To See The Reform Proceed For Your Share class?	Numbers	Percentage
Yes	45	29.22%
No	108	70.12%
No Comment	2	1.29%
Yes & No	1	.064%

Would you support a delay to provide more information re: details of the reform?	Numbers	Percentage
Yes	97	62.98%
No	53	34.41%
Don't Care/No Comment/Undecided	3	1.94%

Response to whether they supported a Parliamentary Inquiry	Numbers	Percentage
Yes	104	67.5%
No	46	29.9%
Abstained	4	2.6%

It is strongly obvious that the PFA members are frustration and stressed regarding the announced linkages, and lack of important detail.

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*Implementation Issues*

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Significantly, the industry is progressing through a Reform in which the majority are opposed. Issues identified in the Neil MacDonald Report regarding "Implementation Issues" have not been addressed by the NSW Government (availability of shares, linkage arrangements, costs etc.) and the need for a good communication network with industry, as identified in the Steven *et al.* (2012) [Independent Review of Commercial Fisheries Policy, Management and Administration](#) is also severely lacking. There is still no MACs, no peak industry body, no functional DPI Liaison Unit. Significant elements of industry advice have been ignored. This is a fundamental failure in the delivery of the Reform and provides some justification for the strong support by the industry for the Parliamentary Inquiry. The PFA believes that this must be investigated and addressed by the NSW Government.

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## *Peak Industry Body/Industry Consultation*

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The need for a peak industry body has been identified in the “Independent Review of NSW Commercial Fisheries Policy, Management and Administration Report” (2012) and supported by the Minister in her media statements of 2013. The Minister specifically stated that “the long-term goal is for industry to form and endorse a single peak body that provides a united industry voice.”

The Independent Report stated that “the formation of a peak industry body is a critical plank in achieving vastly improved consultation and industry engagement”. The Review also stated that “the funding of the Peak Industry Body is to be achieved through an increase in the general share management charge accompanied by an explanation to all licence holders as to the purpose of the increase.” The general share management charge was increased in July 2013.

The review recommended a course of action, such as a forum and independent facilitators, which was undertaken and led to Peter Neville’s Report that recommended a modified PFA structure for a peak industry body. However, the Department of Primary Industries (DPI) advised that it would be unwise to directly fund a Peak Industry Body and that a consultation contract would provide a secure means to assist the establishment of a Peak Industry Body. The Minister for Primary Industries and Small Business, Katrina Hodgkinson announced on the 23 October 2014 “Tender open for Commercial Fishing Peak Industry Body”.

In response to the invitation to tender to the consultation contract, the PFA received Fisheries Research & Development Corporation (FRDC) funding to contract a consultant to ensure the most appropriate and robust model would be put forward as part of our tender response. The expert consulted with key industry contacts and stakeholders and assisted PFA in the development of its tender response and an effective model that delivered the requirements of the consultation contract and the separate needs of the industry.

The tender process was then closed with no contracts awarded and with no formal explanation of why.

PFA continues to engage with the Department and other stakeholders in representing our members’ concerns and provide constructive discussion. However, the failure to award the consultation contract and with no clear pathways for communications with the NSW commercial fishing industry has undermined and created significant confusion at an already critical point in our industry history.

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### *Overarching Issues Regarding the Draft Recommendations:*

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#### *Lack of detailed information*

- Costings
- Detail regarding the management, enforcement and administrative detail
  - (Including differences in regional and area management)

- Quota allocation criteria and levels for some fisheries

The Reform forces fishers to make significant decisions on whether they will purchase additional shares, adjust their business structure or leave the industry with severely limited information to assist in their decision. Fishers have been advised that their management arrangements will be moving towards full cost-recovery, but the costs are unknown and the management arrangements.

No individual or organisation should be forced into such a significant business decision without costs or understanding of the administrative/management arrangements. This reform was to focus on ensuring the economic viability of commercial fisheries and yet fundamental elements are significantly missing from this process. In addition, there are details regarding how the linkage would interact and compensate for regional differences. These regional differences will likely impact significantly on whether the proposal would be effective or cause significant problems for a business to remain viable – and yet the detail is not available.

### *Lack of certainty and security*

This lack of confidence by the industry in the reform must be recognised. Industry has been subjected to many promises and constant changes by Government. There is no guarantee and confidence in this process to encourage viable operators to invest further in the industry. This issue is further exacerbated for those fishers going through the Independent Allocation Panel process.

There are those who may be able to invest in additional shares are not confident in the future with many significant questions unanswered that would impact on their business plan. The relationship between industry and Government is a significant issue. Without strong communication networks and trusted relationships in place, the need for reform would always have serious confidence issues. Richard Steven *et al.* recommended in their Report the needs for this to be in place during the Reform process and the NSW Government made this commitment but failed to achieve this despite a number of opportunities throughout the last few years. A much stronger co-management approach needs to be adopted within NSW that both provides a stronger voice for industry but also ensures effective and practical decision making.

### *The ability to achieve long-term viability*

The PFA and its members are concerned that these major changes will not create a strong and viable industry. These issues include:

- Overly complex system which fishers do not want to have to pay for; and
- Sacrifice the ability to diversify as fishers will need to concentrate investment into narrower fields of share classes

In the SARC Chair's Report (10-12 September 2014) It was stated that economic viability means the economic viability of a share classes or fishery as a whole. That is, increasing the difference between the revenues generated from the share class or fishery and the total costs to produce those revenues. The PFA fears that the reform's intention to improve economic viability of the industry and strength cannot be achieved by the linkages proposed for many of the shareclasses when they are requiring a level of blind investment from viable operators that will not be returned and compromise already tight profit margins.

The NSW SIC Independent Report by Darly McPhee highlights these issues in more detail with strong reservations that increasing costs to a business without any obvious or immediate gain only further burdens a business.

### *Re-investment Requirement for Industry Viability*

The detailed analysis undertaken by David Saul Accountants for the NSW SIC Independent Review highlights issues with the burden of re-investment without any dependable or immediate benefit. It is understood that Financial Institutions have strongly advised that investment into a business is based on tangible assets such as real estate etc. Property Rights of the Quota Share Management arrangement is not something that financial institutes find as an investment potential, especially in this global market.

### *Impact on Market Value*

The announcement of the Reform linkages has created significant market destabilisation. As there is no idea what shares will mean after the Independent Allocation Panel decision. This situation has created speculation and instability for these fishers which they will have to endure for the next three years, before criteria is known and issued.

The PFA refers the Standing Committee to the detailed analysis undertaken by David Saul Accountants for the NSW SIC Independent Review. The review refers to the significant destabilisation and speculation occurring as shares are being traded. This instability adversely impacts on the ability of fishers to make business decisions.

## **The 4 Elements of Recommended Linkages:**

There has been a mixed reaction to the Linkage announcements based on whether the recommendations for a specific shareclass would result in significant adjustment or not. Some members have also expressed the acceptance of the recommendations based not on a belief of the recommendations creating viability but from exhaustion and stress caused from this process.

There are four basic elements to the Structural Adjustment:

1. The Blind Investment: rise in minimal shareholding and the later establishment of Independent Allocation Panel that will determine the allocation of catch quota etc.;
2. Day or catch quota allocation that requires significant investment due to the low allocation levels; or
3. Minimal rise in shareholding requirements; or
4. No change.

## **Blind Investment**

*[Ocean Trawl, Purse Seining, Ocean Trap & Line (East), Estuary General Hand gathering]*

### *Financial insecurity*

The announced linkages stated that commercial fishers increase shares to meet minimal share requirements in addition to facing an uncertain allocation criteria to be later determined by an Independent Allocation Panel. There is no financial security of purchasing additional shares when an individual's access to the fishery's resources will substantial change again within 2-3 years afterwards.

### *Discarding*

PFA cannot accept the linkage to introduce catch quota in mixed species fisheries such as the Ocean Trawl Fishery. Catch quota for mixed species leads to socially unacceptable behaviour and fundamental issues regarding the viability of the industry.



It is well documented that mixed species catch quota arrangements leads to wastage and discards of valuable seafood at sea. Knuckey & Ashby (2009) clearly state that discarding is unproductive and time consuming for fishers.....when commercial fish are discarded it is also seen as a waste of a potentially valuable resource. In addition Tuck *et al.* states that with the quota controlled South East Trawl Fishery “varying, but significant, levels of the catch (up to 50% by weight of quota and non-quota species combined) are caught and discarded in the “market” fishery”.

Discarding occurs in many fisheries under a wide variety of management arrangements. A need to adhere to minimum size limits, market or processor demands or stay within bycatch limits often leads fishers to discard their catches. Under ITQs, fishers may have an incentive to highgrade the marketable portion of their catches or discard catches for which they have no quota (Geen 2000). As stated by Geen the extent of discarding under ITQs, particularly in multi-species fisheries, will be heavily influenced by the ability of fishers to target individual species, the size of TACs in relation to fish availability, the functioning of the quota market and the price differentials between fish grades.

Quotas were originally brought in to improve management of the South East Trawl Fishery, but gear modifications are now being discussed to reduce discarding, which has been exacerbated by the quota management system (Knuckey & Ashby). "Some quota species may be discarded due to minimum legal lengths and influence of TACs and ITQs, and both quota and commercial non quota species are often discarded because of their low value due to various market and economic forces." Knuckey & Ashby (2009).

In recognition of the wasteful practice caused by such arrangements, overseas' countries are already demonstrating a strong movement away from quota arrangements. European fishermen have, for almost four decades, been forced to dump millions of tonnes of edible fish overboard every year because of how EU quotas were managed. Some studies have estimated that up to two-thirds of healthy fish caught in trawler nets were being thrown back into the sea dead.

Recently, Ireland brokered a landmark regional deal between six EU countries to reduce fish discards — the wasteful dumping at sea of millions of tonnes of perfectly good fish. (<http://www.irishexaminer.com/ireland/landmark-deal-on-fish-discards-334519.html> ). PFA therefore questions why this fishery would move towards this arrangement when such efforts are being made both overseas and in Australia to mitigate the discards caused by quota arrangements.

### *Ability of Recommendation to Achieve Fishery Viability*

In these specific share classes (Ocean Trap & Line - East & Spanner Crab Southern Zone - and Northern Fish Trawl) the risk of latent effort activation does not create an immediate impact on business viability. The investment required to enter the share class is considered restrictive enough to ensure low risk of the activation (eg the investment of vessel, gear, crew etc). However, these are the fisheries that will suffer the requirement to potentially significantly adjustment more than the majority of other share classes and undergo the greatest level of stress as allocation criteria will remain unknown for a significant period.

### *Profit Margins*

The viability of all businesses is reliant on profit margins. It is well established that catch quota arrangements are the most expensive of known fisheries management tools. There are already significant costs experienced by commercial fisheries:

- Cooperative commission
- Sydney Fish Market commission
- Transport
- Gear
- Ice
- Licence fee charges
- Vessel registration/fees
- Workcover fees
- Insurance fees
- Crew costs
- Breakdown slippage

Fisher under catch quota systems are asked pay for additional costs such as:

- Higher licence fee chargers
- Prior reporting costs
- Leasing quota costs
- VMS or similar monitoring/reporting requirement

However, quota restricts the level of your catch therefore your income is reduced. The PFA refers the Standing Committee to the detailed analysis undertaken by David Saul Accountants and Daryl McPhee for the NSWIC Independent Report that supports these concerns.

The SARC justifications states that catch quotas will:

*Catch quotas will:*

- *provide the strongest form of access right and improve security for operators*
- *allow shareholders to secure their portion of access to the stock*
- *remove the need for daily trip limits (which can cause wasteful discarding) and increase efficiency*
- *provide a way to control the NSW catch of the main target species to ensure effective management of stocks shared with other jurisdictions (the Commonwealth in this case)*
- *encourage fishing at times when it is most profitable (for example, when catch rates are good and when market demand/price is strong)*
- *provide more certainty that the management arrangements can address any future resource sharing or resource sustainability issues, which is crucial for a long term viable fishery.*

*These actions should increase the value and security of shares, provide ongoing flexibility for operators and help to improve community perceptions of ocean fish trawling (i.e. improve the social licence to operate).*

The PFA acknowledges that catch quotas are a strong access right for the fishery that will secure fishers share of the stock. However, it is a costly system that will reduce the profit margins of the fishers.

Fishers currently fish whenever the weather is good – not when prices are good. They need to bring in a weekly income to meet the demands of any normal family. In addition, prices can greatly fluctuate between when the fish is caught to when the fish in on the auction floor. These prices are influenced greatly by the imports and other competing product on the auction floor and the competing buyers who set the prices. For example, prices for Mahi Mahi were high for the week but one day was extraordinarily low. Sydney Fish Markets advised that this was due to one buyer not being on the floor that day.



The PFA notes possible pressure from the Australian Fisheries Management Authority on our State Agencies to introduce complementary quota arrangements to their existing quota arrangements for the South East Trawl Fishery. However, this is not justification to adopt a system that is expensive, wasteful and socially unacceptable.

Northern Fish Trawl and Ocean Trap and Line Fishery (Easten Zone) are fisheries that are simple fisheries that have only a low risk of latent share activation. It cannot be justified to transfer these fisheries into complex arrangements that reduce profit margins, limit catch and cause significant discards.

### *Industry acceptance*

Exel and Kaufmann (1997) came to several strongly held conclusions: they believed that broad-based industry acceptance of ITQs, and industry partnership in the implementation-process are the most important prerequisites to the development of a successful ITQ regime. They asserted that it is better to continue to manage with dysfunctional input-controls, than to introduce ITQs in a fishery where the industry is strongly opposed to the regime.

## **Quota allocation**

*Days have been allocated for:*

- *For Estuary General (EG) Meshing;*
- *EG Cat 1 & 2 Hauling;*
- *Ocean Trawl (Inshore and Offshore)*

*Catch has been allocated for*

- *EG Trapping (trapping, Mud crabbing and Eels);*
- *OT&L Spanner Crab,*
- *Ocean Haul Garfish*

The allocation of days and catch quota to Estuary General meshing, hauling, trapping, Estuary Prawn Trawl, Ocean Trawl (inshore and offshore prawn), Spanner Crab and Ocean Haul Garfish are too low and require far too much investment to return to previous catch levels. The process to link the shares requires the activity of fishers (their gear, catch or days) to be shared amongst all fishers, both active and inactive. However, due to the high level of distortion across the share classes the linkage has resulted in a significant reduction in active fishers' activity levels forcing them to make significant investment to return to the current levels if they are to remain in the industry. The investment required by the operators is not likely to be returned in any near future thereby making it a difficult decision to invest. In addition, such allocations will impact on the flow-on businesses ability to remain viable. If these businesses close doors due to the lower seafood supply reaching their doors than that also creates a rebounding impact to the fishers.

**For Example:**

The majority of the NSW harvested eels are exported live to China, with a very small amount sent to Sydney Fish Markets. There are only two exporters of Eels in Australia. Both have advised that due to the low allocations of eel quota proposed by the SARC their businesses would ultimately fail. Without these two exporters, fishers would have no exporter of their product and the fishery would as a result fail (see Attachment 1 – Advise from Manchester Eels)

Highly variable catches of species per year makes it nearly impossible for a fisher to securely invest in a specific fishery. The PFA refers the Standing Committee to the detailed analysis undertaken by David Saul Accountants for the NSW SIC Independent Review that supports these concerns as by Daryl McPhee.

The linkage uses a combination of both trap and catch quota. The benefit of catch quota arrangements is that it normally allows a fisher to capitalise in the alternate mechanism to become more viable. Example: catch quota allows fishers to invest in gear technology. However, under this arrangement quota not only restricts fishers catch levels it also restricts gear investment. So it is a highly complex arrangement that is recommended to replace another highly complex arrangement –with no benefit that PFA can strongly establish to justify the expenditure required.

That means that the only benefit to the quota arrangement is the property rights – however, in NSW fisheries (especially in our estuary fisheries) resource sharing is a continuous pressure that means many fishers are not confident in investing in property rights to the fishery.

As stated earlier, industry experts have recognised that it is far better to continue to manage with dysfunctional input-controls, than to introduce ITQs in a fishery where the industry is strongly opposed to the regime. Exel and Kaufmann (1997) offer a further caution: that the lesson they drew from the experience in the Southeast Trawl fishery was that it was extremely difficult to correct mistakes that arise from the premature and insufficiently planned introduction of any new management-regime. After ITQs were introduced, new vested interests were created and some previously available management options become foreclosed.

PFA understands that despite the 24 hour quota allocation, fishers will still be restricted to the existing time restrictions. The PFA therefore questions the point of transferring to a day quota system when the existing complex and restrictive arrangements will also remain in place. It strongly appears that this is only adding another layer of complexity to an already complex, costly and restrictive management.

Under these linkages, the fishers will push to work the entire “restricted” time allowance within the permitted day quota arrangements – adding to stress levels, complexity and unsafe work practices. This will undoubtedly lead to fishers working in unsafe work conditions.

### *Errors in using the ITCAL Process to allocate quota*

- The ITCALs, a process to link shares, has eventuated in a level of allocation that cannot be entertained by the majority of the industry. Although PFA understands the justification in setting the ITCALs, it is not a process that can be used while the distortion level within the industry is so large. This process

equally shares the catch of active fishers with those who have never recorded any activity within that fishery, thereby reducing the economic standing of one person to that of another – a highly unfair and unequitable process.

- PFA strongly recommends that logbooks should not be relied upon as the primary source of determining the ITCALs and quota allocations. As has occurred in other fisheries during the quota allocation process, a decision should be made not on logbooks, whose objectives were intended to primarily be for the collection of scientific data. The data is not reliable and often do not indicate what the target species were, being completed after the fact. Rather, catch history should be based on certifiable catch revenue returns.
- Both the PFA and the Working Groups have raised concerns regarding the data used to formulate the ITCALs. Although the industry is confident regarding reported catch levels, there is concern that days are incorrect. This process has revealed the misinterpretation by industry that “days reported” are days when product is “weighed in” rather than active fishing days. This issue has raised the fact that there was no extension when logbooks were introduced to industry or regular validation program.
- The ITCAL process has also produced unworkable levels due to the ITCALs being divided amongst all shares within a share class. PFA disputes this process as not all shares should be considered as available within the system. That is, there needs to be greater liquidity within the shares set.

Liquidity of shares:

- Not all shares are available: Many fishers that hold above the minimum shareholding for their shareclasses and will not sell to safeguard against future government increases.
- Not all shares are for sale: some fishers who will hold onto their shares for use by family members. There are many fishers within the industry who are multi-generational fishers which means that many of the older generational fishers have purchased shares to be used by the next generation when they are older.
- Investors: There are also fishers that are holding onto shares in speculation of their value in years to come.

### **Spanner Crab Southern Zone –**

- The allocation levels are so low that it will cause hardship for those who remain in the fishery. PFA members have advised that the allocation was based on flawed logbook returns – which was raised in the Working Group meetings and minuted
- Through the currently linkage arrangements, the Subsidiary Program does not allow southern shareholders to purchase northern shares. Working Groups and the PFA have protested this but DPI have advised that they will not resolve this.
- Also, this issue is further exacerbated by the lack of shares available on the market and the highly-inflated prices due to Government’s interference in this market.
- Due to the low allocation levels afforded to the Southern Spanner Crab fishers, many within the areas have already decided to sell shares and move. This fishery is already

showing signs of shares being accumulated by larger businesses, taking quota away from other smaller coastal ports. PFA members have expressed concerns that regarding the Spanner crab will no longer be available in the more southern ports such as Coffs Harbour, Woolgoolga, etc.

## **Increase in minimal shares**

*Estuary General (Prawning, Cat 1&2, Handline/Hauling), Ocean Trap & Line (West and Demersal Trap Ocean Haul Net)*

The linkages have some shareclasses undergoing a significant increase in the minimum share requirements (list shareclasses – EG Prawning) while other are only required to undergo a small increase (list shareclasses – OT&L, etc.). For those shareclasses who are required to go through a large increase in the mandatory minimum shareclass:

- our members have rejected the justification for such an increase; and
- there is no justification for the level of investment required to reach the increased minimum shareholding.

The PFA refers the Standing Committee to the detailed analysis undertaken by David Saul Accountants for the NSW SIC Independent Report that supports these concerns. PFA questions what the benefit to the shareclass is of an increase in minimum shares and how it meets the objectives of the reform especially in comparison to some of the linkages for other shareclasses.

PFA members discussed their acceptance of a “small rise in minimal shares” but this was also highlighted that their acceptance was not based in any belief that this proposal would achieve any increased viability for their industry but merely relief that the original options proposed last year had not eventuated.

## **No Change**

*Ocean Trawl (Deepwater Prawn), Ocean Haul General Purpose....*

As stated above, PFA members have accepted this proposal not through any agreement to the structural adjustment process but mere relief that previous options have not been recommended for their specific fisheries.

## **Exit Grants**

PFA understands that the original intention of the Exit Grant was to assist those fishers who wish to stay in the industry to access cheaper shares and assist those who wish to exit the industry. However, it has become very clear that, due to the Linkage announcements, panic buying is occurring in the industry. This has resulted in further panic buying as it becomes clear that some shareclasses may not have shares readily available to go into the Exit Grant.

The \$16 million Exit Grant may fail in its intentions. In all of the PFA’s discussions with the Minister and the NSW Government we have highlighted our concerns that

there will not be enough shares available for purchase through the Subsidisation Program for those fishers willing to take part in the Program. In addition, fishers are unable to securely and confidently bid on these shares due to the lack of any knowledge regarding appropriate bids – this is worse than gambling as at least gamblers know their odds...this system is bidding blindly.

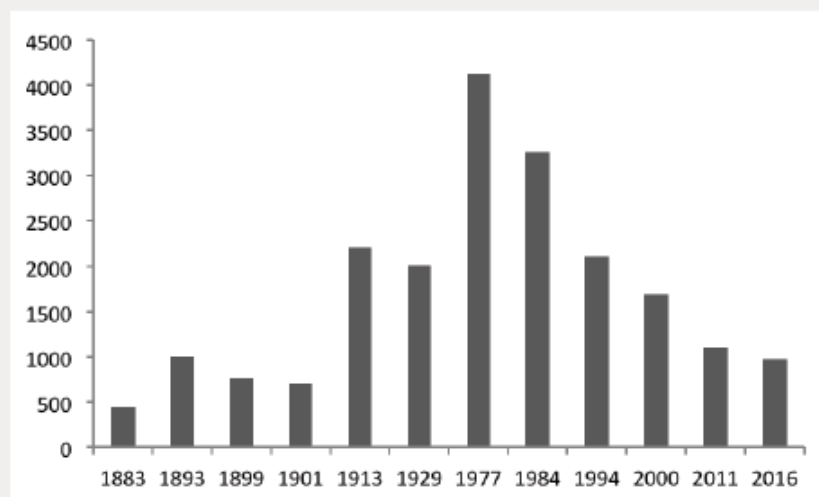
## Evidence

I refer you to the UTS Study Valuing Coastal Fisheries (<http://www.uts.edu.au/about/faculty-arts-and-social-sciences/research/projects/valuing-coastal-fisheries>) which states:

*Bonding social capital is an area in which there are currently considerable challenges, with evidence of an industry 'turning on itself' in the face of external pressures, including a current reform process. The ongoing nature of industry capacity reforms over several decades has resulted in an industry that feels under siege with an uncertain future.*

*The NSW fishing industry, like many other fishing industries around Australia, has been in an almost constant state of reform and restructure for close to 150 years, with significant changes to fishing methods, gear and vessels since its beginnings not long after colonisation. Figure 1 illustrates the way in which participation in the Industry has fluctuated over time, peaking at over 4000 licences in the 1970s and more recently declining to under 1000.*

**FIGURE 1. Estimated fishing licence holders 1881-2016**  
(from Wilkinson, 2013, Wilkinson, 1997)



## Case studies

I refer the Standing Committee to the results of the PFA Survey and the UTS study. The PFA Survey clearly shows that the majority of our PFA members (a good cross section of the NSW Commercial Fishing Industry) do not support the Reform. This is a result of:

- The level of investment is considered too high with no obvious or immediate return for the investment;

- Uncertainty regarding future costs and management arrangements (and quota allocations for those going through the Independent Allocation Panel Process)
- Lack of trust in the DPI's assurances of the linkages creating viability.

There has also been a significant amount of stress placed on fishers due to the uncertainty of the reform process and making business decisions based on very little information regarding costs and management arrangements. This is further exacerbated for those fishers going through the Independent Allocation Panel process.

The PFA has been contacted by fishers' families regularly seeking further information and counselling. Although we don't provide counselling services, fishers felt that talking to the PFA provided them some form of trusted advice – as speaking to DPI or counselling services provided no solace. DPI was not trusted and sometimes reported as being curt or unsympathetic. The counselling services had no understanding of the Reform processes or commercial fishing issues.

Anecdotal advice of fishers' families was that they were having significant emotional difficulties due to the added stress – discussions of marital break ups and suicides were reported to the PFA although no specific case was presented. Certainly, the PFA has seen many cases of stress and anger of fishers and their families.

For example, despite PFA strongly advised caution to members regarding the panic buying shares (that the Subsidisation Programs was intended to reduce the cost of the shares), a number of PFA members contacted the PFA to advise that they would purchase shares early. This was due to many “not being able to sleep at night” as they were worried they wouldn't be able to find shares to purchase through the Program. The fishers would then go and purchase more shares outside of the Subsidisation Program at inflated “panic” prices as they felt it was the only way they could sleep at night for all the stress.

PFA itself has been under significant strain during this process. Due to the lack of a DPI Fisheries Liaison Unit or issues in trusting this advice, PFA has found itself in the role a “Messenger” of the Reform – therefore being often attacked and criticised for delivering this information.

The industry is attacking itself which has further exacerbated stress for fishers – fishers are so caught up in criticising those who have been involved that any engagement in reform discussions has proved impossible – the word “reform” has so much negative connotations to it that you cannot mention its name without being viewed with suspicion. Anytime PFA was seen to be trying to find investment benefits for fishers through linkage arrangements, we were criticised for even engaging in Reform discussions.

In addition, staff and directors have been subjected to bullying and threats and Directors have found themselves also threatened for their opinions or if they purchased additional shares. Certainly, the PFA believes that the DPI Fisheries

have failed in providing a user-friendly and trusted source of extension – these issues were identified as priorities in the beginning of the Reform by consultants but not given a strong emphasis and attention by the DPI.

### **Recommendations**

1. Appropriate resourcing of a reform that incorporates a two stage approach including an actual Exit Grant that removes the “over-issued” shares and then links with stated and direct benefits for fishers.
2. PFA recommends a much stronger co-management approach needs to be adopted within NSW Fisheries.
3. PFA recommends the creation of a 10 year plan for the NSW Fishing industry agreed to by both sides of Government.

## **The New South Wales Government's Commercial Fisheries Business Adjustment Program and its aims, including:**

***the impact on industry and regional communities to date, including economic, social and cultural impacts,***

### **Key issues**

The PFA is not qualified to quantify the impact on industry of this reform. However, we wish to highlight that:

- The UTS has noted in their report the stress of industry from the reform: *Bonding social capital is an area in which there are currently considerable challenges, with evidence of an industry 'turning on itself' in the face of external pressures, including a current reform process.*

*The ongoing nature of industry capacity reforms over several decades has resulted in an industry that feels under siege with an uncertain future.*

*Although our project was not to investigate the Commercial Fisheries Business Adjustment Program, interviewees inevitably shared with us their feelings and opinions about the reform. This was, at times, extremely distressing for the interview participants. They expressed to us their response to the uncertainty associated with the reform as well as their concerns about the financial implications of the reform recommendations. We heard expressions of fear, anger, despair, confusion and extreme stress and anxiety. We were left with an overwhelming sense that many fishing families' wellbeing has been negatively affected.*

- Reference to the Sydney Fish Market Report by Professor Daryl McPhee  
Reference to Sydney Fish Market Report by David Saul Report. As stated in the Daryl McPhee Report for NSWIC:

*The fisheries reforms proposed by SARC are likely to result in uncertainties in regards to seafood supply to SFM in the short term (i.e. within the reform period). The exact impact is unknown and cannot be calculated at this time from available data.*

- *These uncertainties are a result of the breadth of the reforms proposed by SARC and the inherent structure of most fishing businesses whereby they rely on access to more than one fishery (or sector within a fishery).*
  - *Fishing businesses will not be uniformly affected by the proposed reforms, and in fact no two fishing businesses are likely to be identical in terms of the impacts to them from the reforms, and their capacity to adjust to them. This in part contributes to the strong diversity of views held within the catching sector in regards to the proposed reforms.*



- *A critical uncertainty is whether fishing businesses that exit are currently significant producers and whether they substantially supply SFM. While structural reforms generally result in the removal of fishing business that have less (or no) fishing effort, individuals with substantial catch and effort may choose for personal reasons to exit the fishery, or be forced into exiting due to financial circumstances. The exiting of businesses with substantial catch history may impact seafood supply to SFM (and to seafood markets) more generally.*
- *SFM shares the concerns of the catching sector in regards to uncertainty in the process for allocations where such allocations are part of the reforms in specific fisheries. SFM have proposed a structure for the Independent Allocation Panel and a set of guidelines for its operation.*
- *SFM considers that the cost of management under the proposed reforms, and in particular the costs to be borne by individual fishing businesses needs to be estimated as a matter of priority. This is an important factor which can influence whether a fishing business exits the industry or remains.*
- *There are concerns (in theory at least) that property rights (e.g. shares or quotas) can be legally obtained by third parties (e.g. environmental NGOs or the recreational sector) with the express aim of ensuring that commercial fishing does not occur or is significantly curtailed. SFM clearly consider that this is not the aim of the reform process, but nonetheless it is a potential issue of concern for long-term seafood supply.*
- *SFM considers that likely outcomes from the proposed reforms are:*
  - *A reduction in the overall number of fishing businesses accessing the various fisheries.*
  - *A further concentration of fishing activity among a smaller number of fishing businesses. Such a concentration does not necessarily lead to a reduction in seafood supply.*
- The PFA refers the Standing Committee to earlier statements re:
  - The inflated market prices due to the Reform Linkage announcements and lack of trust in the Subsidisation Program to have the shares available that fishers will need to continue fishing
  - The need to become “specialised” in a specific shareclass rather than diversified (see earlier comments within the PFA Submission)

Please note the frustration felt by the PFA that, although any additional consultation is well received, it is obvious that the second draft recommendations by the SARC have been adopted with minimal change despite the additional consultation that occurred with industry.

## **The New South Wales Government's Commercial Fisheries Business Adjustment Program and its aims, including:**

***the economic modelling underpinning the restructure and any independent analysis of that modelling,***

### **Key issues**

Although the PFA acknowledges the Consultants brought on by the DPI to assess the economic modelling underpinning the Exit Grants and the Restructure however, the NSW SIC also hired David Saul Accountants and Professor Daryl McPhee. These independent experts outlined strong concerns regarding the ability to achieve industry viability by forcing fishers to invest with little or no business and costing information.

One major flaw in the economic analysis conducted by the NSW Government's economic consultant's AgEconPlus, was their inability to get any information from NSW commercial fishers regarding their fishing activity or business information – they therefore utilised business informant from South Australian commercial fishers. As such there is flawed assumptions utilising this specific model. NSW fishers are more diverse in their operations than their South Australian counterparts and the fishing diversity differs significantly. PFA raised concerns about utilising this type of modelling with such a fundamental flaw.

The UTS also highlighted concerns regarding confusion between their work and the work of the consultants hired by the NSW Government.

*During the period the questionnaire was open, DPI hired consultants to also contact industry members for economic information as part of the reform process. The DPI economic survey was conducted concurrently with our questionnaire and confusion between the two is likely to have impacted on our response rate.*

*However, the study noted that the industry indicated that government often underestimated the amount of pas capital investment in the industry and also the current lack of investment in most NSW fisheries due to the reform process, which impacted the responses in our questionnaire.*

The PFA refers the Standing Committee to the reports from the Sydney Fish Markets by David Saul Consultants and the Submission from Professor Daryl McPhee for the NSW SIC.

Specifically, Professor McPhee highlighted in his report:

*There are also uncertainties regarding the management costs of the reforms to businesses that remain in the fishery and ultimately the impacts of these costs on business viability. The catching sector has specific concerns in this regard, and SFM consider these concerns are justified. Of particular concerns is when fixed management costs (or a contribution to them) are to be shared among a decreasing number of fishing businesses with the effect of the costs per business going up as*

*the number of businesses decline. The logical endpoint of this approach in most circumstances would be to have no viable fishing businesses as a result of very high management costs.*

# The New South Wales Government's Commercial Fisheries Business Adjustment Program and its aims, including:

## *the approach of other jurisdictions*

### **Key issues**

Across Australia the commercial fishing industry has been subjected to restructures and reforms. However, these restructures have always gone through a fishery-by-fishery basis and in strong consultation with an industry representative body. They are done with formal, recognised industry consultation mechanisms in place (peak industry bodies, MACs etc). Typically, in share-managed fisheries throughout Australia, shares are issued on a strong catch history basis (rarely equal allocation) as it is normally deemed an unfair approach to reduce the economic standing of a person to that of another. Where there is over allocation than these shares are targeted for buyout first before further restructuring. The NSW approach has not followed this regime: the shares were over-allocated and loosely based on involvement in the fishery; there is no adequately resourced buyout, and its approach is overly complex due to a significant number of fisheries being restructure at once.

The PFA wishes to refer the Standing Committee to the PFA response to the SARC Draft Recommendations for Structural Adjustment of the NSW Commercial Fishing Industry, submitted to the SARC in August 2015, which states:

*The fundamental problem for the reform is the concept of linking the existing shares when shares were poorly allocated when initially issued. Too many shares were issued by the NSW Government using such loose criteria that the allocation did not reflect accurate historical catch levels. However, a review of the experiences in quota allocation in Australia highlights the need for a clear justification for the formula selected and the use of explicit principles in the allocation process (Geen et al 2000).*

*It is already acknowledged that the \$16 million exit grant is not enough to remove the latent shares within the industry however; precedent has been set in the Commonwealth fisheries where the judiciary required the Australian Fisheries Management Authority to adjust due to an incorrect allocation formula used to issue their Statutory Fishing Rights.*

*"This matter became the subject of a review by the Australian Senate of Commonwealth fisheries legislation. **They found convincing evidence that the allocation formula was seriously flawed from the beginning and that as a consequence, problems in establishing an effective management regime would continue unless they were resolved.***

*As a result of the continuing dissatisfaction with the programme, in 1995 the Commonwealth Government introduced a limited buyout programme with quota recovered by the buyout redistributed among the remaining quota holders. This redistribution was focussed on the inshore fishermen, who were most vocal in expressing their dissatisfaction with the programme. **The***

**rational for this use of government funding was that the government should accept some responsibility for allowing excess fishing capacity to develop in the fishery during the previous regulatory regime.** This adjustment helped mitigate dissatisfaction on the part of many of the quota holders, notwithstanding the (then pending) administrative court appeals.” (Shotton 2001)

Significant problems have emerged in the design and implementation of ITQ systems both in Australia and worldwide. For example, the introduction of ITQs in the Australian Commonwealth south east trawl fishery (SET) was considered to be “appallingly handled” (South East Fishery Adjustment Working Group 1996). As a consequence, there has been at least eight internal reviews into various aspects of the SET as well as cases being heard by the Administrative Appeals Tribunal and taken to court.

This determination aligns similarly to the NSW Governments issuing of shares and indicates strongly that the NSW Government should appropriately adjust the level of shares within the NSW Fishing industry before it attempts to link the shares.

**In summary**, the PFA is supportive of the concept of reforming the industry to create economic viability and strength in our industry – our industry is vulnerable to loss of access and is subjected to overly complex and inefficient management arrangements that prevents business being able to efficient. **However, the majority of PFA members cannot support the Linkages of the Reform that were announced.**

In essence, the linkage decisions still come down to a number of fisheries being required to invest in an unknown future. The Program still has commercial fishers purchasing more shares to remain in their industry – with members fearing for the availability of the shares and their costs, and with little certainty that it will achieve the viability promoted. The PFA is concerned for those members who have already purchased shares based on the advice they received from the NSW Government’s regarding its intention to link shares. We are also concerned about the further uncertainty that our members are currently subjected to. Decisions and announcements must be made soon and intentions clearly announced.

We wish to highlight that although frustrations have occurred on all sides, that genuine attempts have been made by the Minister and the NSW Government to rectify these issues. Consultants have been employed, additional Share Linkage Working Group meetings have been held and meetings between the PFA and the Minister and NSW Government to try to rectify the many of the issues identified. However, at the end when a reform attempts to undertake something so major and complex and yet is not adequately resourced or have adequate consultation networks established with the industry than it would result in such strong rejection from the industry and inability to achieve its stated objectives.

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## ***Attachments***

1. Parliamentary Research Centre Briefing Paper No 2/2013: *NSW Commercial Fishing: Background to the 2012 Review*
2. Stevens, R., Cartwright, I. and Neville, P. (2012) *Independent Review of NSW Commercial Fisheries Policy, Management and Administration*, prepared for NSW DPI - Appendix 1: Historical Background
3. The UTS Report "Valuing Coastal Fisheries can be downloaded from <https://www.uts.edu.au/about/faculty-arts-and-social-sciences/research/projects/valuing-coastal-fisheries>.
4. PFA Submission to the First Round of Reform consultation
5. PFA Submission to the Second Round of Reform Consultation



## ***Attachment 1***

1. Parliamentary Research Centre Briefing Paper No 2/2013: *NSW Commercial Fishing: Background to the 2012 Review*

## ***Attachment 2***

Stevens, R., Cartwright, I. and Neville, P. (2012) *Independent Review of NSW Commercial Fisheries Policy, Management and Administration*, prepared for NSW DPI - Appendix 1: Historical Background

## ***Attachment 3***

The UTS Report “Valuing Coastal Fisheries can be downloaded from <https://www.uts.edu.au/about/faculty-arts-and-social-sciences/research/projects/valuing-coastal-fisheries>.

## ***Attachment 4***

PFA Submission to the First Round of Reform consultation

## ***Attachment 5***

PFA Submission to the Second Round of Reform Consultation