

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

**Organisation:** NSW Department of Primary Industries

**Date received:** 9 January 2017

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# **Supplementary submission to the Parliamentary Inquiry into Commercial Fishing**

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Department of Primary Industries

9 January 2017

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# Responses to key issues

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To assist the Committee in its deliberations, this supplementary submission seeks to provide responses to recurring themes of the hearings.

## 1. Do fishers have to buy their jobs back? How do fishers get a return on their investment?

The reforms provide an incentive for fishers who are not using their shares to sell them for the best possible price and for active fishers to strengthen their shareholdings. Fishers who decide to buy more shares are investing in a stronger property right and creating new value in the shares they hold. Many businesses do not need to purchase additional shares to continue fishing at current levels, and many other fishers only need a few extra shares. Of the 3,862 share class holdings in the 1068 fishing businesses in NSW:

- 68% have sufficient shares to allow the fisher to continue fishing at the maximum level recorded in the last 5 years
- only 15% need more than 50 shares to be able to fish at the maximum level recorded in the last 5 years.

In NSW, the price for shares has already increased, meaning fishers have assets (shareholdings) with increased value.

The Government is subsidising the purchase price of shares for active fishers, meaning the investment they make is low relative to the additional value created in their shareholdings. This provides an immediate return on investment.

In addition, as latent effort is removed, the risk of additional competing fishers entering the system is reduced. This will allow fishers to reap additional financial rewards in peak fishing periods.

## 2. How was the \$16 million subsidy program costed? Is it enough?

The NSW Government is confident that \$16 million is sufficient for the Adjustment Subsidy Program, and will provide fishers with the very best price for shares through the subsidised share trading market.

The \$16 million package is an election commitment of the Government and will cover the costs for the \$20,000 fishing business buy outs and the subsidised share trading market. This will help approximately 390 fishing businesses adjust plus fund buyout payments.

The NSW Government will contribute approximately 20% of the value of the commercial fishing industry. The industry (excluding the rock lobster and abalone fisheries) contributes approximately \$80 million in Gross Value of Production. In comparison, the Commonwealth contributed 10% through a \$220million structural adjustment package for an industry that was worth \$2.3 billion in Gross Value of Production.

### **3. Why can't the NSW Government tell fishers how much subsidy they will get? How will the subsidy be allocated?**

It is not possible to predict the amount of subsidy that will be allocated to individual fishers until the market opens and fishers participate in the market. The amount of subsidy will be influenced by the amounts that fishers themselves put forward in buy bids and sell offers.

The subsidies will be used only for active fishers. The amount will be prioritised to best reduce the deficit (the difference between shares held and shares needed by fishers to continue to fish at the maximum level reported over the past five years). The subsidies will also be used to maximise successful package (whole-of-business) sell offers so these shares become available for other fishers.

The Government is targeting the distribution of subsidy based on a fisher's recorded catch over the past five years. A fisher with a higher recorded catch over the past five years will have a greater deficit than a fisher with a lower recorded catch and the same number of shares. The higher catch fisher will be prioritised for subsidy and shares over a fisher with a lower recorded catch. An inactive fisher will not be subsidised to buy shares.

An example of how the market operates is provided in a case study in the market summary available at [www.dpi.nsw.gov.au/data/assets/pdf\\_file/0008/689858/Preview-market-summary.pdf](http://www.dpi.nsw.gov.au/data/assets/pdf_file/0008/689858/Preview-market-summary.pdf).

### **4. How is the NSW Government protecting the small and medium players, including lifestyle/cottage fishers?**

The vast majority of fishers are small businesses and many want to stay that way. It is important that these businesses can continue.

The current arrangements make it difficult for small players to continue in the industry over the long term. At present all fishers pay the same fees, regardless of their catch or shareholding. The NSW Government currently subsidises fees, however, the fees remain a significant expense for small players.

In the future, fees will be influenced by the number of shares held. Smaller players will pay a smaller fee, assisting them to remain viable even when competing with large companies.

Linking shares to catch or effort provides security of tenure for all fishers, including smaller players.

Many of the larger fishing businesses already have the shares they need. The \$16 million assistance will primarily be directed to assist small, active fishers.

There are also other additional assistance measures available to assist the smaller players through the reforms including:

- low interest rate loans for eligible fishers who require assistance to purchase shares
- grants for professional advice for business planning and for assistance with the subsidised share trading market
- cap on management fees until July 2018
- assistance packages for fishing co-operatives, as they are important in assisting the small players getting their product to market.

The NSW Government will work with individual active fishers on a case-by-case basis where they cannot secure the minimum number of shares needed if the fishing business:

- participated in the subsidised trading market, or
- cannot secure the finances needed to participate.

## **5. Why hasn't a peak industry representative group been established yet?**

The NSW Government is establishing a Commercial Fishing Ministerial Advisory Council (Commfish NSW) and interim working groups. These groups will help provide advice on the implementation of the commercial fishing reform.

For any peak industry body to be representative and effective, it should be driven by industry rather than established or funded by government. This was identified in a 2015 report by the Fisheries Research and Development Corporation for the Queensland government<sup>1</sup>.

In 2014 the NSW Government went through a tender process to assist industry to form its own peak industry body to deliver effective and efficient consultation services with industry.

Submissions were received from providers and were evaluated against criteria, such as having a sound governance model, being financially viable, having experience with similar projects and knowledge of the commercial fishing industry.

Following an evaluation by a departmental panel which included an independent probity advisor, they concluded that no providers were able to meet all requirements to a satisfactory level. All parties were advised of the outcome.

The NSW Government is still committed to the concept of a peak industry body. The NSW Government will seek advice from the Small Business Commissioner on this issue.

## **6. What mental health support has/will the NSW Government provide?**

The NSW Government has set up the Fisher Care Line which provides free telephone based coaching sessions to support fishers experiencing stress.

The NSW Government has also provided ongoing, free support services to the industry, including financial counselling, legal advice and other help lines including the Commercial Fisheries Business Adjustment Hotline, Rural Assistance Authority Hotline, and Rural Financial Counsellors Hotline.

To further assist industry, the NSW Government continues to quickly and clearly communicate information regarding the reforms and support fishers expressing their views to ensure the most effective solutions. This has included a specific consultation process held with industry to get their views on any implementation issues with the reform.

The NSW Government is also looking to establish an Interim Working Group comprising fishers and industry representatives to be tasked with providing advice to the Minister on additional support services required.

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<sup>1</sup> *Opportunities for a peak body for the Queensland seafood industry*, Fisheries Research Development Corporation 2015 - [www.c-aid.com.au/wp-content/uploads/2012-512-Qld-Peak-Body-Final-red.pdf](http://www.c-aid.com.au/wp-content/uploads/2012-512-Qld-Peak-Body-Final-red.pdf)

## **7. Is the government planning further reforms after the Business Adjustment Program?**

The NSW Government is not planning further reform of commercial fisheries management. There is further work to be done to implement the current reform program.

Industry will have an ongoing role in the next phase of implementation. A key channel for input will be through Commfish NSW, working groups, and direct consultation with all shareholders. Further work includes:

- Implementation of new minimum shareholdings after the share trading market is established.
- Development of harvest strategies once the immediate link to quota or new shareholdings is completed.
- Forming of an Independent Allocation Panel to provide advice on the most appropriate, fair and equitable arrangements for the allocation of new species shares to eligible shareholders.
- Phasing the Interim Total Commercial Catch Allocations into Total Allowable Catch or Effort levels through an independent body of experts.
- Assisting those who participated in good faith in the share market and did not get the shares required.
- Identifying and removing redundant or inhibitive regulation, and introducing online reporting of catch or effort to make it easier and cheaper for fishers.

## **8. Why are some fishers reporting that they will have to pay unreasonably high amounts of money for shares to keep fishing at their current levels?**

Shares have not had a clear value in the past as they have not been linked to any catch or effort quotas, and the original allocation of shares was generous.

Share prices being quoted are often significantly inflated. Sometimes estimates are based on the highest price advertised on the open share trading market, which may not be the final price paid. In some circumstances, the number of shares required for individual fishers have been based on the fisher being able to fish every day of the year rather than the maximum time the fisher has fished over the past five years.

The multiplication of the highest advertised price by the number of shares to allow a fisher to fish every day has led to significant over-estimation of potential costs of purchasing additional shares.

In addition, estimates have not accounted for the Government subsidy which will substantially reduce the cost to fishers.

Only 15% of share classes within fishing businesses require more than 50 shares to continue operating at their highest level recorded in the last five years.

Purchasing these shares through the subsidised share trading market will ensure that these fishers will benefit from the NSW Government's subsidy as this is being directed toward active fishers who are in need of more shares.

The subsidised share trading market will also allow supply and demand to set prices in full public view.

## **9. Why has there been a historical decline in catch?**

Declines in catch levels over time are primarily a result of reductions in the total area that can be commercially fished as recreational fishing havens and marine parks have been established. In some local instances it can also be related to fishing effort being unsustainable. Insolvency in businesses, such as fishing co-operatives, has also contributed to this trend.

The reform strengthens viability of the commercial fishing sector by linking shares to quota, and allows fishers to operate in an environment of reduced red tape. This means fishers can be more efficient and make the most of the sustainably managed fish stocks available to continue to supply the market.

## **10. Will the NSW Government provide a rebate to fishers who have already invested and traded shares prior to the subsidised share market?**

No rebates will be provided to those who have traded shares outside the subsidised market as this would be government intervention in a private trading market.

Information about the upcoming subsidised share trading market has been communicated to all shareholders along the way, and professional advice grants have been available to assist fishers with their business planning.

It is encouraging to see that some fishers already have sufficient capacity to actively invest in their own productive future.

Where these fishers have decided to invest early, they are still able to take up the NSW Government's assistance measures and participate in the subsidised share trading market.

## **11. What is the NSW Government's plan to improve compliance in the NSW commercial fisheries?**

Fishers are currently operating under a very complex set of regulations.

One of the primary aims of the reforms is the removal of red tape. The Government will look at removing many of the burdensome input controls which have hampered innovation in the industry and caused compliance issues for many fishers.

In the case of fishers who continue to not comply with regulations to the detriment of other shareholders within a certain fishery and the preservation of the resource, the NSW Government will consider a range of compliance options. One option is the implementation of a demerits points system. For example, in South Australia, anyone found guilty of a fisheries offence or required to pay a fine will accrue demerit points. 200 demerit points accrued in a five year period can result in a cancellation of the fishing authority, and disqualification from holding a fishing authority for 10 years. This applies to commercial and recreational fishing.

Input from the industry will be sought on any demerit system developed for NSW.