

REPORT ON PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 5

COMMERCIAL FISHING IN NEW SOUTH WALES

CORRECTED PROOF

At Jubilee Room, Parliament House, Sydney on Monday, 12 December 2016

The Committee met at 9:30 am

PRESENT

The Hon. R. Brown (Chair)

The Hon. L. Amato

The Hon. R. Colless

Mr J. Field

The Hon. J. Graham

The Hon. G. Pearce

The Hon. M. Veitch

The CHAIR: I declare this hearing commenced. Welcome to the first hearing of the inquiry into commercial fishing. My name is Robert Brown, I am the chair of the Committee. I acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay my respects to elders past and present of the Eora nation and extend that respect to other Aboriginals present. The inquiry is examining the economic, social and cultural impacts of reforms to the regulations of commercial fishing in New South Wales. Further hearings will be held at Parliament House on Wednesday 14 December and on Monday 19 December when we will hear from the Minister for Primary Industries, the Hon. Niall Blair.

Before we commence, I will make brief comments about the procedure for today's hearing. The hearing is open to the public and is broadcast live via the Parliament's website. A transcript of the hearing will be made available. In accordance with the broadcasting guidelines, while members of the media can record Committee members and witnesses, people in the public gallery should not be their primary focus. I remind media representatives that they must take responsibility for what they publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to comments made by witnesses outside their evidence at the hearing. Therefore, I urge witnesses to be careful about any comments they may make to the media or others before they give or after they complete their evidence as such comments will not be protected by parliamentary privilege.

There may be some questions that witnesses could only answer if they had more time or with certain documents to hand. In these circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. I remind everyone here today that the Committee hearing is not intended to be a forum for people to make adverse reflections on others under the protection of parliamentary privilege. I request that witnesses focus on the issues in the inquiry's terms of reference and avoid naming individuals unnecessarily. Witnesses are advised that any messages should be delivered to the Committee members through the Committee staff. Any documents they wish to table will be handed to the Committee staff. I ask that all phones be turned to silent for the duration of the hearing. I welcome our first witness Mr Malcolm Poole.

MALCOLM POOLE, Fishing Safety Officer, Recreational Fishing Alliance, New South Wales, affirmed and examined

The CHAIR: Before we proceed with questions, would you like to make a brief opening statement? Your submission has been circulated to the Committee this morning. If you have any key points in this submission that you would like Committee members to engage with you on please mention them, but keep your statement to no longer than five minutes.

Mr POOLE: No worries, Chair; I think you know me too well. I am not here to bag out the commercial fishing sector. The recreational sector certainly requires the commercial fishing sector to be part of our fishing community, regardless of whether we talk about a niche fishery for the commercial sector or providing fresh bait for the recreational fishers of New South Wales. That is the first and foremost thing we need to put in place here. Yes, there will be winners and losers in any outcome, and decisions need to be made for the benefit of the actual fish. The fish is what we are talking about here. Aquatic environment or the marine ecology is the other thing that needs to be thoroughly considered.

Unfortunately, our human footprint over the last several centuries has made a significant impact on fish stocks in New South Wales and will continue to do so until we start taking some serious action to look after our aquatic environments and start to repair those things. Recreational fishers currently invest around about \$1 million a year, but that is a pittance when you consider how much degradation has occurred over that period of time. Recreational fishing in New South Wales encompasses 825,000 people. In 2014-15 it used to be one million people, so we have lost 200,000 people. Why, I do not know. That is a bigger and broader question.

Recreational fishing does not have a peak body; it does not have a representative body in New South Wales. It is high time we start thinking about how we consult with all stakeholders of recreational fishing, commercial fishing, Indigenous fishing and other stakeholders. A point might be to consider reviewing the current recreational fishing licence fee and expenditure processes and the trust fund involved, and look at forming a peak body for the recreational fishing sector as well as the commercial fishing sector. Collaboration is a key part to any good fisheries management.

Understanding the fish is the first part. It is pointless trying to harvest something if we know nothing about what we are going to harvest. That is the crux of fisheries management. It is out of sight out of mind, and I think our fisheries management in New South Wales is way behind the times in simple terms. Resource assessments underpin good harvesting strategies. Unfortunately, we do not have good harvesting strategies. Look at ocean trawl, for example. Have you ever followed a trawler and seen them sorting their catch and seen how much product is thrown over the side dead? Any fish that gets to the point of being caught dead in a net is a fish lost to anyone in the whole system, be it recreational, commercial, Indigenous or the resource itself.

Let's get down to some real good fine tin tacks here and understand what the big problems are that we see in our fisheries. Reform of the New South Wales commercial fishing sector has been a long time coming and we need to have it now. It is overdue by decades. That really is part of this process. I have been involved in the process for 20-odd years. I have seen the fact that in the early 2000s the commercial fishing sector decided on equality across all sectors of people owning a fishing business or a fishing endorsement. Unfortunately, that was against the advice of the department back then because you had people who were not fishing and you had people who were actively fishing.

The Recreational Fishing Trust borrowed \$20 million from the Government to create recreational fishing havens. A recreational fishing haven is just a word. We do not have any barriers or any fences in front of those bars or entrances to stop fish coming in or going out. They are simply a mechanism to protect some of our resources and put a bit of biobanking in place for fish stocks. It gives some ownership to recreational fishing, which is not recognised in the Fisheries Management Act at all. It is a couple of objectives. We do not have any rights of access, we do not have any rights to recall and we do not have any rights to compensation. We are continually at the fighting forefront of trying to achieve the best outcome for fish—not recreational, commercial or Indigenous but fish in New South Wales.

Some simple things are, as I said, we need to understand what the resource assessments are. The resource assessments are really poor. Look at the recent reports and you will see a number of species that fail the trigger test and continue to be harvested. They are overfished, uncertain, undefined and fully fished. Those things need to be thoroughly considered. The 2014-15 report looks at mud crabs. We really need to consider mud crabs because of what is happening in the mud crabs area. I am happy to take any other points on notice, Mr Chair. I notice the time call

The Hon. MICK VEITCH: I am losing my voice, so we will have to persevere. There are two things I want to explore with you today. You talk about commercial, recreational and Indigenous fishing working

together. How can we make that work much better? You have to admit there are some tense points up and down the coast between recreational, commercial and even cultural fishing on the South Coast. How can we make it work better?

Mr POOLE: We had a program in place called management advisory committees. I sat on those for 15 years in the estuary general and the estuary prawn trawl and I grew some great respect for the commercial fishers that were on those committees. By having some sound knowledge on the recreational side of things I learnt a lot. People will come into this room over the next few days; I learnt that information from those guys. I am not a commercial fisher; I am a recreational fisher. I understand because I get up and I catch fish and I look underneath the water to what fish do. But to understand someone else's activities you need to engage those people to really gather what happens.

There are some really good methods they use and there are some really poor methods they use. The environmental assessments we went through in 2000 and 2004 and the fisheries management strategies are doorstoppers now. They have not been really looked at thoroughly for the last decade. Let's get real. If you are going to manage a natural resource in our mother nature's environment then you need to have a continual update of all those things and check things out. There has not even been a report submitted to the public for scrutiny on those particular aspects since 2004.

The Hon. MICK VEITCH: Just quickly breezing through your submission, do you have any comments to make about the science that underpins our stock assessments, for instance?

Mr POOLE: Yes, I do. The first thing is you need to be able to fund and resource sound fisheries stock assessments first up. Fisheries are being treated in essence as the lowest level of science required in our processes. We culled off Cronulla. Okay, fine, leave it alone, move it on. But we do not have the capacity anymore to do sound science on understanding fish stocks. You need to gather everything from the egg that is produced in the oceanic water for a fish all the way through to understanding its growth rates from the egg, to a fingerling, to a larger fish, to a breeding size fish and then work out how you are going to harvest it once it gets to that defined position in point of time. But if you cannot rear the fish in an estuary in our nurseries it is pointless even considering what is happening up here because this is the harvesting component. You have got to get the fish to here first.

The Hon. MICK VEITCH: Do you think the closure of Cronulla Fisheries has had an adverse impact upon the research capacity of New South Wales?

Mr POOLE: I think it has lost a lot of knowledge. I think we have lost a lot of intellectual property. That is what it is. We had a lot of people at Cronulla who had the drive and the sense to look at things in a logical manner. Dr Philip Gibbs, for example, comes to mind. James Scandol is another one. They were forward thinkers, in essence, about what we should be doing in terms of our fisheries resource management. They were part of that fisheries management strategy approach. I learnt so much from those people in their presentations and their knowledge around marine biology. I am an engineer, so we look at nuts and bolts and that, but it was tremendous. Why have I invested so much time since 1990 to think about fisheries management 101? As I said, the outcome is looking after the fish. I want to catch a fish and I want my daughters to catch a fish and I want my grandchildren to catch a fish.

The Hon. MICK VEITCH: My last question before I hand over to Mr Graham for his inaugural question relates to the consumption of seafood in New South Wales. I think we are currently importing 86 or 87 per cent of our seafood into this State. Do you have any suggestions on how we can improve the numbers?

Mr POOLE: What it comes back to is three things. One is consumer requirements. Again that comes back to whether people want to buy a fish finger out of the freezer that has already been processed or they want to go and spend a bit of money and buy a nice snapper that has been caught locally off the Central Coast. In between that you have got the people who go and forage their own fish, the recreational fishers. I really think at the end of the day it comes back to the dollars and their time. We are becoming much more time poor in terms of processing a fresh caught fish versus grabbing something nice and easy out of the fridge. I think we are always going to have a fairly large component of imported fish in New South Wales. Unfortunately, with the outbreak of white spot disease in Queensland I do not know how much more time we might have in terms of having a sound, solid crustacean fishery in New South Wales if that gets loose in the waterways and comes along the eastern Australian coastline.

Mr JUSTIN FIELD: I pick up what you are saying about stock assessments. The Government's submission states that it runs a Fisheries Resource Assessment Program which monitors the status of key species that are harvested by commercial recreational and indigenous fishers in New South Wales. I understand that you challenge that that is really a program; it has had fits and starts and its largely not doing the job it needed to do.

Will you expand on where it is going wrong at the moment and where you see the key gaps are in stock assessments?

Mr POOLE: We have 170 species in New South Wales we look at in terms of stock assessments. We have around about 110 important shared species between recreational and commercial sectors. I mean Indigenous by the way so when I talk about the fishing community I talk about those three sectors. We are failing in delivering timely responses in understanding it. Understanding a fish resource assessment is the outcome here. However the problems occurred here prior to time because you have done the study over the period of time and you have to be reactive at this point in time to make a change.

Mulloway has been in decline for over 30 or 40 years. The graph has been doing this for yonks. In 2013 we finally decided to do something about mulloway and actually increased the legal size of mulloway to 70 centimetres at the breeding point but we still allow commercial people to catch under fish between 45 centimetres, the previous legal size, to 70 centimetres and retain those to sell off. They are flaunting loop holes in that area at present and we are up for a new review right now, half way through the five-year recovery plan we are up for that review right now to try to work out what is going on, whether the rules are right or wrong. But our resource assessments, blue morwong or jackass morwong are undefined, they are over fished. Gem fish is a classic example of Commonwealth and State based shared fish stocks will never recover. It is commercial fishing in some of these areas that has caused the decimation of some of the species.

Mr JUSTIN FIELD: I notice in the survey of recreational fishing for 2013-14 that was released earlier this year—

Mr POOLE: Paid for by the Recreational Fishing Trust Fund too at \$1.5 million.

Mr JUSTIN FIELD: I understand that and it is a good report. It identifies that for a number of key targeted recreational species of flathead, bream and some others that the recreational catch is greater than the commercial catch. I think even with mulloway it is very close to being similar. So there is a high degree of impact on some of these species by the recreational fishing industry. Will you respond to that? Do you believe that enough assessment is carried out of the recreational catch to be able to incorporate into stock assessments as it impacts on commercial fishing?

Mr POOLE: I think with time and technology we will certainly be able to improve the recreational catch. I make one point very clear, recreational fishers have a choice on taking a fish or leaving the fish in the water again through good release fish survival techniques. A mulloway in essence I think the idea of bag and size limits and you take what your right is has certainly changed. We only take what we need now in terms of the majority of recreational fishers. I think we do not value how many fish we put back and they survive and their ongoing exponential value to fish resources from that fish. For example, if I let a legal size bream go, and it is at spawning size, and it lives for another 10 years think about the 10 years of 600,000 eggs a year it will produce and its progeny that survive et cetera, et cetera. Just think about that value, and that was a choice by recreational fishers.

We do not fish for the dollar, we fish for our experience, our table and for the pleasure to get up and say "I have done this and I can put that fish back in a nice healthy manner and it goes away and it survives". Our fish tagging information shows that our fish release survival is up there between that 60 and 90 per cent—60 per cent for really poorly handled fish and 90 per cent for a really well handled fish.

The Hon. GREG PEARCE: Are you an industry?

Mr POOLE: No, we are a community.

Mr JUSTIN FIELD: I think you will find that the data in this report talks about not just the number of fish caught but the fish taken from the water. It does not include the ones caught and released. Is that correct?

Mr POOLE: What I will say is that report is an extrapolation of effort of over 2,000 people. We have the apples over here which is the commercial recorded effort and the landings, and over here is a summary taken from 2,000 odd people samples and we put those extra figures on—how many people go fishing in New South Wales. We then apply that thing to 825,000 people.

Mr JUSTIN FIELD: It was funded by your industry.

Mr POOLE: I know. But that is the best we can do. For \$1.5 million just imagine if we had to record the 1,100 commercial fishers, I do not know what it would cost to record their catch returns, just imagine for 825,000 people that would cost us or the department to try to work out how to cover it. How will they use that data? This has always been the biggest problem in resource assessments to know what is happening in the recreational fishing sector or have a consistent baseline of information from the commercial fishing sector.

Which one do you use? This one that goes like this all the time over a period of time or this one here that has fairly static sort of movements?

The Hon. RICK COLLESS: The Committee has had concern expressed to it by commercial fishermen about the recreational fishing havens and the take of recreational fishermen. In your view what impact has that had on commercial fisheries? We all understand the impact of recreational fishing havens and marine lockouts and so on but what is the amount of take that recreational fishermen take in comparison to the commercial take?

Mr POOLE: To be fairly honest we used to have sugarbag fishermen 30 or 40 years ago who took everything that they could and I think today you only have to look at social media and what is going on and you will see how many people are releasing fish. It is all about the joy and experience of going fishing in a recreational fishing haven because you know your hook-up rate or your strike rate or your catch rate will hopefully be far greater than going fishing in an area that is commercially fished. There are benefits and there are community benefits across the board around those large areas—Botany Bay, Lake Macquarie.

One of the biggest questions, and we tend to fail here, is knowing how safe our seafood is. It is really critical one to think about. We do not really test to understand what products are coming and in and we are looking at that. We include our waterways every day of the week, every day of the year, and we do not understand what we are pumping into the waterways. And certainly our commercial fishers have been at the forefront of trying to understand some of those. Just take the Hawkesbury River just to the north of us and work out how many sewage treatment plants there are, how many on-site disposal systems from buildings and developments there are and what we pump into that waterway. You wonder why our oyster industry does not survive. You wonder why we do not have a really health river system where seagrass grows nice and readily. We have good products coming out.

The fish loading capacity is up here rather than down here so we can go and harvest. This is what we are harvesting now people. Fifty years ago it was up here and that is why we had several thousand fishermen harvesting that stock. It is down here now and we are now fighting for what is left in the water rather than really having healthy water systems and estuarine systems to produce things. I think havens are a benefit. As I said, bio banking, I call it in simple terms, because the fact is we are trying to look after those waterways. However, we still continue to pollute them.

The Hon. RICK COLLESS: I refer to bag limits for recreational fishermen. Traditionally recreational fishermen objected to a reduction in bag limits—we all heard those arguments in the past. With the adoption by more recreational fishers of actually catch and release and just keeping what they need for a feed, is there an opportunity to look again at bag limits in light of the concept of catch and release now becoming much more acceptable?

Mr POOLE: I think the concept is on the table, yes, I agree with that point. However, I disagree from the point of view whilst we have an uncapped commercial fishery I think it is totally unfair.

The Hon. RICK COLLESS: I will get to that.

Mr POOLE: In fairness, in my submission I mentioned this in 2013, we lost six significant shared species and we lost half our bag limits. It is not a matter of whether you catch 20 or 10 fish because we are changing our ways, it is about should those fish if they have been left in the water because that decision to leave them in the water, right, should that be the fact that we should also cap the other people? In fairness, they are swimming around freely and if they bump into a net, that fish will be tagged off and taken away.

The Hon. RICK COLLESS: That raises the issue in relation to commercial fishermen about the concept of having a quota which is pretty much what the reforms are all about? Is it not?

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Mr POOLE: I support interim total catch allowable limits [ITCALs].

The Hon. RICK COLLESS: That is what the reforms are about.

Mr POOLE: That is correct. It is setting a quota and a cap level. For the Minister to decide to run ITCAIs or total allowable catches [TACs] out to 2024 or 2025 is ludicrous. We need a sound resource stock assessment, the science to back it up, the resources to underpin it, and then we need to work out what we are going to harvest. The stocks are low, they are not what they were 30 years ago. Unless you have the information you cannot work out what to harvest. It is about understanding the value. Fish have a community value and the situation should be to work out where the best benefit is for the State for that value to be shared.

The Hon. RICK COLLESS: What do you feel about the cap being on the commercial fishing effort? Is that going to have a positive or negative effect on the recreational sector?

Mr POOLE: At present I will say it is going to be a negative effect because it is going to take another seven years to get to the point of having a cap. It is ridiculous to have that timeframe in place. We should be setting caps now to ensure there will not be a dark horse for commercial fishermen to think about down the path. Another hump that will have an impact. Do the reform and do it outright and do it complete now rather than dillydallying around. We have procrastinated over fisheries management in New South Wales for years and the department is the main procrastinator.

The CHAIR: We are out of time. This is a very extensive submission and the Committee thanks the Recreational Fishing Alliance [RFA] for putting it together and the time you spent because I know it is your report. The Committee will want to read the report in detail, are you happy to take questions on notice?

Mr POOLE: I am happy to share my knowledge of decades with the Committee to enlighten it as to where we should be going in fisheries. It comes from gaining knowledge and understanding the subject you are talking about and I am happy to take questions on notice.

(The witness withdrew)

(Short adjournment)

DAVID MCPHERSON, Group Director, Commercial Fisheries and Aquaculture, Department of Primary Industries Fisheries, sworn and examined

SCOTT HANSEN, Director General, Department of Primary Industries, sworn and examined

GEOFFREY ALLAN, Deputy Director General, Department of Primary Industries Fisheries, affirmed and examined

GEOFFREY LIGGINS, Supervising Scientist Rock Lobster, Fisheries Resource Assessment, Department of Primary Industries Fisheries, sworn and examined

The CHAIR: We have received the government submission; it is comprehensive, thank you. Before we proceed with questions, would one of you like to make a brief opening statement?

Mr HANSEN: Thank you for the time and interest in the subject here today. It is a subject matter that is of vital interest to the Fisheries department and within the broader Department of Primary Industries [DPI]. Over the course of the year, through numerous interactions, many of you are aware that the DPI has a goal in its strategic intent of growing the gross value of production of primary industries in this State by 30 per cent by the year 2020. We look at all of the reforms and activities from a lens of how do we sustainably enable and empower the individuals, businesses and industries in the State to help them grow.

This is a reform that started in 1994 and has been a long time coming. The first trigger in the reform was pulled in 2007 with the issuing of shares. We are keen to see the promises delivered out of a reform which, in essence, moves us away from being input control regulators to being outcome regulators for the commercial fishing industry. We will move ourselves toward a situation where restrictions and limitations on the commercial fishing industry are removed to enable increases in efficiencies, innovation and profitability for the sector and to try to improve the government proofing of this industry going forward by starting to remove the government's hand in the issuing of shares, removing of shares and trading of shares between commercial fishing businesses.

We understand that the reform process, due to the nature of reform plus the length of time reform has taken, has created a great deal of uncertainty for commercial fishers up and down the coastline. We understand that uncertainty has led to enormous stresses on individual businesses and individuals. Hence, we are keen to progress as quickly with the reforms as we can to remove the uncertainty about the Government's intention to deliver upon the reform promise of moving from input regulator to output regulator and start to move towards a positive and proactive engagement with the commercial fishing industry, away from the space of reform and into the space of helping sell the positive story to the community and the consumer to help grow the gross value of production.

The key areas of uncertainty that we acknowledge exist are: first, the availability of shares in the share classes to enable active commercial fishers to continue to carry out businesses at the level they are at the moment and then to grow; and secondly, around the price that the shares will need to be procured at. The uncertainty is not only felt by those needing to buy shares and the price they will pay but uncertainty from those selling the shares about the price they will receive. The buyers and sellers are both commercial fishers and both are uncertain of the prices that will arise out of the trading period.

Whilst Government's engagement in that trading market through the subsidy program has been delayed in time over the last few years, the industry has not been delaying its reform efforts and reform process, with just under 20 per cent of all available shares trading since May this year. The industry is moving forward as it recognises and sees the options and available opportunities. We are keen to make sure the government is well positioned to provide the subsidies and assistance to the active fishers to make the reform transformation as smooth as possible as well as moving as quickly as possible to turn on the linkages and set in place the new regulatory arrangements that start to deliver some of the promised benefits.

While this might be an area of uncertainty it is not an unknown area. In 1994 when the reforms were first countenanced, we had a number of fisheries that went through to share linked fisheries management. There are at the table people who can answer questions about the success of those linkages and the programs that have occurred, specifically in the area of rock lobster. They can tell the story that we have seen as a result of turning on the linkages and allowing the industry to take a greater control of its destiny through commercial trading of shares, independent assessment and setting of quota and stronger output compliance rather than input compliance in that sector. I am conscious of the fact that we have three experts at the table, including Geoffrey Liggins, who is here to provide a summary or discussion around the history of what has happened with the rock lobster, which gives us an example of what can happen in the remaining fisheries that we are looking to set these linkages to.

The CHAIR: I take it that the implication there, Mr Hansen, is that the story we would hear on the rock lobster would be a story of success, am I right?

Mr HANSEN: Very much so, and we do have additional information that is not attached to the submission that we are happy to table for the members that goes into a bit more detail specifically around the rock lobster.

The Hon. GREG PEARCE: Why don't we take a couple of minutes to hear about the rock lobster?

The CHAIR: It is the Opposition's question time; I do not want to eat into that. However, I will take make sure, if Mr Field does not ask the question of Dr Liggins, that I will ask the question.

The Hon. JOHN GRAHAM: I look forward to that later session but one of the issues I wanted to ask about was something that was discussed earlier today and that was the closure of the Cronulla research facility. The agencies previously reported on the fate of those staff. My question was: Of the 138 staff who were at that Cronulla facility, how many are still with Fisheries?

Dr ALLAN: Let me take that question. There were 138 staff at Cronulla when we moved; 117 of them worked at Fisheries. The remainder worked for other agencies, within the cluster. Of those who were involved, overall we had 50 per cent of people stay with us. Of 117 staff approximately 50 per cent relocated to other locations including Coffs Harbour, Nowra, Port Stephens as well as some city locations. Probably in this context the most important point is what happened with our resource assessment and how we managed our commercial stocks.

We have replaced all the staff. We had a temporary loss of staff who worked in those programs but now we have the same or greater numbers of scientists and technicians who work in our space and so I am very confident that we have replaced that capacity. That is evidenced by the number of external contracts that those scientists are winning, which has increased from before. It is evidenced by the externally reviewed scientific outputs which have increased since before Cronulla moved. It is evidenced by the fact that we now have a greater handle on recreational catches than we had at that time so that goes into those resource assessments.

The Hon. JOHN GRAHAM: So it goes to the number of staff and some of their outputs. How many of those staff made it to the—I think you were referring to the stock assessment—

Dr ALLAN: The stock assessment team, yes.

The Hon. JOHN GRAHAM: Where were they decentralised to?

Dr ALLAN: To a range of places. We have stock assessment people primarily at Port Stephens and at Sydney in relationship with the Sydney Institute of Marine Science, which are co-located at that location.

The Hon. JOHN GRAHAM: So Mosman and Port Stephens. How many of those staff are still with Fisheries?

Dr ALLAN: Across the board it is approximately half. I think we lost five resource assessment people. It depends on how you cut it.

The Hon. JOHN GRAHAM: I am asking specifically about these areas though?

Mr HANSEN: We might take the specific numbers on notice.

The Hon. JOHN GRAHAM: I would be very happy if you would take on notice the number of staff and the number of scientists in the stock assessment area. I would also be interested, possibly on notice, in just how many of the 16 wild fisheries scientists are still with the agency.

Dr ALLAN: We will take that on notice because the tasks people do usually are not just about the resource assessment; they do a range of tasks.

The Hon. JOHN GRAHAM: I wanted to turn to Attachment K, the review of the resource assessment framework in the agency's submission, which I found very useful. We have had submissions put to the Committee this morning that have said that confidence is at an all time low in the resource assessment. I was interested in a couple of the elements of this report which really were quite concerning—that implementation has not met initial expectations, the current reporting arrangements are limited by data and are subject to problems to do with quality assurance, engagement and consultation and, secondly, that the capacity within the current resource assessment framework to meet the additional responsibilities that come from this restructuring are limited. Are you concerned about these very strong statements in this report?

Mr HANSEN: I would not categorise it as concern, but before I hand over to Dr Allan to talk through that, what the report was and is is what you would expect from a world-class fisheries scientific group which is constantly challenging themselves about whether their assessment models, whether their assessment process is still relevant, contemporary and world class. We went outside and got independent assessment on this because we continue to challenge ourselves to try to lift the bar in this area. Basically what the report has found, as you have identified, is the fact that whilst we can take comfort in the fact that we have been using a gold-standard approach for the stock assessment, the tool does not provide for the management decisions and management outcomes that are vitally important in terms of fisheries management. I will ask Dr Allan to talk about the details of that and how we intend to move forward. However, one of the things that came out of the report is the fact that moving away from merely import regulation to output and outcome increases the necessity for us to have those management tools better embedded in the process. However, it also gives us greater tools to fill in some of the data gaps and to be in a stronger position in terms of making these calls.

Dr ALLAN: I will be direct, we set the terms of that external review to look at the very things that we did not have concerns about, but we wanted to ensure were ahead of the game. First, we made a decision to move to the national framework of stock assessment. We wanted to ask for guidance from the external review panel to help us to make that transition. Secondly, we wanted to look at exactly what was the best way to ensure that the management outcomes from our stock assessments were appropriate and accurate. That was particularly important because we had this reform in mind. We had to ensure that our reform was aligned with our stock assessments.

The Hon. JOHN GRAHAM: That is the concern, because this report did not find that the agency was ahead of its game. I did not see the reference to "gold standard". It says that the purpose of the current reporting of status is unclear, that it does not obviously meet management needs, nor does it meet stakeholder or public communication needs. It also says that planning for resource assessments and research in support of management appears to be fragmented. That is strong language. Surely this is of real concern when we are tackling these major reforms to the industry?

Dr ALLAN: That is what we are tackling to ensure that reform guides us in a constant improvement process. It is incumbent upon any agency to ensure they are the best. Our stock assessment framework in the past led the way in Australia for a proper framework for stock assessments, but other parts of the world have moved on. Our management framework needs to move on, and that is what the reform is about. Our stock assessment process is in the same category.

The Hon. JOHN GRAHAM: What do you say in response to the submissions put to the Committee that confidence in that assessment is at all an all-time low?

Dr ALLAN: I do not think that is true. It is the framework and the link between management response, not the actual stock assessment itself.

Dr LIGGINS: I think that is a really important observation from Stokes and McKoy. On three or four occasions in the report they make observations and recommendations specifically stating that this does not apply to the rock lobster or abalone fisheries—the fisheries that went through a reform process in the mid-1990s. One of the take-home messages from that report is that when you go through a major reform process and put in place performance management systems and harvest strategies within the fishery management strategies if you do so using a detailed process of consultation with industry you end up with data collection programs, assessment methodologies, and servicing a total allowable catch in a much improved and very efficient way. When Stokes

and McKoy did their review, they specifically said that these recommendations did not relate to the abalone and lobster industries. If anything, that is a demonstration of the reform and the other necessary steps that follow it having a very positive outcome for both the industry and the community.

The Hon. MICK VEITCH: I refer to the \$16 million in funding. The Committee has received submissions stating that that is not enough. How was that figure arrived at? What was the rationale behind determining that that was required?

Dr ALLAN: I am not aware of the exact analysis; that predated me.

The Hon. MICK VEITCH: I am happy for you to take the question on notice.

Dr ALLAN: I will.

Mr HANSEN: It is probably worthwhile to connect that with the comment I made in my opening statement about how many shares have been traded without government assistance or subsidy in advance of the application of the subsidy. When it was determined that it would be \$16 million there would have been an educated guess as to what would be required to ensure a smooth transition of shares out of the hands of inactive fishers into the hands of active fishers so that they could maintain their level of fishing. As I said, since then up to almost 20 per cent of those shares have already changed hands without any application of the subsidy.

The Hon. RICK COLLESS: Is that through the online portal?

Mr HANSEN: That is through the trading board.

The Hon. MICK VEITCH: Is that \$16 million all State money, or has the Commercial Fishing Trust Fund contributed anything?

Dr ALLAN: The commercial industry has contributed \$2 million, which was collected over time through an extra levy that has now ceased. The State Government contributed \$14 million.

The Hon. MICK VEITCH: I refer to the exit money for people leaving the industry. What compliance regime has been set up to ensure that people who take the money to go actually go and do not transfer the business to their brother, sister, or mother so that they can stay in the industry?

Dr ALLAN: The fishing business buyout package is for a fishing business. That business is cancelled and will no longer hold any shares or be an entity that can be used for trading.

The Hon. MICK VEITCH: I appreciate that. However, my question was about the compliance regime that has been put in place to ensure that takes place.

Dr ALLAN: It will not be an administrative unit legally able to hold shares within our fishing business services framework. In terms of anyone catching fish through our risk-based compliance approach, if anyone links their catching efforts to that fishing business they will be in breach of the law and be subject to penalties.

The Hon. MICK VEITCH: What will happen?

Dr ALLAN: They will be subject to penalties. They will have committed an offence under the Fisheries Management Act because they were trading without a proper endorsement to fish.

The CHAIR: In discussing whether the \$16 million was enough you made the point that since then a lot of share trading has taken place and therefore the number of people who want to be in the buyout scheme is reduced. Do you have any data about the relative value of the shares that are traded? I have some anecdotal information that one fisherman valued them at about \$750 a share. When that \$16 million was calculated, my memory tells me that the value per share was far less than that. I do not expect an answer now, but when answering the question on notice please elucidate with regard to the reduction in the number of businesses that will trade to indicate what you believe the rough market price will be.

Mr HANSEN: Certainly. However, I will flag a limitation in that there is no legal requirement to report the price.

The CHAIR: I understand that.

Mr HANSEN: That means the prices we are told will sometimes reflect internal transfer pricing, ambition rather than reality—

The CHAIR: Correct.

Mr HANSEN: —and sometimes they will be an accurate reflection of the price at which someone has been prepared to buy or sell.

The CHAIR: At the end of the day, the Government will stand in the marketplace as a market disrupter; you will have to do that with the mechanisms. The Committee would like a rough estimate, and we would probably keep that information confidential because we do not want to influence the market. Perhaps you can take that into account when you answer that question.

Dr ALLAN: We could provide an indicative share price.

The CHAIR: That is all the Committee needs to know, and it will be kept confidential.

Dr ALLAN: There will be those caveats.

The CHAIR: I understand that.

Mr JUSTIN FIELD: One of the key arguments made by those who do not support reforms or who have concerns about them is that they are being forced to buy back their jobs. Part of that concern is the lack of confidence about shares being available if they have the money to buy them. They say that DPI has been asked but has not been able to explain what will happen if there are not enough shares available to allow a fisher to meet minimum shareholding levels, or to get them to a level that would enable them to maintain their fishing activity at the current level. How do you respond to those comments?

Mr HANSEN: Thank you for the question because it obviously touches on where the major levels of uncertainty are, and that is how many shares are going to be available. The question we framed is how many inactive fishers or active fishers are going to be willing to sell shares and at what price do they become willing to sell those shares? It is a question that we cannot give an answer to either of those because we do not know the individual business intent of every fisher, as to whether they intend to hold those shares, whether they do not or at what price. What has been done though is in the setting of both quotas or ITCALs.

There has been an endeavour to ensure that the amount of catch and the amount of effort that is available for distribution across share classes is enough to cover what has been fished and caught with active fishers at the moment. So the answer to what happens if there are not enough shares made available, that is what the \$16 million is there to try to do, which is to make sure that those shares are available and we will be targeting that assistance directly to the active fishers to try to ensure that they can get the shares that they need to continue to fish at the recorded levels of fishing.

The CHAIR: Could I ask that witnesses do not use acronyms? What is ITCAL?

Dr ALLAN: Interim total commercial access level. It is a made up acronym.

Mr JUSTIN FIELD: I understand where the Government is coming from in that regard but we have just heard through submissions and other commentary that there are some fishers who have bought off market or bought before the reform process comes to the online trading that you are looking to move to that are holding onto shares that they are not using at the moment. What is to stop some of those—maybe they have bought up a lot of those shares that would have otherwise been available—holding them and not putting them on the market and you will have a whole heap of fishers who will not be able to reach minimum level at all? What do they do at the end of this process if they simply cannot buy the shares?

Dr ALLAN: Can I just say that the first thing is there are plenty of shares; it is getting them into the hands of the right people. So many shares are not being used now, they are inactive, so our challenge is to try and stimulate the sale of those, to say to those fishermen who are not using them, "You haven't used these". When we say they are inactive, they have not had a single kilo of catch recorded against them for five years; so they are not just not used very much, they have not been used at all. We are saying if you hold those shares your best bet is to come into the trading market, we will subsidise people that need to buy them and that will help you sell them.

We think if people follow a rational self-interest there are plenty of shares available. What is to stop people acting irrationally and against self-interest? That is hard for us to know, and there are anecdotes of people doing that. But our first advice to fishermen is to say whether you are buying or selling shares—and they are all commercial fishermen—get into the market; there is a lot of money there and if you have got shares that are in demand they will attract the highest subsidy and it is the time for you to sell.

Mr JUSTIN FIELD: But it is not inconceivable that there will be people who are actively fishing at the moment who may not be able to afford to buy shares to bring them up to minimum shareholding or there may not be shares available because people have acted irrationally. It is conceivable that people who are

actively fishing at the moment just simply will not be able to afford to buy shares to continue to fish. That could be an outcome of this process.

Mr HANSEN: That is a real risk. Mind you, it needs to be put into context in terms of size of the risk. On the figures that we have at the moment, it is just under 70 per cent of share classes held by fishing businesses—and these are in the five share managed fisheries that are subject to reform—there are 70 per cent where there are no additional shares required to enable that fisher to fish at their highest level in the last five years in total. So that means the starting base in terms of where the risks exist, before we start to subsidise share trading is at 30 per cent. Apply the \$16 million to try to subsidise and assist the further transfer of those shares for the remaining 30. We think where we get down to the level where obviously any individual businesses that get caught in that scenario, we would be looking to almost working with individually in terms of what is the best solution for their business going forward.

Mr JUSTIN FIELD: I would not mind talking quickly about Aboriginal cultural fishing. Particularly on the South Coast there has been an issue for a long time that there are some groups down there, individuals, who would like to engage in cultural fishing on a commercial scale. Has the Government considered stepping in to purchase shares to allocate for those sorts of purposes?

Dr ALLAN: Not as part of this reform. There are about 20 commercial fishermen identifying themselves as Aborigines at the moment. They are subject to the same reform for this commercial fishery as there is. We classify cultural fishing as not involving a commercial purpose.

Mr JUSTIN FIELD: I understand the department classifies it that way for Aboriginal fishers, particularly on the South Coast. They perceive it a little differently, and I know that is part of the public discussion that is going on at the moment. But we get ourselves at the end of the reform when all the shares are purchased by existing fishers and maybe we lock ourselves out of being able to take steps then. Has there been any consideration of—

Dr ALLAN: The consideration and the primary mechanism that was put in place for the future that will help is the Aboriginal Fishing Trust, which we have established, which has now been created to hold money to explore economic opportunities for Aboriginal people.

Mr JUSTIN FIELD: But that would be unlikely to be up and going in time to actually purchase shares through—

Dr ALLAN: The trust has been created now, but whether it is going to be used for this market or not, is not the intent of this reform.

Mr JUSTIN FIELD: I think, Mr Hansen, you mentioned that enough shares were made available to meet the ITCALs or quotas that you had set in particular classes. But with regards to the questions from Mr Graham earlier about stock assessment levels and improvements, I have read about some concern that there are risks associated with a recognition that once we improve stock assessments quotas will have to be reduced. So there are fishers wondering whether or not they will actually have to purchase more shares in the future or simply the quota that is available will not enable them to fish at the current levels of fishing that they do and their businesses may not be sustainable with a reduced quota. How much does the department consider there is a risk there and would it not have been better to get the stock assessment process settled before we ended up at this stage of the reforms?

Mr HANSEN: The stock assessment process will be always an ongoing "how do we use better technology, better knowledge, better processes?" It will never be stagnant in terms of the process and methodology. Having said that, the history and what we have seen from what happens when you move to ensuring a transparent and independent process for setting those allocation limits is you start to get not only increased confidence but you start to get those shareholders realising that the value of those shares is intrinsically linked to the sustainability of the stock which those shares grant access to.

So you start actually more empowering those shareholders to take an active role in providing advice to those independent panels about what they think should be occurring with stock levels, with access levels. In the case of rock lobster, that transparency and that independent allocation of process, which is an ongoing one—in fact, in rock lobster it is done annually in terms of it is done to make sure that the natural resource that underpins the value of the shares is kept at a healthy level. I guess moving from an input control process to an output or outcome regulated process really creates the opportunity for us to create that linkage in more fisheries and give greater certainty and greater comfort.

Mr JUSTIN FIELD: Dr Liggins, this might lead into the Chair's next question and you might want to fit it in at the end of an explanation, but I wonder whether or not for abalone and lobster—there is quite a big

difference between those fisheries and some of the fin fish categories—whether or not those factors around the high value of the individual animal, the nature of the fishing, whether or not that lends itself more to this sort of quota system than some of the other fisheries. I would ask for your view on that, if it is potentially an oversimplification that success in abalone and lobster is an indicator of potential success through similar types of reform in other fisheries?

Dr LIGGINS: As you will see from some of the presentation material that I will probably table at the end, I believe that the reform regime that occurred for rock lobster in the mid-1990s is, in many respects, very similar to the reform regime that has been put in place now. Share management, catch quota linked to the number of shares that are held, a mechanism by which compliance with the total allowable catch that is set for the commercial fishery can be maximised, and I describe those management reforms as being the foundation that existed to facilitate spectacular recovery in the rock lobster fishery. Those reforms were necessary, but as you are alluding to, not sufficient to assure the positive outcomes that we have had—necessary, but not sufficient.

The follow-up things that had to occur were the development of a harvest strategy within management plans, through consultation with industry, getting on the same page with industry to discuss the types of content of those harvest strategies and management plans that they believe would work well for them, and the level of cooperation and consultation through at the time what was a management advisory committee, but now is referred to as the rock lobster industry working group. The other things that were necessary to bring about the recovery were improving the levels of the cooperation and understanding between industry and the department.

Of course, as a result of the harvest strategy that was developed in consultation with fishermen, we had to implement some new data collection methodologies, some new survey types to service the assessment methodologies we wanted to use to service our managers and the total allowable catch [TAC] committee that sets the TAC. The reforms were the platform necessary but not sufficient, and the other things that had to be provided to bring about the very spectacular results we have seen were the involvement and stewardship from industry, consultation, development of new data streams and assessment methods.

The CHAIR: Dr Liggins, before I pass over to Government members for their questions, would it be possible for you to table the documents now and that would allow the secretariat time to copy them.

Dr LIGGINS: Certainly. There are 10 copies of a pair of documents, one of which is a five-page to six-page brief presentation, and the other one is a commentary to that five- or six-page presentation.

The Hon. GREG PEARCE: Mr Hansen, you were asked some questions about the McCoy and Stokes report. I note it was a report that was initiated by your agency and that the attention was to deal with what you say were outdated fishery management strategies and environmental impact assessments and to understand changes required to the process to meet new management arrangements under the reforms. It was not some sort of external audit, it was a management tool that you initiated?

Mr HANSEN: Yes. As we said at the start, this was something that was not triggered by a requirement, a review trigger. This was what you would expect good scientists and good managers to do. That is, to get world-leading scientists and managers from elsewhere to review our process and our systems and to give us a full and frank assessment as to what we need to be doing to continue to lead the field in this area, to say we want better alignment across the Commonwealth's management stock assessment processes. We want to ensure that we are in a strong solid position to be able to move into that period post-reform. I guess when you look upon the material that has been provided to you about the rock lobster industry and where it is now, the story you hear from staff, we are now in almost exactly the same position as we were in the mid-1990s in respect of positions of conflict between department, government and industry as people tried to grapple with what these reforms were.

As I am sure you will hear over the next couple of days, we are still in this period of conflict about whether these reforms should be delayed, whether they should go ahead, whether people are angry with us for not finishing the job in 1994—at least finishing the job in 2007 when it was last endeavoured. So to move to that point post-reform, when you start to talk about the partnership, the harvest strategy development reaping the benefits that come from the kind of regulatory reform we are talking about here, the type of industry reform we are talking about here, that is a point that once we move to post-reform triggers, then there is an enormous opportunity for us to look within fisheries about how we reset fisheries to better engage and partner up to maximise the learnings out of the partnership approach that has been taken where the reforms have already occurred, to do that across the fishing classes that will be going through this package of reform.

The Hon. GREG PEARCE: You might categorise it as good management independently verified by external experts?

Mr HANSEN: That would be a good way to categorise it.

The Hon. GREG PEARCE: Can you again explain the 70:30 ratio you were talking about earlier in terms of the need to buy shares?

Mr HANSEN: Based on the figures that we can see, to be precise as of a couple of days ago, 68 per cent of share classes are held by fishing businesses. In the five share managed fisheries that are subject to reform, where there are no additional shares required to allow a fisher to fish at the highest level in the last five years in total, it means that there is still 30 per cent of share classes held by fishing businesses in which some additional shares will be required to meet the highest level of effort or catch in the last five years.

The Hon. RICK COLLESS: I have one question which goes back to the rock lobster fishery. Dr Liggins, you mentioned that there is an annual resource assessment done for the rock lobster industry.

Dr LIGGINS: Yes.

The Hon. RICK COLLESS: As a result of that annual assessment, has the quota changed at all, or does it have the capacity to change if needed?

Dr LIGGINS: Yes, it does. The independent TAC committee, which is one of the unique features of our system, considers the assessment from me, considers submissions from compliance and management, fishing industry, recreational and the New South Wales public, and they set a total allowable commercial catch. For example, at the moment that is 160 tonnes. That 160 tonnes now is the highest that they have ever set that TAC since its introduction in the mid 1990s, and the rise to 160 over the last 10 to 12 years occurs from a base of—I think it was approximately 102 tonnes 11 or 12 years ago, and that reflects their confidence in the assessment, the fishery. I should add that in conjunction with that record TAC being set, it is being taken by industry at record catch rates—a record efficiency. As you will see from some of the information that has been tabled, the catch rates, the value of the catch, the price at which shares are trading, the fully capitalised market share of those shares have all risen spectacularly.

The Hon. RICK COLLESS: It is fair to say that we would expect to see a similar result in other fisheries as that process is rolled out?

Dr LIGGINS: Based on this case study, we have great potential to accrue beneficial results from other fisheries built on a similar management base.

Mr HANSEN: It remains to say that the reforms provide a platform. There is still a lot of work to be done for us to be able to sit down with some of the fishers and move away from some of the input regulations that try to limit the take by limiting the size of the boat, the size of the nets, how many people can go out. To move away from that prescriptive input regulation to allow efficiency and innovation to flourish in the industry, and to move to an outcome-based assessment and management is going to require a lot of additional work. We cannot just complete these reforms and put the "mission accomplished" banner up. There is a lot of work that has to go alongside it. It is going to take significant effort to work in each of the areas with each of the classes to work out how we maximise for them the benefits that the reforms promise and provide. Similarly, providing assistance to them in continuing to promote their story to the community and their story to the consumer to try to make sure that we are not only working on the supply side of the equation, but doing what we can to help them at the demand side of the equation as well because both will be critical to the ongoing profitability of the industry.

Mr JUSTIN FIELD: My understanding is they pay higher fees for that additional work that is done and the benefits that they get in abalone and rock lobster. Is that the case?

Dr LIGGINS: Yes, at the moment commercial shareholders and the lobster fishery pay something just over \$50 per share. I think it is in the vicinity of \$54 per share. You can do the maths yourself what a fisherman would pay for a given number of shares. The important point, as you will see from some of the graphics in that presentation, is that since they have been paying their fees to us to manage and research and assess their fishery the value of their fishery judged by the fully capitalised market value of shares has risen from \$10 million to something just over \$70 million now. The value of their catch which they are earning income on from year to year has risen incredibly as well. I feel absolutely confident that any lobster shareholder fisherman that you have as a witness in this inquiry will bring evidence to you suggesting that they are overjoyed with the return that they have had on their investment by way of the fees that they pay to the department.

The Hon. MICK VEITCH: Mr Hansen, with regard to the industry, are you concerned about aggregation taking place in this process? I am hearing from small- to medium-sized generational family operations that they are going to go out of business and you are going to finish up with half a dozen to a dozen

major players and that is it. Does the department have any concern about these measures forcing aggregation or creating a potential for aggregation and what that does for competition within the sector?

Mr HANSEN: Good question. Certainly the intent is not to reduce the number of active fishers; however, the potential for reduction in active fishers is there. The reason I say that the potential is there is because those fishers who choose or see that the value of their shares are now at a point where to sell those shares and to invest their time and energy in something else, this will provide a platform for them to be able to do that. Whereas on previous occasions they might have been handing them back to government, in this scenario they will not be. They will be selling those shares. Someone who wants to leave and exit will be selling to another fisher.

For every part of this equation, if someone wants to leave someone needs to want to expand or to enter into a new market. There is the opportunity and there is the potential for fishers who choose to leave to leave and for others fishers to grow their business on the back of someone leaving. But we think that is a healthy environment for them to be in. Unlike the environment that they have had in the past in which with no valuation put upon those shares their exit has basically required them to either wait for a government buyout, which has occurred periodically over the previous decades, or really just to realise the value of the assets they have as they sell boats, nets and so forth. This does create the opportunity but in a way in which the fishers themselves have to be active in making that decision that they want to sell their shares to another fisher.

The Hon. MICK VEITCH: Is there a role for the small- to medium-sized family operations into the future in the commercial fishing sector?

Mr HANSEN: Definitely. There is probably an increased opportunity for them to play a role once we start removing the reams of input regulation and restrictions that currently tie them down in terms of what they can do with innovation, what they can do with efficiencies to actually help their individual businesses and help that provenance story of them, their local community and their family in selling through to the end consumer.

The Hon. MICK VEITCH: One of the things that has been fed to me a lot is the poor communication about this program. You have an opportunity here to talk about the communication mechanisms that you have been using to convey the message to the sector. There have been meetings but a lot of people are telling me that there has been very poor communication from the department to the sector. They have even spoken about the helpline, just being able to ring up and ask for advice and not being able to get advice. What do you say to those statements?

Mr HANSEN: I might turn to Dr Allan to talk in a bit of detail but I would say I am sure you are looking at the submissions and the material presented. This is basically reform that is almost nearly impossible to do at a homogeneous level. It is so variable across individual businesses, across the share classes and across the regions. It is one of the most challenging reform stories you will see across government because of that lack of homogeneousness. No two businesses are the same. Having said that, there has been a lot of effort put into trying to take that down away from an industry level to an individual business level.

Dr ALLAN: Let me start off and Mr McPherson can follow up historically. Basically with consultation, this has been a process over a long period of time but we recognise that not all fishermen have come on the journey with us. Your ultimate statement is right: There has been some problem because we think this is really good for the industry but many in the industry do not agree. There has been some issue there. In terms of consultation, our Minister has personally met with over 200 fishermen to start with. Right at the start when we did the review in 2011-12 we set up a working group, a reference group of 25 people, and we had five meetings up and down the coast. We then set up a series of working groups equivalent to the old management advisory committees [MACs] for fishermen to have an input. We set up a series of those. Almost every fisherman that nominated to serve on one of those committees was allowed to join. We had 11 of those committees. They helped give mechanism to what the linkage arrangements would look like. So we had that input.

We then had a series of papers that we sent to every single fisherman for them to review and to give feedback. We got a considerable number of submissions. We then published that submissions report and then had further submissions on that. We then had the Structural Adjustment Review Committee, which is an independent committee that independently met with a whole series of fishermen. Every one of their meetings was on the website for fishermen to see. We wrote to fishermen on the way. They had the website. They looked at the website for the draft recommendations and then the final recommendations. We put videos on the website. Finally, we have also set up a hotline. We have had 1,600 calls to the hotline with fishermen that have rung once, twice and sometimes many times to try to go through explaining how the reforms are working. We have also had independent people running training programs up and down the coast for some elements of the reform. I am sure we have not done as well as we could have but we have tried.

Mr McPHERSON: The only other thing I would add is we have sent out regular updates to the Professional Fishermen's Association [PFA] to include in their newsletter. We have sent information to the co-ops because we know they are a key agent for the information of fishers as well. We have been more than happy to meet with fishers whenever they have asked.

Mr JUSTIN FIELD: Just to follow up on that, a lot of the submissions and correspondence we have received have made it absolutely clear they do not think the consultation has been good enough. How do you balance those two issues and what do you think are the drivers of the concerns about consultation?

Mr HANSEN: I come back to the fact that the challenge in this reform has been the length of time from the trigger going to now. There is almost a reform fatigue. You heard Dr Allan go through the number of committees, the number of consultations and the number of processes. For a commercial fisher to know where today we sit with the latest, what has moved, what has changed, what are the operating parameters, it is an ongoing challenge to keep everyone informed, motivated and along with the process. The one thing that we have identified is the fact that it is that individual communication and it is that individual conversation that has been most powerful and has been most beneficial.

It enables them to actually have the conversation with you in the privacy of that conversation so they can actually tell you what they are thinking about it rather than being led with what they are thinking about it, like in the bigger meetings that we tried up and down the coast in terms of port meetings. At the moment the challenge on the communications front is really the fact that because we are no longer going to be the owner and the buyer of the shares we cannot tell people how many shares and what the price is, because we are for the first time in this industry moving to a point where they self-determine that as opposed to government being the ones who determine that for them. That still remains the hard completion of that storyline to help someone understand.

Mr JUSTIN FIELD: The social impact work of the UTS identified some of these issues as well and recommended that commercial fishers be given some degree of certainty after this reform process is completed. No more reform. They are at least given a 10-year window without having to worry about stuff so they can sort out their businesses. I get the sense from what you are saying that we are then going to be looking at the stock assessment process in some more detail. Some of the commentary from Dr Liggins was it does not stop here; we then have to go and work with specific fisheries on management plans and things like that. This reform will not stop in that regard. The fishers that have made decisions may have more certainty but you have got the marine estate management process running at the same time. What happens next? Is resourcing an issue? Do you need to put more resources into this process?

Mr HANSEN: You are completely right about the fact that these reforms provide the platform but there will constantly be ongoing refinements around how we regulate, how we manage. To be honest, if there was not, then we would not be maximising the benefits out of the reforms that are currently being proposed because those reforms are designed to help us arrive at a better place in terms of regulation and compliance with industry and to add value to the assessments and those businesses. Having said that though, I cannot think of any industry that I know of that is not always going through reform in terms of efficiencies, innovation and change. We have been stymieing that in a large part through the draconian input requirements that have been in place on the industry for long periods of time now.

I guess the key part of an industry is knowing that the shares that they hold provide them a greater property right than what they currently are for those fishers because they will be more closely linked to an outcome of either a catch or an effort that allows them to actually look to how they increase that property value by good management of stocks, by good management of the value of that catch and to start to talk about how we, as we have seen in the rock lobster industry, start to move towards a co-operative and collaborative approach of management going forward to add value and to grow the value of those shares, which we do not have the opportunity to do at the moment in the absences of the reform.

Mr JUSTIN FIELD: Some commercial fishers have expressed to me a frustration at the level of support from government for aquiculture versus commercial fishing. They get frustrated that it is full cost recovery. When they want to do something new, look at a new fishery or new technology, there is full cost recovery on fishery officers going out and helping them with their work. Aquiculture, Port Stephens is a good example with basically co-investors in that project putting a lot of resources in. Have you made the decision to get behind aquiculture and see commercial fishing get smaller in New South Wales?

Mr HANSEN: No, in fact, we believe that there is a strong future for both. One already has had a strong presence within the State, being the commercial fishing sector. One really has not had the opportunity or the presence within the State, that being aquiculture, hence why as an emerging industry it has been given some attention and some focus with regards to what the opportunities might be within the State of New South Wales.

But it is never intended to be an "either/or", it is always a combined approach and it needs to be a combined approach. There is plenty of market opportunity in a world that continues to not only grow its population but grow its demand for protein and grow its demand for healthy protein for both a vibrant, commercial fishing sector and a vibrant aquiculture sector within the State of New South Wales. The reforms will provide the platform to help us to try to achieve that with commercial fishing, and the research and innovation work that has been done around aquiculture will hopefully provide the platform for its growth.

The Hon. JOHN GRAHAM: Is there any plan from the agency to respond to the call from the UTS research team to conduct a social impact assessment on the reforms?

Mr HANSEN: I will have to take that on notice.

The CHAIR: I understand that the Minister will be back today week. I hope that the department will make sure it avails itself of evidence given for the rest of the day and Wednesday because that will inform perhaps some of the questions that will be put to you on the last day. Part of the terms of reference is trying to assess whether the reform the process that you are going through now has been advised or informed by other jurisdictions where there has been success or otherwise. One of the questions is what is the mechanism by which you have done so, firstly, and what is the mechanism by which you will continue to do so, given the disparaging comments about the maturity of the New South Wales fisheries industry particularly in terms of over-regulation compared to other jurisdictions?

Mr HANSEN: Yes.

(The witnesses withdrew)

KATHRYN BARCLAY, Associate Professor, International Studies, University of Technology, Sydney, affirmed and examined

The CHAIR: Do you want to make an opening statement?

Associate Professor BARCLAY: Yes, just a brief statement to expand a bit on one of the points in my letter/submission about type A and type B kinds of fishers. I guess the research team are particularly concerned about these type B fishers who tend to be smaller scale across multiple fisheries and possibly part time and what would be lost because it does seem like the reform is perhaps going to get rid of quite a lot of these types of businesses. Certainly they bring in less revenue than more profitable businesses but some of the other economic benefits are similar with these types of businesses to the more profitable ones, such as the economic opportunities they offer for lower income people.

I am thinking particularly perhaps of Indigenous fishers, Aboriginal fishers. There does not seem to be much encouragement of them in the reform. With incarceration rates and health statistics and unemployment rates being the problem they are amongst Aboriginal communities, encouraging professional fishing seems a really important thing to do. But also some of the non-Indigenous people in this type of business can be ageing and have had lower levels of schooling and perhaps find it really difficult to move into other forms of income earning, especially meaningful income earning if they are pushed out of fishing.

The Hon. MICK VEITCH: In your report you state, "Our report recommends greater consideration to the psychological and/or social factors which influence fisher motivations, values, networks, communication preferences and business management approaches in the development of fisheries management models and effective engagement strategies." That is a significant statement. What are some of the communication methods you suggest should be utilised? Clearly, there is an issue with communication from the department to parts of the sector?

Associate Professor BARCLAY: It is a complicated set of issues. Part of it is historical and a building of bad communication results from both sides over time. It seems government would have preferred to deal with one industry body and there was not one industry body, there were several and they did not agree. There are a lot of fishers who are not actively part of any industry body. So the normal government communication channel does not work well. Some of the other work we have done has shown that peer-to-peer communication would be more effective than government-to-industry communication. That might be another way to explore things.

The Hon. MICK VEITCH: You talk about lateral violence and there is evidence of that in the sector. In my experience, it is a sign of distressed marginalised elements of a sector.

Associate Professor BARCLAY: That was the certainly the impression we got when we did the research and talking to people in fisheries communities. There were high levels of distress, yes, and what seemed to us to be lateral violence, that is, people attacking each other within the industry.

The Hon. JOHN GRAHAM: I found your submission useful and your recommendation that we do not need more uncertainty at this time given the observations you have just made. I wanted to ask, do you still recommend finishing the social impact assessment despite that because you think it plugs a gap?

Associate Professor BARCLAY: Yes, I think so. We know there is a conflict there. It would be better for everyone to finish this and move on with certainty. If the social impacts are not well enough understood and the policy or reform should be adjusted in light of a better understanding of the social impacts, then despite the fact that it is going to prolong the uncertainty that would seem a better course of action.

The Hon. MICK VEITCH: You were here for part of the department's testimony to the inquiry. I have been meeting with commercial fishers for the last 18 months up and down the coast in car parks, under umbrellas or beside tinnies. If ever there was a sector or industry suffering from significant reform fatigue this would be it. If this Committee is to make recommendations to Government about how to manage that or improve that, what do you suggest we put forward?

Associate Professor BARCLAY: In terms of whether you do a social impact assessment or not?

The Hon. MICK VEITCH: As part of the social impact or as well as the social impact but there has to be something that this Committee can put forward to the Government in the way of a constructive recommendation to manage the symptoms of chronic reform fatigue?

Associate Professor BARCLAY: If you were going to take the position that it is better to move forward and put certainty in place, the things that might be most important that you could address in the short term around the sides of that might be Aboriginal fishing and people who are going to be put out of business and

not be in a position to get other income, the non-Indigenous people in these communities. Particularly addressing those two stakeholder groups. I know there have been measures put in place in terms of business adjustment advice and health and wellbeing services but they were not addressing the distress we saw. Perhaps a more concerted effort in that direction as well.

The CHAIR: Am I reading it right that that could be best undertaken by other than government to individual—perhaps peer to peer or professional help?

Associate Professor BARCLAY: Yes, I think it would be better if it came other than from government at this stage.

The Hon. JOHN GRAHAM: That is a really good point. When these industry adjustment processes have happened previously there has been individual assistance for some of the people affected in the industry. How confident are you that support will be there, or what things could be done to improve that aspect of the process?

Associate Professor BARCLAY: Do you mean something like a buyback? Are you speaking of economic assistance?

The Hon. JOHN GRAHAM: In other restructuring, such as forestry, there has been individual assistance provided to workers leaving the industry, counselling, a whole range of support services for those workers. Are there things from your work and the discussions you have had that you would like to highlight which make a difference to those people?

Associate Professor BARCLAY: The fact that so many of those people are ageing and a lot of the people we spoke to had fairly low levels of schooling, which makes it difficult for them to adjust to a new livelihood area. We talked about knowledge production and the holding of knowledge as one of the benefits that fishing brings to communities, and that is informal. It is just held by fishers; it is not taught at TAFE; it is not collected systematically by any government or other bodies. If there was a way to employ people to make use of their knowledge in their communities and using their knowledge if they are not going to be fishing and to build on what they are already good at in some way rather than permanent welfare or having to leave and seek a job that does not make them happy.

Mr JUSTIN FIELD: You made a comment about type A and type B fishers. Could you clarify? You said that type B fishers could be exiting the industry as a result of the reform. Why did you come to that the conclusion? Was it based on what those fishers said to you or some model of the reforms that would see them leaving?

Associate Professor BARCLAY: It was largely based on what people said to us. As part of this study we did not look at the reform in depth. It was not just the smaller scale fishers but the others as well saying that with the higher requirements of capital to buy shares that these are the kinds of fishers who have less capital and might not be able to buy shares. Their business model would not carry that.

Mr JUSTIN FIELD: It is an economic reality for some of those fishers. The Government has said to us that two-thirds of shareholders currently hold enough shares and made purchasing decisions over the last number of years because they saw the reforms were coming. Most of the fishers hold enough shares to continue to fish at the level they have previously done and are staying in the industry. They anticipate that any fishers who would not be able to purchase enough shares to continue are so few that they could literally deal business by business with those fishers to look for individual solutions to keep them in the industry or support them to make their own decision. It seems to me that a lot of fishers made decisions that run counter to some of the concerns reflected. Between starting the research in 2014 and now have you seen a shift as people have become used to the idea of reform and the decisions they need to make?

Associate Professor BARCLAY: I have not felt that myself. We did most of our interviews in late 2014 and early 2015 and our contact with industry since then has been through Facebook or individual contact through workshops rather than interviews. When we did interviews, there were some people who had made the adjustment and they saw a future for themselves and others did not and some said they had missed out on a chance to buy shares earlier on and they were now locked out. We did not go into the detail of verifying that; that is what people told us.

Mr JUSTIN FIELD: Were the interviews you conducted across the New South Wales coast; you have a cross-section of fishers from north and south?

Associate Professor BARCLAY: Yes, we went from Tweed Heads to Eden.

Mr JUSTIN FIELD: As to your comment about peer-to-peer communication, I have a sense that there has been a lot of peer-to-peer communication through cooperatives communicating with their members. These are not businesspeople or industry engaging with fishers; these are fishers who run the cooperatives and engage with fishers who are members. I have a sense that a lot of that has happened and maybe that has been part of the problem because the views of certain fishers have informed their peers in some way. Can you comment on that?

Associate Professor BARCLAY: I think it probably goes in part to the lateral violence thing as well. Some fishers don't trust other fishers, so it is not that any peer would be able to communicate effectively; I guess it is about mapping all the different relationships within the industry and thinking about targeted ways of communicating with particular groups of people.

The CHAIR: I make the observation that what you have just observed or put on the table about trying to map relationships so that you can get peer-to-peer outcomes is pretty much parallel to what I have observed over a number of years now with Indigenous groups. Governments make the mistake of mentioning one Indigenous group or even picking winners and when you drill down into it you find that you have a real problem. So I would tend to agree with that comment. How then could you map that out? Would the research you have done that identified the different types of fishers be able to be used to direct effort into who should be talking to whom or would that be a breach of confidence?

Associate Professor BARCLAY: I am not sure our data by itself would and, yes, we could not share anything that would enable people to be identified but our background knowledge built up of the different groups would be a starting point to start thinking about it.

The Hon. GREG PEARCE: Thank you for your submission, which has helped clarify the work that you have done. On several occasions you have made it very plain that you have not done any actual work attempting to evaluate the business adjustment program. That is a yes?

Associate Professor BARCLAY: Yes, that is a yes.

The Hon. GREG PEARCE: You have not done work?

Associate Professor BARCLAY: Yes, I have not.

The Hon. GREG PEARCE: So to the extent that your work could be or could not be used as a social impact assessment, the answer is that it cannot be used and you are been very clear about that?

Associate Professor BARCLAY: Not in its current form, no. It gives some pointers towards how you might conduct one but it answered a different question.

The Hon. GREG PEARCE: That is right. As to the assertion that you made at the beginning of your evidence today that you thought that some of the group, the people you identify, might be in some way reduced, do you actually have any evidence to support that or is that an opinion?

Associate Professor BARCLAY: It is partly an opinion and partly based on the fact that if you are going to have shares worth a lot you need capital to start up and a lot of these groups of people do not have that capital and are not likely to get it and their fishing business model will not enable—

The Hon. GREG PEARCE: So they are people who are not fishers?

Associate Professor BARCLAY: They are fishers. Some of them are part-time fishers.

The Hon. GREG PEARCE: They must already have shares.

Associate Professor BARCLAY: They are not very profitable fishers compared to the others.

The Hon. GREG PEARCE: Do they already have shares?

Associate Professor BARCLAY: Yes, and also these are ideal types. I can think of some of the people we spoke to who would fit type B but are very profitable as well.

The Hon. GREG PEARCE: If they already have shares why would they then be forced to buy shares?

Associate Professor BARCLAY: Because as I understand it—and I have not gone into depth in all the nitty-gritty of the reform because it is so complex—you have a certain amount of shares but to keep going in future you need more. So some people have been buying more and some people have not, so they won't have enough shares to have a right to fish in the future, some of them.

The Hon. GREG PEARCE: With respect, I think you are a little bit confused in the process. We might leave it there.

Associate Professor BARCLAY: Okay.

The Hon. RICK COLLESS: Thank you for coming along today and for your report. I will start by asking if you were here when the government representatives were talking about the success of the reform of the eastern rock lobster fishery?

Associate Professor BARCLAY: No, I was not for that bit.

The Hon. RICK COLLESS: The story is that they introduced similar sorts of reforms that the rest of the fisheries are going through now in the mid-1990s and that has been quite spectacularly successful in increasing the total take and the total value of that particular fishery. I have got to say from what the government representatives were saying and the information they gave us this morning that there were similar suspicions about that reform process occurring at that time. I am just wondering whether the difficulties around what is happening at the moment are based on a fear of the unknown rather than facts going forward. Did you get the feeling from people who were opposed to it that they were a little uncertain about what the reform process was going to entail rather than truly understanding what was involved in it?

Associate Professor BARCLAY: I can imagine that might be part of it. I am not so familiar with the rock lobster fishery in New South Wales. Another fishery that I have looked at in more depth that moved to a quota fishery was southern bluefin tuna where again that ended up, for the companies that stayed involved, leading to a very successful fishery but it consolidated the fishery a lot. The type Bs all disappeared out of that fishery. I am not saying that means that would happen here; I am just saying that things happen with reforms. Businesses don't end up getting through and that would happen again here but you would need to do a social impact assessment to understand exactly which people were going to be excluded.

The Hon. RICK COLLESS: In your submission you suggest that the Government end the uncertainty as soon as possible. Could you tell us more about your recommendation to undertake that business adjustment program as soon as possible? How do you think that should be applied?

Associate Professor BARCLAY: I do not think I can answer the question about how you should take forward the business adjustment program. I have not looked at it in enough depth to be able to understand what I think would be the best way to take it forward.

The Hon. RICK COLLESS: From the interviews that you conducted did you get the view that the commercial fishing industry in total was actually in decline in New South Wales or was there a positive view of the future going forward?

Associate Professor BARCLAY: From some businesses definitely a positive future and a lot of those businesses were moving into different parts of the value chain. Some of the challenges facing the industry are not to do with government regulation, they are to do with the costs of production in New South Wales compared to imports and things like that. So really there is a need for many fishers to move into higher value fishing to make their business worthwhile and so some of the businesses we saw were starting to market direct via farmers markets or selling their stuff direct into supermarkets and things like that, or there was some processing. Some of the companies were into processing and they had a lot of hope for the future whereas others, no, not so much hope and they saw it as a declining industry.

The Hon. RICK COLLESS: Were any of those businesses talking about value adding of the individual animals they were catching? For example, within the crab industry and particularly the lobster industry, bigger lobsters are worth more money than smaller lobsters per kilo. Do you think there is an opportunity for some of these people to understand that they can actually increase the value of their catch even though they may not be increasing the total volume of their catch?

Associate Professor BARCLAY: Yes, and some do. There are also some fishers who just want to catch their fish and sell it to the co-op. They are not interested in marketing. Having said that, some of those measures, such as increasing the size of the lobsters, are not related to marketing. That is a fisheries management issue and a more direct measure.

The Hon. MICK VEITCH: In your report you talk about the gross value of production. There is widespread discrepancy about the contribution of commercial fishing to the New South Wales economy. Your figures are good and will be useful when the Committee is writing its report. Did you drill down to regions?

Associate Professor BARCLAY: We did. We have economic figures for each of eight regions that we constructed out of Australian Bureau of Statistics statistical areas, and they roughly correlate to the DPI fishing areas.

The Hon. MICK VEITCH: And that is in the main report?

Associate Professor BARCLAY: Yes.

The Hon. MICK VEITCH: Can you provide the figures for those eight regions to the Committee?

Associate Professor BARCLAY: Yes.

Mr JUSTIN FIELD: You said earlier that one of the mistakes the Government made was not having a single professional body with which to consult from the start.

Associate Professor BARCLAY: I am not sure whether it was a government mistake or whether it was simply the way it was.

Mr JUSTIN FIELD: Or the industry; there was no peak body. Given the division that now exists, based on your experience, and from talking to fishers, would be worth the Government pursuing that, or does the division make it even more challenging?

Associate Professor BARCLAY: If the Government could work out how to talk to multiple bodies rather than trying force one, that would work better.

The CHAIR: Thank you very much for appearing before the Committee. Your evidence has added a different element to the Committee's considerations. I am sure members would agree that you have provided some valuable insights. It would definitely be worthwhile if you were to provide the information about the regions. We would appreciate it if you could provide that information within 21 days.

Associate Professor BARCLAY: I will.

The CHAIR: Once again, thank you for agreeing to appear before the Committee.

(The witness withdrew)

(Luncheon adjournment)

IAN CARTWRIGHT, Independent Consultant; Former Chair, Structural Adjustment Review Committee; and Commissioner, Australian Fisheries Management Authority, affirmed and examined

SEVALY SEN, Consultant and Member of the Structural Adjustment Review Committee, affirmed and examined

The CHAIR: Prior to questions from the Committee, would either or both of you like to make a brief opening statement? It is probably more pertinent in your case because we do not have a submission from you yet. Anything you have in writing that you wish to table we will take as tabled.

Mr CARTWRIGHT: I will just make a brief opening statement, if I may. We were asked as the Structural Adjustment Review Committee to look at fisheries management arrangements in New South Wales. We found them to be untenable in their current form. There is extreme over-allocation: around 35 per cent of the rights that were issued are unused, that is, no catch in the last five years, and then there is an awful lot of those shares which have very low catches. So if you combine the 35 per cent with no catch for the last five years and the few that have caught very little, it is clear there was massive over-allocation when those rights were first issued.

There is an issue with sustainability. At the moment around 10 per cent of the species are either growth overfished or overfished and, perhaps as worrying, around 60 per cent are either uncertain or undefined. We have been told that in a number of cases the catch records that are kept by fishermen are not necessarily accurate, because when we were told about catch history they would say "Do not take catch history into account because you cannot rely on it". But the problem is that the same data is used to try and assess stocks. There is clearly low value in the fishery. Sevaly will perhaps add a couple of comments on the economist's view of the world in terms of profitability.

There is very poor compliance. It is probably the worst compliance I have had reported in Australia in coastal fishery. Seventy-five per cent of the licences have either had a written warning or some form of fine or other fining against them in terms of non-compliance with regulations. Fisheries are very complex and at the moment I believe they are very vulnerable. The pressure on in-shore fisheries is growing. The pressure, quite

rightly, from society in terms of social licence is growing, and I think sustainability is a big part of this. We think that the Adjustment Subsidy Program is not about removing shares or taking shares away from active fishers; it is about trying to shift shares from that 35 per cent or those that use it very little across to the fishermen that really need them who, in our belief, want to keep fishing. So it has been sold as some sort of evil occurrence that is going to remove fishermen that would otherwise be able to operate. Of course, we cannot guarantee that every fisherman will get exactly what they need. No reform program can do that, in our belief, but we do believe it is a good thing and we will provide examples from other fisheries as you wish and answer questions.

Ms SEN: I would just like to add to what Mr Cartwright said about the profitability of the New South Wales fishing industry. Since about 2000 there has been some work done on the economic returns in this industry and it is consistently showing very, very poor profitability. This reform program, one of the main aims is to improve the profitability of active fishers in the industry.

The CHAIR: If I could just ask for clarification on that, Ms Sen. I take it you mean against a benchmark of Australia-wide State jurisdictions or some international standard for low profitability?

Ms SEN: It does not matter what business you are in, if you are not making money there is no benchmark; it is just a simple issue about fishing businesses not making profits.

The CHAIR: Measured in absolute terms?

Ms SEN: Yes.

The CHAIR: I understand what you are saying now.

The Hon. GREG PEARCE: Sorry, there is profitability and there is not making money; they are slightly different things. I count not making money as a loss, not a profit. So what are you really saying?

Ms SEN: They are marginally profitable in some businesses and some are probably cross-subsidising from other activities to just cover their costs.

Mr CARTWRIGHT: What can be confusing is cross-subsidy. If somebody is a part-time fisherman—I have seen a number of submissions where they have said, "I'm a taxi driver" or "I work in a sugar mill" or "I do whatever I do" and then they are able to go fishing because they like fishing. To a lot of people it is a lifestyle thing, it is a community thing, but it distorts the data at times.

The CHAIR: From the point of view of the Australian Fisheries Management Authority [AFMA], as you have stated, the New South Wales fishery is not held up to be exemplary. There have been some changes obviously made in the Commonwealth fishery with regard to the management of those fisheries and in other State jurisdictions. Could you give the Committee some idea of the success stories that have occurred either in the Commonwealth fishery or in other jurisdictions of which you are aware?

Mr CARTWRIGHT: Yes, I think it is quite dangerous to directly compare some of these large single species Commonwealth fisheries or even your rock lobster and abalone. They are a single species, they are ideal for quota, they are cut and dry. A lot of the benefits we see in New South Wales for both of those—because I chaired the committee that decides the catches in those fisheries—and their profitability has zoomed. In both cases they are doing very well. Let us go back to some State examples first. In Tasmania there is a scalefish A and B licence, and they are very much like here—horribly over-allocated. Two particular species were of interest to those and that is calamari squid and striped morwong, which is used for the Chinese live market; you sometimes see them swimming around in aquariums. They said they will be serially depleted up the coast and we cannot allow this to continue, so they quotaed them. They did it on catch history. A relatively small number of fishers got the entitlement.

The problem for the ones who did not, they said, "I am entitled to catch these species." They had not caught them for years, they just had the piece of paper that said you can catch any scalefish within these certain rules. Once the quota came into both of those fisheries, profitability in those particular fisheries was improved and, importantly, sustainability was improved. Instead of trying to say, "We reckon 80 boats will catch about this much", we were able to say "10 tonnes is sustainable. There is good science behind the 10 tonnes, let us do that." That is just an example. Commonwealth fisheries are well managed because they are well allocated. There is a pie, everybody knows what slice they are going to get. The pie itself goes up and down according to the health of the stock, but the good thing is you know exactly what your slice of the pie is.

Ms SEN: I would like to talk about a fishery I am involved with at the moment, which is in South Australia. It is called the marine scalefish fishery. It is very similar to many of the New South Wales fisheries and is currently exploring a reform, but it will be industry funded because the government is unlikely to put any

money towards assisting the reform. What is important about it is that there are lots of latent licences similar to New South Wales, and there are localised problems of when prices are very good in a particular area then a lot of licences get activated to fish and the profitability of those who are more full-time or regular fishermen get badly affected. The issues that we are looking at in South Australia are very similar to what New South Wales is currently experiencing and what we hope the reform will address.

The Hon. MICK VEITCH: I am keen to explore catch history. In your opening statement, Mr Cartwright, you made some comments about the non-compliance or the—

The CHAIR: Unreliability.

The Hon. MICK VEITCH: —unreliability of using catch history. Can you explain why you make that statement as it relates to New South Wales?

Mr CARTWRIGHT: It was made to us by fishermen in their submissions because they were uncertain when we first started the process whether catch history would be used. Some fishermen were saying you cannot rely on catch history. For instance, they will log different catches in different ways, whether they are doing a day trip or a number of trips in a week if they only report once. That has an issue for sustainability, because sometimes if you have 50 metres of net and you catch 10 fish and you have 100 metres of net and you catch 10 fish, it is reasonable to assume that in that place where there is 100 metres of net there is half the number of fish, because if you have used twice the amount of net you should get twice the amount of fish. If you do not have accurate data recorded in the logbooks, when you come to do the science behind it you can have errors, which are called CPUE, which is catch per unit effort. In other words, if you use the same effort and you catch half as much, you can infer there are less fish, probably not directly half but that is a simplified explanation of it. Incorrect logbook data can affect assessments.

The second bit about catch history is that most jurisdictions—and I have just finished one in Western Australia—go through a two-stage process. They find out whether you are eligible for allocation, and that is usually a very low bar. They say if you have caught 50 kilos in the last five years, you are eligible for an allocation. That is a ticket to the dance, if you like, so maybe 300 licences, for instance, would be allowed to be allocated or they would have sufficient catches to be allocated and then you would allocate either days or traps or kilos against catch history. What happened in 1987, from memory, New South Wales started a share managed fishery program but they did not allocate on catch history. They said as long as you meet what most States call an eligibility criteria we will allocate you exactly the same across everybody. The worst sections were abalone and rock lobster and I think there was one other one. Some of the ocean fisheries had what I call a real allocation. The rest of it was a Clayton's allocation because everybody got exactly the same, irrespective of how much catch history they had put in.

As a review committee, we were unable to unscramble that egg. We could not just say we will not give any. A lot of fishers said, "Forget those people who have not used those licences. Scrub the 35 per cent because they have never used them. Use it or lose it." The problem is that parliamentary records and legislation say they have a right, and you cannot just extinguish a right. Unfortunately, for active fishers, those inactive fishers did not use those rights or used them very little, but to then suddenly turn around and say we are going to allocate on catch history was not possible. That is the role that catch history had. But I understand now that the department, through the work of the Minister's office as well, has managed to modify the program to allow for active fishers to get the subsidy.

Although it is not precisely catch history related, at least it says you get rewarded if you have fished and if you have not used it then do not expect government subsidy. If you like, the government subsidy is discretionary and you are having the discretion to give it to those active fishers. I state again it is not the aim of this program to remove active fishers. It is to get the shares from inactive to subsidise the selling price so it makes it attractive for them and to reduce the buy-in price for fishers so that they can buy in and have a stronger right. It is not buying your job back. I do not know how many times I have heard that.

The Hon. MICK VEITCH: What is your definition of an active fisher?

Mr CARTWRIGHT: I would have probably raised the bar if it was me but they have said a kilo.

Ms SEN: That was in the original allocation.

The Hon. MICK VEITCH: A kilo of fish in five years or in one year?

Mr CARTWRIGHT: I will take the question on notice for exactly what it is. As I say, we finished our work nearly 18 months ago. It was about a kilo in that particular fishery. If you have got a logbook and you write down "region 4 meshing" and you put down a kilo I suppose—it is unlikely you would, but they have to

have a bar somewhere. I think one kilo just said you did land a fish in that fishery within I think the last five years. It was a fairly low bar.

The Hon. MICK VEITCH: But that is not the criteria that the Government is using. I thought it was to have fished 15 minutes in the last five years.

The Hon. RICK COLLESS: No, it was a kilo I think.

Mr CARTWRIGHT: I think it was a kilo.

The Hon. GREG PEARCE: You had to have caught something.

The Hon. MICK VEITCH: Not when I go fishing. I want to now talk about this issue around profitability. A bit like Mr Pearce, I tend to agree that there are those who do not make money and there is profitability. Was there some sort of economic standard that you used as part of the review to determine profitability?

Ms SEN: No, we did not look at profitability. We did commission an independent report to look at the economics of the industry and to try to calculate and estimate some levels of profitability and returns on investment for the fishery. I do not know whether you have seen that report. It is by AgEconPlus. It is certainly publicly available. The biggest issue that they came across was that there are a thousand business types, a thousand people having a business doing different things and it is very hard to standardise. My comments about returns on investment and profitability were based on a previous study done in the early 2000s commissioned by the department and AgEconPlus sort of tried to delve into it a little more.

I think one of the quotes they said is that they just could not understand based on data that they used—which was based on other fisheries because they could not get enough data from New South Wales fisheries, they benchmarked it against South Australian data—they could not understand how people were still operating given the rates of return in the fishery. There were a couple of fisheries where that was not the case. I think Ocean Hauling was one of them. But you have to understand it is so heterogeneous that it is very hard to make some kind of blanket statement that a particular fishery is profitable or not. But the indicators were that many, many businesses within those fisheries had very, very low or negative rates of return.

The Hon. MICK VEITCH: I can see serious aggregation taking place in the sector because of the reforms. My concern is that a lot of the smaller- to medium-sized generational family operations are going to disappear from the sector if not in the foreseeable future then in the next five or so years. Do you see that as a good or bad thing for regional communities up and down the coast?

Ms SEN: First of all, as an economist and looking at the data that I saw I would find it incredibly hard to be able to disentangle what is a family business and what is not from the data and to make value judgements about this particular fishing business being a generational fishing business or not. We analysed the data by fishing business. We analysed the data as much as we could when we knew that there was aggregation where one person might own two or three fishing businesses. But it would be very hard for me to say hand on my heart that I knew who was aggregating and what type of socio-economic background they came from. I could not comment in terms of whether that is occurring. As to whether it is a good or bad thing, I think that is a value judgement that I am not in a position to make. Our terms of reference were simply to look at trying to minimise the impact of the reform. That was looking at how to minimise the people who were fishing—how we could keep them fishing with enough shares.

Mr CARTWRIGHT: I may not look like it but I was a fisherman years ago and I have what they call a Master Class 5 and a Marine Engine Driver Grade 3 Certificate. I have been involved with fishing communities for years. When I first started going to fisheries management I used to wax lyrical about fishers in communities and how we were not really valuing them sufficiently. Subsequently, I have found using fisheries management as a social engineering tool, if you like, is fraught with danger. Often what happens over time is marginally efficient operations are unable to keep up with technological change and also unable to mount sufficient arguments against those who would like to see their share reduced—that is, recreational fishers or those who lobby for marine parks. They are less able because it is so disaggregated and they are so small.

As to the contribution to the community, there is a new report out and it is clear they make a good contribution. There is no doubt about it. But over time, unless their entitlements are strong and unless they are sustainable you will not have either. You will have unsustainable, unprofitable fisheries and the contributions they make to the communities will decrease anyway. Whereas under this model there will probably be somewhat less. No-one really knows exactly how much less. As I say, the idea is not to just wholesale go out there and knock them over; the idea is to get the shares from the inactive to the active. If you really are a small family operation, then I would suggest you do not need a massive number of shares and it is relatively easy to

make that change. Hopefully the subsidy will ease that path. But without reform, then I really worry that these community fisheries in the longer term will go under.

The first review we did we had people actually weeping in places. When I did the Stevens review people said, "We cannot go on the way we are. There has to be change. The status quo is not an option." Under Minister Hodgkinson, I sat around the table and all the fishermen said, "Yes, we are all for this reform." The problem is there has been a lot of scaremongering, a lot of threats and a lot of bullying. There was even talk of guns and bullets at one point about things. That got withdrawn, fortunately. But you cannot underestimate the amount of bullying and scare tactics that have been engaged. That is really what has delayed this, and also the use of the political process. Why would you bother going to the directors of fisheries when you can go to a politician and get things changed? I apologise, but in my view it has been used for too long as a way of putting off hard decisions for good fisheries management.

The Hon. JOHN GRAHAM: Thanks for those comments. I want to return to your views on the resource assessments. I was interested in a couple of your comments on those. We have had some discussion this morning about the level of confidence in those resource assessments. You ran through some of the specifics about where those are up to, which was useful from my point of view. I want to ask about the number of uncertain and undefined categories that you referred to, which have really gone up over the past five years. I am interested in your analysis about why that is the case.

Mr CARTWRIGHT: With quota, I always describe it like a linkage. If you should have 50 tonnes and the biologist tells you that you are overfishing and you should go to 25 tonnes, you pull a lever and say that the quota is now 25 tonnes. You just push and pull. It is very quick. Or if the stock is building you can get an extra 50 tonnes; it is a direct link. But the minute you start using an almost unlimited number of licences and really complex arrangements such as "close this Sunday, not this weekend", "do this, do that", "use this mesh size", and then you pull the management lever, it has got all these linkages that are floppy. You can pull a big lever at one end and you get a wiggle at the other end. It is so indirect.

What fisheries have been doing here, in my belief, is bandaiding and making fisheries management more complex. That is why in the end it is almost impossible to control smart fishermen who are able to use whatever regulations are there. Believe me, as a fisherman I spent most of my time thinking how I could make the most out of the regulations I was constrained under. The more direct the management control, the better chance you have got controlling it. The floppier it is, pull the lever and sometimes this thing can go the other way. It is just so indirect.

The Hon. JOHN GRAHAM: That goes to the reform in general—I accept where you are heading on that—but what is your view about the status of the resource assessment tools that are there and those methodologies, given the significant change this represents to the industry?

Mr CARTWRIGHT: I must state that I do not have direct knowledge of the assessments themselves. I have a lot of knowledge of the abalone and lobster assessments because, as I say, I sat on the committee for nearly 10 years deciding the TACs. It is clear that there has got to be a lot of work done and I think at some point there has been a suggestion about more money will make it easier. But I will ask Ms Sen to comment, if you are interested, about the \$16 million. Certainly some resources will be needed to make sure that you have got the best available science to set these catches at sustainable levels.

The Hon. JOHN GRAHAM: That is crucial to make this work?

Mr CARTWRIGHT: Absolutely crucial to good decision-making is good information.

Ms SEN: I agree. I think it is a separate issue about the \$16 million being enough, but in terms of what Mr Cartwright was saying about having good information it is absolutely critical.

Mr CARTWRIGHT: You have got one thing that is unique in New South Wales—I should not say this as the ex-chair perhaps—you have a thing called the TAC committee. It is there to set either allowable catches or allowable effort. So it could say 50 times or 50 nets whatever. The beauty of it is—I hate to say this in front of politicians—it is independent of government. The Minister can ask it to review a decision but it can do no more. If you pick the right people—and you have got an eminent chair now from the CSIRO who I have every faith in—and as these fisheries come under better management he will set clear limits to catch and effort and I think that will be a quantum change for New South Wales. Everybody else, you still have to go to the Minister with a TAC. If it means reducing jobs in a difficult electorate then there are always pressures on the line but with your TAC committee—and other States are actually looking at it—it is independent of government.

The Hon. JOHN GRAHAM: Ms Sen, would you tell the Committee whether in your view \$16 million is enough?

Ms SEN: For this part of the reform program, if we exclude what Mr Cartwright was talking about putting more money into research and possibly the TAC committee setting process, we did look at the figures a lot and we modelled all sorts of possibilities and we looked at how shares needed to trade against and from fishing business to fishing business I think \$16 million is enough for this stage of the program.

Mr JUSTIN FIELD: I refer to profitability. The Committee received evidence earlier that over the past 40 or so years the total commercial catch has remained relatively static and the number of fishers has reduced. How do you see the reforms impacting on profitability? Are we going to catch more or less fish in New South Wales commercially? Where are the savings or the efficiencies that might arise to increase profitability? Is it just coming from few fishers sharing the same fish? Are fish prices at the markets going to go up or down?

The Hon. GREG PEARCE: Just to be clear, that evidence related to Newcastle, not to the whole State?

Mr JUSTIN FIELD: No, I do not think so.

The Hon. GREG PEARCE: No, it was Newcastle. He said he was the chair—

Mr JUSTIN FIELD: I understand where he was from but I think it was a broader statement.

Mr CARTWRIGHT: I will answer about fish supply first and then I will hand over to my colleague. My answer to that was the right amount of fish.

Mr JUSTIN FIELD: So the value of the licence potentially over time, that property right becomes more valuable?

Mr CARTWRIGHT: It becomes more valuable but all they get is a slice of a pie. What makes it valuable is the pie and the certainty of the slice. The slice will be made more certain under the program but the size of the pie will literally depend on the status of the resource. Through climate change and other changes we are seeing some of our stocks increasing rapidly. Abalone has done really well. The rock lobster fisher in New South Wales is now almost the darling of fisheries management. The last time I sat and chaired it they could have had a quota increase and they decided not to because of profitability. Now, as I say, I do not like to use rock lobster and say all these tiny fisheries are going to be like rock lobster. It is a single species, very valuable, different fishery.

The answer is, I think, in terms of more or less, hopefully it will just be the right amount to enable stocks to remain healthy and for resource sharing to occur because do not forget these inshore stocks are fiercely competed for by the recreational sector. If you look at the strength of the recreational sector over time in all the States it is gradually eating away at the commercial sector which, from my point of view, is poor. They call it commercial quota, I call it community quota.

The Hon. RICK COLLESS: Are you referring to that in terms of the take, the quantity?

Mr CARTWRIGHT: Yes, the share, because most fisheries now are actually going to shares. They say the recreational sector will get 15 per cent of the catch of these species and the commercials will get this.

The Hon. RICK COLLESS: How do they regulate that in the commercial sector? Is it purely on bag limits?

Mr CARTWRIGHT: In the recreational sector, yes, bag limits. In one extreme case in the snapper fishery in Western Australia they give tags out so that they know exactly what the recreational fishers catch. The important thing in my view is to secure the supply of local seafood for Australians to eat. If I go out in my 16 foot tinny and catch that fish you cannot buy it, whereas a commercial fisherman goes out and it is available to every one of you. I think it is entitlement that often gets forgotten. The consumer has an important role in this. Stopping the supply of Australian fish I think is awful from these inshore fisheries. Just handing it all over to the recreational sector, they are not the community, they are just somebody who happens to go fishing but you cannot buy their fish.

Mr JUSTIN FIELD: How does that property right then work for someone that does estuarine trawls—I will use flathead as an example because it is one species that recreational fishers take more than commercial fishermen—and holds a share. It is a property right but the recreational fishing lobby is more successful in getting access to areas, more people are coming into it and with better technology, taking more flathead. How does that right get dealt with by governments under these reforms when there is not really any ability at the moment just bag and size limits but the take is still very high?

Mr CARTWRIGHT: There are mechanisms. In the end if you are talking about a trawl fishery, fish-excluder devices and technology to reduce an unwanted bycatch of certain species is getting better and better. Fishermen are able to be more selective so that will be one way to do it. Otherwise you just have to bring in more and more Draconian management measures on either the recreational or the commercial. But until you have got that resource sharing, they call it, sorted out you do not really know who to adjust where. For instance, on the east coast of Tasmania the rock lobster fishery is crashing and they have said no more than 200 tonnes. The bag limit for recreational fishers used to be five, they have reduced it to two.

For the commercials it is easy because the commercials are tightly managed. Their quota has been hacked down and you can guarantee that is what they will catch. It is much harder. The recreational is a bit like that lever. For the recreational fishers you give them a bag limit and if there are 200 catching five fish, it is the same as 100 catching 10 fish. So it is much harder with recreational fishing.

Mr JUSTIN FIELD: Do you see if you have a total allowable catch committee set up for some of these other fisheries that you would have to have someone on it representing recreational fishing interests? They would have to make a call about how the recreational fishing limit for that particular year might be reduced, what measures might be put in place?

Mr CARTWRIGHT: It is more of a policy than a technical question. It is a question for government really. It is where you see the respective roles of recreational fishing or the rights of recreational fishing versus the rights of commercial fishing. As I said, I suppose because I was a fisherman, I firmly believe the right of the consumer belongs with the commercial fisher.

Mr JUSTIN FIELD: You mentioned earlier that reporting was a problem. Because of the nature of this new system, will reporting likely be better? Will there need to be some sort of encouragement for better reporting? One recommendation is that fee reduction is associated with on-time and good reporting from certain fishing businesses.

Mr CARTWRIGHT: Yes, there is an expression: you have got to be in the black to be green if you are a fisherman. Fishermen that are relatively profitable, that are going okay and are making a reasonable return are much more likely to be compliant. Also new technology has been amazing. At most of these inshore fisheries there is phone coverage and people are now able to put in live data through iPads and others. The beauty of that is if you are a compliance officer and you are getting live feeds from the fishermen at the boat ramp and he just puts in 40 kilos of mulloway and he is only around the corner in a squad car or compliance car, he can go to the ramp and check instantly. I think compliance will improve out of sight.

The CHAIR: The Government has made it clear that they intend to encourage the co-ops to invest in point of delivery access to the system. A fisher can come in, go into the co-op and record right there their catch rather than having the co-op manned, for want of a better word. Do you see those technologies as beneficial across the broad range of the commercial fishing sector? I assume that most commercial fishers would sell through a co-op, am I correct?

Mr CARTWRIGHT: Ms Sen has had more to do with co-ops than me.

Ms SEN: I would have to take it on notice. I do not know the volumes.

The CHAIR: Could you take it on notice and give us your thoughts on whether that technology is beneficial to the fishers or if it is government smoke and mirrors?

Mr CARTWRIGHT: Thank you for the question because we can give you examples from other jurisdictions where smaller scale fisheries have started to use appropriate technology.

Mr JUSTIN FIELD: One of the fisheries impacted by the reforms will be going to a mixed catch quota. I understand there are some concerns that there could be dumping that results from that sort of policy. Can you speak to that?

Mr CARTWRIGHT: Yes. What a horrible question. Quota is fine but you cannot hang a note on a trawler to say "flathead only" or "prawns only". It is the devil of trying to quota too much, too far, too quickly. There are ways to be selective. If fishers cannot land a certain species, it is amazing how more selective they become when they are unable to land it. Fishermen are able to be relatively selective in my view. Not always, but if you ask, "Can you select out this species?" the answer is, "No, we are always catching those". When there is no value, it is funny how it does not pay a fisherman to land them. They are generally conservation minded, they do not want to throw stuff away. Some discarding is inevitable in some cases. The minute you say you can catch 10 per cent of species A while you are fishing for species B that becomes a target rather than a limit. I will not go into the technicalities but there is a range of ways to deal with that. You are correct that over-quota in mixed species fisheries is difficult.

Mr JUSTIN FIELD: That is a concern with the reform? There are some areas where that will be the outcome of the reform?

Mr CARTWRIGHT: Some, but there are solutions to it. Doing nothing is worse. Doing it will create a problem but inaction is worse—it is the least worse.

The Hon. RICK COLLESS: Mr Cartwright, can I go back to the concept of the pie and the size of the slice. You mentioned earlier that the rights had been grossly over-allocated. I am assuming that is on a quantity out of each fishery basis?

Mr CARTWRIGHT: Yes, quantity of shares.

The Hon. RICK COLLESS: Or quantity of stock?

Mr CARTWRIGHT: Quantity of shares. What they did was there never was a defined pie, they said there is this massive amount of shares all equally done. If you go straight to a pie everybody would get exactly the same. The problem is that 35 per cent of the slices have never fished or have not used them for five years. It was so inequitable. Some of those little slices, which is the same entitlement, might have caught, in some cases, 70 per cent of the fish of that pie. That was our big challenge: to move those shares from the slices that never used them into the other ones so when you did the final pie, or the total catch, the people that needed them would get the shares.

The Hon. GREG PEARCE: Those shares were issued free?

Mr CARTWRIGHT: Yes. On very weak grounds, in my view.

The Hon. RICK COLLESS: When we go to this new process these people catching 70 per cent of the take from a history-of-use basis, what are they going to get out of this now? How do you rationalise the history of use and how many shares are allocated?

Mr CARTWRIGHT: In some fisheries there are barriers to entry. If it is an offshore fishery you are going to need a large boat and a large investment. You are not going to suddenly jump in because the price of deep water snapper goes up a certain amount. In some fisheries the impact of the reform is rather different to a mesh net fishery where all you need is a relatively small vessel and as soon as you see profitability going up you can jump in. That is perfectly appropriate for inshore fisheries. They have to be adaptable—a bit of this today, a bit of that tomorrow, and a bit of that the other day. Our intention is never to recommend that you force people into just rock lobster or abalone fishing. That is not reality. The problem is if everybody can jump into everything all the time that is when profitability and sustainability can be threatened. That 70 per cent was the most extreme example and that is where we have really focused. We understand that the new adjustment subsidy program is addressing that through directing the subsidy to active fishers. There was one where the distortion was so great that we did not recommend a change. It was so extreme that we could not get around it.

Ms SEN: The issue is that when the shares were first allocated there was not what became known as distortion because in some fisheries there was some catch history element to it. The problem was that the pie was never defined. Ten or 20 years on, I cannot remember the date of the original allocation, we are defining the pie. In that time people have changed, they are not doing the same activity, they have moved out or in. The people in that period have started to fish possibly more or have entered the fishery. It is almost a timing issue where the pie has been defined further down the track.

In most quota fisheries, or individually transferable effort [ITE] fisheries, those things are done relatively simultaneously. The subsidy is specifically targeted at people that have that imbalance and have been catching and need more shares because of the last five years they have been very active fishers. The subsidy is so focused on getting shares at low cost to those people. It is a double mechanism. This is the most effective mechanism we can find to shift shares to the people that need them.

The Hon. GREG PEARCE: Can I flesh that out a bit? We start out with a massive over-allocation and 35 per cent, to use the figure you used, have not fished for five years. They were given their shares for nothing and they have not fished but under this scheme if they want to sell the shares they will make money on having held the shares for five years, is that correct?

Ms SEN: Yes.

The Hon. GREG PEARCE: At the other end of the extreme you have the real commercial fishers who make a return on investment, make an investment and make a profit, and they are the ones who will stay in the industry and are being supported to buy shares from people who have not used them and do not make any money? They are being subsidised to get the shares so there is a sensible market for those that fish? You are nodding your heads.

Ms SEN: Yes.

Mr CARTWRIGHT: That is a good summary.

The Hon. GREG PEARCE: There are a bunch in the middle, the mums and dads and families who do not have a massive investment or any investment other than a tinny and a few rods who were given their shares for free and who do fish and sell a few fish and they may or may not keep their shares, but if they want to sell them they will make money on selling them?

Mr CARTWRIGHT: Absolutely.

The Hon. RICK COLLESS: Those who want to keep their shares can keep them?

Mr CARTWRIGHT: Can keep them.

The Hon. RICK COLLESS: Those people at the threshold level are either in or out. Those that decide to stay in, are they in a financially viable situation to purchase more shares to make them truly viable? That is the question that a lot of people are facing.

Mr CARTWRIGHT: Correct. At an individual level it is almost impossible to answer. If you are moonlighting on the side for extra money that is probably fine. If it is all you do and you rely on it, it is probably more of a struggle. There are two or three things that have been done during this process, they include soft loans or easier loans using the rights as collateral. Some of these people I feel sorry for, they do not have a big asset base, they have a shack they live in and fishing is their life.

The Hon. GREG PEARCE: They have not paid for their licences in the first place?

Mr CARTWRIGHT: They did not, no, that is right.

The Hon. GREG PEARCE: They are not losing anything?

Mr CARTWRIGHT: They kept saying, "Why don't we just get rid of these latent licences. Use it or lose it." The problem was they were granted—I don't like to use the analogy but it is the only one I can think of: it is a bit like having a piece of property and having tenants and you say, "Well, we are going to build a road through here, compulsory purchase. You are going to get this. You have never rented your house; it's been empty and now we are going to extinguish your right". You say, "Hold on, I've still got a right. You can't extinguish it." That is the problem. A lot of fishers just could not understand—"I've made all this money from this right and now you are going to ask me to invest more money to do what I'm doing now". But the question is that it is better defined, it is stronger, more sustainable, more defensible and all those other benefits you heard about.

The Hon. GREG PEARCE: Can you give us any help on other jurisdictions and how they have handled this sort of middle group, the people we are talking about, who have been given a licence for nothing, who do a bit of fishing occasionally, have not made much of an investment, maybe sell a bit of fish, which is why they are called commercial but do not actually make any money? Is there that sort of model in other States or other jurisdictions?

Ms SEN: I will talk about the marine scalefish fishery, if I may, in South Australia. This same issue is being faced at this very moment about that particular group of people. Increasingly—and I think Mr Cartwright can talk about it from a United Kingdom perspective—that model is changing what in Australia is called the lifestyle fisher, which is sort of semi-commercial—maybe two or three days a week, or a day a week. That model is changing and that is the way fisheries is moving. It goes back to the question you raised; it is a value judgement. If you do want to carry on fishing but you are maybe not making much money and you can cross-subsidise, then you can continue but if you are looking at it as your main business and an economic return on that business, then you might have to rethink and you might still continue with that path but that is a judgement that an individual business can make.

I would just like to go back to that question you raised about what the subsidy is going to do for the middle ground or whatever you want to call it, that group in the middle. They are still classified as active fishers and the way the subsidy works is that the amount of shares estimated that they could need is the highest catch in the last five years. It is not necessarily what they have been doing last year. The subsidy is available for them too. It will not necessarily make anyone profitable if you are running an unprofitable business but it is designed for all those people from the very high catch to anyone who is actually catching fish.

The CHAIR: So I guess one could argue that even though it does not accord with traditional economics theory, a government could act to stand in a marketplace and distort that marketplace. In this particular case it is probably a social requirement to make sure that the in-betweeners who want to stay in the

marketplace can do so without the constraints of having to compete in a full-on commercial market, that is, go to banks, try to get banks to lend them money on something that does not really exist?

Ms SEN: Yes.

The CHAIR: The Government in this case appears to be quite prepared to distort the marketplace on what I believe is a last offer or one-off situation to try to correct the situation that was created—

Mr CARTWRIGHT: Correct.

The CHAIR: —30 years ago where the Government stood in the marketplace and just threw licences around like confetti?

Ms SEN: Yes, that is correct.

Mr CARTWRIGHT: That is exactly right.

The CHAIR: Would you agree that that pretty much covers it?

Mr CARTWRIGHT: Spot on. I have heard two very good summaries we could have used in an executive summary. That is exactly what has happened.

The CHAIR: We have run out of time. Obviously you have a great deal of knowledge, particularly regarding what has happened in other jurisdictions and what is happening currently in South Australia. The secretariat will write to you about the questions taken on notice and if you would reply to those within 21 days of receiving them we would very much appreciate any elucidation. Thank you very much for your evidence.

Mr CARTWRIGHT: In terms of the questions on notice, I will take a question on notice to provide additional information on other jurisdictions relevant to the matters under consideration.

The CHAIR: Thank you, and Ms Sen is going to provide us the details on those regions.

Mr CARTWRIGHT: Yes.

(The witnesses withdrew)

ROBERT GAUTA, General Manager, Commercial Fishermen's Co-operative Limited, Newcastle, sworn and examined

The CHAIR: Prior to opening the hearing to questions from the Committee, would you like to make a brief opening statement?

Mr GAUTA: Just briefly, yes. The Commercial Fishermen's Co-operative is located in Newcastle. We have six depots ranging from Bungwahl in the north close to Forster and finishing down south in Tuggerah. We turn over about \$15 million a year. We have \$8 million in retail sales. We have been going since 1946 and we have 105 fishermen members. We have a very varied group of fishers, from inshore to offshore. We do not have all the fishers in our region going through the cooperative.

We have seen some minor changes so far with the reform working its way, with some fishermen changing the structure of their business to prepare for what is ahead—some haven't, some have. We have had some members leave; more so the elder members of the fishing community who have either passed on to their sons or who have decided to retire, have sold their businesses and taken share money or business money. Now we are waiting to see what happens with what is left and what happens when the form goes through as to how we are going run our business and change our business.

The CHAIR: What sort of formal help or assistance have you had from the Government insofar as looking at where your cooperative might go in the future? Have they given you any help?

Mr GAUTA: Yes, they have promised us \$30,000 to help us with a business plan to restructure our business, which is available as we speak, and we can access that once we have more information as to where we may or may not go. We have also had some rent relief from the Crown. Four of our sites are Crown sites so we have had some rent relief from those sites. The main idea with that is to help us pay for retiring members. Now our membership may have a \$25,000 capital stake in our business. We may have 10 full members who can retire at \$2,000. We could have more, we could have less. So far for the two years the rent relief will probably be about \$280,000, so that may or may not be enough to pay out our membership that leaves. Again uncertainty: we don't know how many will stay and how many will go; that is yet to be seen.

The CHAIR: I asked the previous witnesses whether they had any comments on the opportunity for technology to be introduced. One particular aspect is the possibility that fishers can directly report. Has that discussion been had with the Government? Has your cooperative looked at anything like that or with four separate depots it does not really matter to you?

Mr GAUTA: At the moment we already report to Fisheries NSW on every kilogram put through our cooperative.

The CHAIR: At the cooperative?

Mr GAUTA: Yes. We must report every product put through by any member.

The CHAIR: Do they report electronically or do you do it for them?

Mr GAUTA: We report ourselves, and the fishermen need to report on their own. We are working on a new business plan involving electronic scales. At the moment all the paperwork is done by hand. We are hoping to build in the fishermen's side of the reporting. We hope to maintain our membership by giving more benefit. One of the benefits will be that if they unload for the co-op we will do the reporting on their behalf.

The CHAIR: Electronically?

Mr GAUTA: Yes.

The CHAIR: Have there been any discussions with the Government about assistance with the cost of installing that technology, or will the co-op have to pay for it?

Mr GAUTA: Not at this stage. We are hoping to have that discussion, but we are going ahead anyway.

The Hon. MICK VEITCH: How many of your members were impacted upon by the Williamtown contamination?

Mr GAUTA: Directly, about 25. They are the tour operators in the Hunter River area.

The Hon. MICK VEITCH: How many are now participating in this process with the Government business adjustment package? How many have bought shares or registered to buy shares?

Mr GAUTA: Only three or four of them are our members. The Department of Primary Industries site showing the shareholding indicates that there have been some changes. Probably eight or nine of them have not bought shares; a dozen or so have. There have been some changes. That is being held off at the moment; the Minister is not going to enforce the minimum shareholding in the Hunter River fishery at this point in time.

The Hon. MICK VEITCH: Is that because of the extenuating circumstances relating to the Williamstown contamination?

Mr GAUTA: That is correct.

The Hon. MICK VEITCH: Do you have any suggestions about how this process could have been improved?

Mr GAUTA: How long do we have? Listening to the comments earlier about the way shares were handed out originally—some 10 or 15 years ago—was there an over-allocation? That is arguable. However, the burden of proof to get those shares was very small. In the ocean fish trawl industry, you had to have only one day in each month and you got the full shares. The Government has admitted that that was done in error. In general, we do not believe making fishermen pay for that error is reasonable. One of the suggestions I have heard in the past is that if there is an allocation of shares the Government should buy them back and then cement the rights that fishermen have today.

The Hon. MICK VEITCH: You said you have 105 members.

Mr GAUTA: Yes.

The Hon. MICK VEITCH: You have been working on your own business model for the co-op.

Mr GAUTA: We are continually trying to improve our business model. However, we have not guessed how many may or may not stay. Not all will say what they are planning to do; some of them are keeping it to themselves and some are making it clear. We will have wait to see what is left at the end of the reform process.

The Hon. MICK VEITCH: Another co-op has already surveyed its members.

Mr GAUTA: I know that the Wallis Lake co-op has. It has only 30 members, so it was easy for them.

The Hon. MICK VEITCH: It was not the Wallis Lake co-op. The co-op concerned has made a number of recommendations to the Committee around the survey that it undertook. It is already looking at its business model and surveying its fishermen about what they intend to do. That is a proactive approach in light of the concerns raised by sections of the industry. One submission raised the logistics between co-ops; that is, getting a fish truck from the south or the north of the State to the Sydney Fish Market. If there is a reduction in the number cooperatives there will be additional pressure on the logistics chain to get fish to the market. Do you agree with that?

Mr GAUTA: That is certainly true for the cooperatives further away than ours. We are big enough and close enough to Sydney to have our own dedicated transport. We have a truck running every day and we have sufficient supply to keep it running. We do not trade much with cooperatives further north because of the logistics. We do a little bit here and there both ways, but nothing significant. We have started talking to cooperatives at Coffs Harbour and Wallis Lake to do more work together and to shuffle some fish between us. However, that is still in the planning stages with the cooperatives association.

The Hon. JOHN GRAHAM: I want to pick up on the aspects of your submission dealing with country of origin labelling and your call for it to be dealt with in conjunction with any reform. Do you want to expand on that point?

Mr GAUTA: We believe that is important. We have heard from the Northern Territory how it works there. We sell only Australian product; we do not sell anything that is imported with the exception of a few things like Alaskan crabs, which we cannot get here. We sell only Australian prawns. We would like to ensure that other suppliers are operating on a level playing field—that is, restaurateurs and so on. If their customers knew where their product was coming from they may or may not choose to force that business to buy Australian. We believe that we are in a good position to supply that product.

The Hon. RICK COLLESS: Do you believe that cooked fish should have country of origin labelling?

Mr GAUTA: Absolutely.

The Hon. JOHN GRAHAM: Given the pressure and uncertainties facing the cooperatives, one of the things that could be done would be to deal with that question in conjunction with these reforms.

Mr GAUTA: Indeed. About half of our product goes to Sydney and we sell the other half locally. A lot of the flathead that fish shops use is from overseas. If country of origin labelling were introduced and flathead were more in demand, that would suit our business and our fishers.

Mr JUSTIN FIELD: Thank you for appearing before the Committee. I would like to pick up on the country of origin issue. You say in your submission that the RFR legislation needs to be revisited as part of these reforms. In what way? I assume that relates to the country of origin labelling.

Mr GAUTA: It does in two ways. Probably the most important issue is that under the regulations there is no reason that a person should or should not be part of the cooperative; there is no legal requirement. To keep our members, we try to give them as much service as possible. When fishers have RFRs in our area, it becomes difficult. They are selling product at the retail level and we can offer them only wholesale pricing.

The CHAIR: What is RFR?

Mr GAUTA: It is a registered fish receiver. A fisherman is allowed to buy an RFR, which is fine. However, having done so, they can sell the product for themselves. I do not recall how much they pay; it is a small amount—less than \$1,000 from memory. We must pay more than \$10,000 for the right to sell seafood. We used to be on a level playing field. If a fisherman or anyone else wants to sell seafood, as long as we are on a level playing field then we are happy to have that competition.

Mr JUSTIN FIELD: Do any of your members have RFRs and sell directly to restaurants?

Mr GAUTA: Officially, no. However, we know that some of them bypass the co-op. We have a rule for our membership that we should have first right of refusal. We believe that most of our fishermen give us most of their fish. It will never be 100 per cent, and that is why we offer good benefits to co-op members.

Mr JUSTIN FIELD: What is the likely impact if you lose members? I appreciate that some of this might be commercially sensitive. Would fees go up, or would you need additional capital contributions from the remaining members? How do you see that working?

Mr GAUTA: We have been a successful business for many years, and we are in a good position to deal with whatever comes. If we were to lose members, that would be tough. The cooperative makes money when the fishers catch fish; it is that simple. The business is tailored to give the fishermen as good a return as possible, otherwise they would not come to us. Fewer fisherman would mean fewer fish. Some people have talked about the 80:20 rule: If we keep the 20 per cent of the fishermen who catch 80 per cent of the product, we will be fine. However, we do not know what that will look like. We have a processing room and an export facility that is not qualified to work yet. We are looking at getting some of the \$30,000 to do that. There are pluses and minuses in that. We are happy to look at the export market, and hopefully that would increase the price we get for our product. However, the downside is that it raises the price for the consumer, and there is a certain amount that they will pay. How much will you pay for fresh seafood? If we are going to export more it is a good benefit to us, but, again, it is a double-edged sword.

Mr JUSTIN FIELD: I get the sense from some of the other submissions today that the likely impact is that the cost of local seafood will go up at all levels. You would have the best understanding of this as someone in New South Wales. How sensitive to seafood purchases are consumers on price? Like flathead, once you get to \$45 or \$49 do people just stop buying it?

Mr GAUTA: I will give you an example. I started as manager in 2011 and we were paying \$3 for our fisherman's flathead, tiger flathead caught off the coast. That equated to \$29.90 in the window for boneless fillets. We could not cut it fast enough. We were selling 300 and 400 kilo of fillets every week. Now that fish is bringing in about \$9, which is great for the fisher—

Mr JUSTIN FIELD: That is what you are paying the fisher for the whole fish?

Mr GAUTA: For whole large tiger flathead. So it has gone from \$3 to \$9. That boneless fillet is now in the shop at \$39.90 or \$40.90 and we sell 20 to 30 kilos a week.

Mr JUSTIN FIELD: I take from your submission and based on the Commonwealth experience you cite that you think the reform should basically be halted until such time as that adjustment of shares issue is sorted out. Is that viable, given how far down the track we are now with the reforms?

Mr GAUTA: Good question. In my opening statement I did say that the problem we have got now was caused by government, by over-allocation. That is arguable but that is one of the reasons. I did say that the Government needs more money, it might need \$60 million to buy those latent shares out. Can we halt the proceedings? We cannot unwind what has happened; I understand that. So if we cannot unwind it and we cannot halt it, let's have some real consultation with the Minister and with management. The example that I spoke

earlier to Sevaly and Ian was Don Hale, one of the managers, came up with a formula for the nights for prawn trawl, which was quite simple.

It was the amount of shares available, the amount of trawlers operating that were active, divide that by the active trawlers and leave a bit of fat at the end, and he came up with 0.69 nights, which would not be enough for our small fleet of Vietnamese trawlers who have very small boats, a very unique industry, catching live prawns for the Sydney market. So they said, "Look, come up with another solution and we'll listen to you". So we did. Myself, along with Peter Faye and our directors and some other people, came up with, I think, 0.8 nights per share, which was still not great because fishermen do not want to pay any money, but it was more achievable. It meant fishermen had to buy less shares to keep doing what they are doing, and we did not get a response, we did not get anything back from that and it stayed at 0.69. That is disappointing.

If the management had said to us, "Look, we don't like your 0.8 version and how you got to that but let's work together and come up with something that is more realistic", we would be happy to do that, and that is what I would like to see more in consultation. When something is brought up by the fishermen listen to that because it is not going to cost the Government anything to change from 0.69 to 0.8 for a prawn trawl. It will not cost the Government one cent. It actually might save money because they have got to trade less shares, they have got to subsidise less. But it will make fishermen more viable and give them the ability to buy less shares to keep doing what they are doing. They should not buy any shares to keep doing what they are doing; they should get a benefit for buying shares of being able to grow their business, but that is not the case.

The Hon. LOU AMATO: You mentioned before when you first started off in the industry and the flathead fillets. Who determines the price of the fish? Is it the co-op or the actual fishermen themselves?

Mr GAUTA: It is determined by the market.

The Hon. LOU AMATO: It went from \$3 to \$9?

Mr GAUTA: It is determined by the market. When I say the market, it is usually the Sydney Fish Market. About half of our fish stays local and half goes to the Sydney Fish Market and a lot of the buyers and suppliers get their fish from the Sydney Fish Market. So for us to wholesale the fish, our fishermen will want us to pay them at least what they are going to get at the Sydney Fish Market; so that is where the price is set.

The Hon. LOU AMATO: When the price went up and the sales went down are you talking about Newcastle or Sydney?

Mr GAUTA: I am talking about Newcastle.

The Hon. LOU AMATO: In Sydney the price remained the same?

Mr GAUTA: They have got more economies of scale.

The Hon. LOU AMATO: And the amount of product remained the same in Sydney versus Newcastle?

Mr GAUTA: Everything we send down is still sold, and the market down there has more—

The Hon. LOU AMATO: So the volume they caught, the kilos they caught stayed the same?

Mr GAUTA: Correct.

The Hon. LOU AMATO: Except in Newcastle.

Mr GAUTA: What the fishermen caught remained the same. What we bought from them in Newcastle was less.

The Hon. LOU AMATO: But you mentioned you were selling 300 kilos and it went down to about 30 kilos.

Mr GAUTA: That one was a kilo product, correct.

The Hon. LOU AMATO: That is what I am talking about. Is it just Newcastle or is it Sydney and Newcastle?

Mr GAUTA: That is for us in Newcastle. In Sydney—

The Hon. RICK COLLESS: That was fillets, was it not?

Mr GAUTA: That was boneless, skinless fillets.

The Hon. LOU AMATO: Yes, in Newcastle.

Mr GAUTA: I cannot speak on behalf of the sellers in Sydney, how they have changed. I can only give you my experience. We still do full fillets with bone in and ring on. We probably do a bit more of that than before, but the example was to illustrate that the price will change what the consumer purchases. If the price goes up the consumer will change.

The Hon. LOU AMATO: I was also looking at the social demographics and the socio-economics from area to area and that could also influence the price. Some places sell well and some do not.

Mr GAUTA: Indeed, and we speak to other buyers and other fish shops as well, and that is exactly right. In Canberra, for argument's sake, one of the suppliers that we use to buy wholesale from has a shop in Canberra and they have very similar things, except they have got a different price point, a different buyer, so they can have higher prices on stuff and sell it. But, again, every market is different.

The Hon. GREG PEARCE: So what is the argument that fishers who have been given free licences and have been making money for a decade should not have to pay to buy shares to increase their take or to maintain their take?

Mr GAUTA: They may have been given free licences but they have worked hard, they have built their businesses up. Most of them start small and grow bigger to some degree, and then they have to qualify to get shares. That qualification, it could be argued whether it was essential or not. So they are qualified to get these shares. They have been working for 10, 20, 30 years. I will give you an example of one of our fishers who has got a prawn trawler and a fish trawler on the one boat, which I used to do when I was fishing back 15 years ago—

The Hon. GREG PEARCE: Did he get his boat for free?

Mr GAUTA: No, of course not. When he got his prawn trawler and fish trawler shares he decided, "Look, I like prawn trawling better. I have got the fish trawler shares locked up, that's fine, it's mine, I just choose not to use them". Now he has been classed as an inactive shareholder in the fish trawl. He said, "If I knew they were going to call me inactive in 2016 I would have gone fish trawling for three months of every year to make sure that I wasn't, but I chose to go prawning". That is unfair.

The Hon. GREG PEARCE: He can keep that licence.

Mr GAUTA: Well, he can, but if you are going to charge him \$4,000 a share to buy prawn trawl nights then he has to sell his fish trawl to get that.

The Hon. GREG PEARCE: And this same fisherman has to pay \$25,000 to join your co-op to sell this fish that he has collected from his free licence?

Mr GAUTA: Yes and no, but this particular fisherman has got full shares, yes.

The CHAIR: But if the fisherman comes out of the co-op it is like a debenture; the co-op is required to buy back the shares at that capped price?

Mr GAUTA: Correct.

The Hon. GREG PEARCE: You talked about the 80:20 rule: 20 per cent of the fisher's catch, 80 per cent of the catch. Would that be true with your membership?

Mr GAUTA: I have not done the numbers but I would say that it would be fairly close. I have got fishermen that range from big turnovers of half a million dollars to small turnovers of \$60,000.

The Hon. GREG PEARCE: A year?

Mr GAUTA: A year. Is the guy who has got a small turnover of \$60,000 worth any more or less than the guy who turns over half a million dollars? If you are happy to earn 60 grand a year, or less than that, gross and live in the house that you grew up in, you own your boat, you have enough money to go to the pub for a beer, is that unsustainable? I do not think so.

The Hon. GREG PEARCE: But he will not have to buy any more shares.

Mr GAUTA: Well, he may do; we do not know that. If he has only got 125 meshing shares and he does meshing lines all the time, in region 4 he only gets 92 days. What is he going to do for the rest of the year?

The Hon. GREG PEARCE: If he cannot make his 60 grand in 92 days—

Mr GAUTA: It can take 200 days to make 60 grand. He just plods along every day. That is his lifestyle. Who am I to say that is not a good lifestyle? Why can he not make more money? He probably could, but he is happy to make 60 grand. He has a good life. He does not report to anybody, he works as hard as he

wants to work and makes as much as he wants to make. He might need 200 days to make that. If you are only going to give him 92, he is the one who is panicking.

The Hon. RICK COLLESS: That raises a good point. The shares have been allocated on a flat basis. It is an input type process, is it not?

Mr GAUTA: Correct.

The Hon. RICK COLLESS: The length of the lines, the number of boats, or number of meshes, whatever you have got. What you are talking about, if he just wants to get his \$60,000 worth of fish every year, does it matter whether he catches that in 90 days or 200 days?

Mr GAUTA: He cannot catch it in 90.

The Hon. RICK COLLESS: That may well be the case, but the point is if he is given a quota, a quantity of fish that he can catch in the year, it does not matter then whether he catches them in 90 days or 300 days, does it?

Mr GAUTA: You have to understand how they work. You have a fisherman who is catching 60 grand a year and there is more than one; there are a few of them in our co-op. They do that in 12 months and you are telling me to catch it in 90 days. How are they going to do that? That is what they run in their head.

The Hon. RICK COLLESS: That is the point I am getting at. Are we not better off having a quantitative quota rather than a day's quota?

Mr GAUTA: You can argue it both ways in different industries. If you look at quota and fish trawlers, for argument's sake, it is the opposite. I had all 45 operators in my room trying to come up with another way to manage their industry, and we could not agree with it. What they have said is if you give the quota to fish trawlers on shares, then the guys who catch the bulk of the fish are not going to be happy and it will not be fair to those guys. If you give those guys bigger pieces of the pie because they have historically over the last four or five years caught the most fish, what about the guy who chose not to fish trawl but still qualified for the endorsement 10 years ago? Hang on a minute, if I knew that you were going to give me a quota on the amount of fish I caught in 2015, I would have gone to bloody work and caught more fish in 2015.

The Hon. RICK COLLESS: I understand where you are coming from. Where does the answer lie?

Mr GAUTA: The Government has caused the problem by over-allocating shares. We buy the shares back and consolidate what the fishermen already have.

Mr JUSTIN FIELD: How would they set that price though?

Mr GAUTA: Good question.

The Hon. GREG PEARCE: For those who have not used their licence.

The CHAIR: We are out of time. One final thing. We heard the department talking about a conversion from input controls—high regulation—to outcome controls. Is not days fished an input control?

The Hon. RICK COLLESS: Yes, that is what I was getting at.

The CHAIR: One recommendation to the Government will be if you are going to go for output controls or outcome controls, it does not matter how many days the guy fishes, let him fish the full year if he wants to.

The Hon. RICK COLLESS: That is my point.

The CHAIR: If he is allowed to catch one tonne of fish, that is it, it does not matter whether it takes him 90 days or 300 days. So you remove the input control. Would you say that is a desirable thing?

Mr GAUTA: In some industries, yes. The problem I have got and what Government has got is that every estuary and every share class within each estuary is vastly different. What would suit one estuary in one share class would not necessarily suit another. What you are saying, yes, is correct. Give me a five tonne quota if I caught five tonne last year, and I will catch it whenever I feel like it. It is great in theory.

Mr JUSTIN FIELD: The value of each species is the sort of thing that leads to dumping, is it not, when you have a mixed quota across the whole year?

The CHAIR: If you have multiple endorsements, yes.

Mr GAUTA: There are two things there, quickly. You have the multi-endorsed fishing. Nelson Bay, in particular, has fishermen with seven or eight endorsements. They might not use their blue swimmer crab

endorsement for five years. This is a big year for blue swimmer crab, so they are all using that. They did not touch it for four years, so they are inactive. That is one type. Then you have the multi species like ocean fish trawl. Everywhere you go, you catch flathead. Everywhere you go—to a certain degree—you catch whiting. Shark you catch everywhere. If you give them a quota on different species, particularly flathead, there is nowhere they can go. If they fill their quota on flathead but not on other species, they will dump flathead.

The CHAIR: We are out of time. I have a suspicion that some of the committee members would like to put questions on notice for you.

Mr GAUTA: Sure.

The CHAIR: If that happens, we would like the answers within 21 days of you receiving the questions. The questions will come to you in writing from the secretariat; you do not have to remember what has happened here today. Thank you very much for agreeing to give us your time, we appreciate it.

(The witness withdrew)

BRYAN SKEPPER, General Manager, Sydney Fish Market Pty Limited, sworn and examined

The CHAIR: Mr Skepper, before we open questions, would you like to make a short opening statement?

Mr SKEPPER: Yes. Thanks very much for the opportunity to speak with you this afternoon. I wanted to table a couple of documents. There is not much point in me just going through my submission, but going to a couple of the terms of reference. The value of the commercial fishing industry in New South Wales is too often being calculated on a very narrow definition of value. Sydney Fish Market at the moment is working with New South Wales Government to develop a new market at Blackwattle Bay, Pyrmont. We had a couple of reports commissioned by Deloitte Access Economics. I have nine copies of the two reports.

The first one is the economic and social impact of Sydney Fish Market on the New South Wales economy. They found that over and above the value of trade on the site, the contribution to the New South Wales economy is in excess of \$300 million a year. The second report, and together with it is a short infographic that looked at the potential uplift of the contribution to the economy if the redevelopment proceeds. They have estimated that there will be an additional \$54 million worth of uplift in indirect benefits, and direct benefits of \$52 million a year primarily through uplift in tourism for the New South Wales economy. The other documents that I have brought with me, that I have not directly addressed in my submission, is the draft Productivity Commission report into the marine fisheries, so I have brought with me our submission on those draft recommendations where we provide some background information and then go through each recommendation and indicate whether we support it or not. I have nine copies of that.

The CHAIR: Can you describe to the Committee how the Fish Market operates? I take it that you take most of your feed from co-ops directly to the Fish Market?

Mr SKEPPER: Yes. Sydney Fish Market Pty Limited is a company that is owned by the seafood industry of New South Wales. We have two shareholders. A 50 per cent shareholder is what we call the Catchers Trust. It is through a company, but it is a unit trust and it has as its members the licensed fishers of New South Wales and anyone that holds a licence or aquaculture permit. That trust has a board of its own and puts two directors onto our board. The other 50 per cent shareholder company is called SFM Tenants and Merchants Pty Limited. Its shareholders are the tenants on the site. The Master Fish Merchants' Association has a parcel of non-voting shares. It has a board of seven. It puts two onto our board and we have three independent directors on our board. Our business has three aspects to it. There is the seafood trading business that turns over roughly \$140 million a year in sales of seafood sourced from around the country and overseas. That produces roughly half of our gross revenue. Then we have the property business where we get rentals, car parking and so on. That contributes roughly half of our revenue. The third boutique area is the Sydney Seafood School, which conducts cooking classes for the community. It makes a small profit but its primary purpose is to educate the consumers on the consumption of seafood.

The Hon. MICK VEITCH: In the submission from the Sydney Fish Market you are urging for the immediate establishment of a ministerial advisory council on commercial fishers.

Mr SKEPPER: Yes. We have said right from the beginning that there should have been a formal process for consultation. The Department of Primary Industries [DPI] spent a lot of money on consultation but there has not been a framework in place in which that can occur. We think that it is really important. There was a recent workshop that was conducted and a report, I believe, prepared. A formal process for consultation should be established as soon as possible.

The Hon. MICK VEITCH: Is the Fish Market of the view that there has been a problem with the consultation around this adjustment package?

Mr SKEPPER: I think the correct question is has it been effective? I think there has been a lot of effort put into consultation but it is arguable that it has been fully effective. In fact, it was probably not because of the concerns that have been raised within industry. I have always held the view that if a formal consultation framework and a catching sector peak body had been established right at the beginning we may have had a different outcome than we have had now.

The Hon. MICK VEITCH: Your submission goes on to talk about what has happened in Queensland recently where recreational fishers have purchased a range of the shares, which in a sense has curtailed seafood supply. Your concern is that could happen in New South Wales and so you want some provisions legislated to prevent that from happening.

Mr SKEPPER: Yes. We are concerned that as you link licences to catching effort and create a property right, a tradeable right, there is a risk that others from outside of the industry could come in, acquire

that right and effectively shut the industry down. I think the premise that we are coming from on that is 90 per cent of the community rely on the commercial or the professional fishing industry to catch the fish that they want to eat. If you have a tradeable right there needs to be a protection mechanism there to ensure that it continues to be used for harvesting seafood for the community.

The Hon. JOHN GRAHAM: I note in your submission you applaud the contribution of the \$400,000 for a community awareness campaign. You have some views about making sure that has really clearly defined goals, which sounds sensible. Surely it would be more effective to build support for the local seafood industry if we also moved on the country of origin labelling by strengthening those provisions where they can be strengthened?

Mr SKEPPER: Yes. That is actually one of the recommendations of the Productivity Commission that we disagreed with. The country of origin labelling right through the supply chain is important. We have got country of origin labelling requirements for chilled seafood at the retail level, but there is an exemption in place at the moment for food service restaurants. If you consider it from the point of view of a consumer's right to make an informed purchasing decision, it does not make sense. There are practicalities that will need to be considered, but where the seafood is the centre of plate dish there should be country of origin labelling mandated. If you go to most of the other proteins that are on restaurant menus in Australia—the beef, the lamb, the chicken—virtually all of them are grown or produced in Australia. In seafood that is not the case. The consumer might go to a restaurant assuming that it is locally caught product and it is not. They should have the information available to make an informed choice.

The Hon. JOHN GRAHAM: This would be a much more powerful campaign if it was able to leverage that change as well.

Mr SKEPPER: Yes. I would like to see that promoted. I note that there was an announcement that country of origin labelling would be investigated. I support that announcement. More recently the Federal Government has announced establishing a working group with the seafood industry to look at country of origin labelling in the post harvest sector. I think it is very important.

The Hon. JOHN GRAHAM: In another part of your submission I note you call for additional financial resources if necessary from government. I was not sure if you wanted to spell out where you thought those may be required?

Mr SKEPPER: It is probably for others who know a lot more about the mechanisms of the linking of shares to catching effort, because it is a very complex matter. But I get the sense that additional resources are needed so that you get an effective outcome of the implementation. At the moment you would have to say it is a very difficult process that is struggling. We need additional resources both in terms of people on the ground to assist with it but also funding to help. You probably noted in some of our earlier submissions we believe that there needs to be money there to assist those that want to transition to stay in business and to keep producing seafood for us. The focus needs to be on assisting those that want to stay producing. But then there are the others that might want to leave the industry. They should be entitled to leave the industry with dignity.

The Hon. MICK VEITCH: Does the Fish Market have a view about whether labelling should also include whether fish is wild caught or farmed?

Mr SKEPPER: Not so much wild caught or farmed, but certainly correct names. We have been a strong advocate of the fish names standard. That is quite important. The farmed product tends to be labelled as farmed in the shops now. Years back when aquaculture was first emerging there was a lot of tension there, but I sense that in the marketplace farmed product or aquaculture—wild caught will always have a premium. I think it is consistent with the consumer having the right to know and make an informed decision. It is not the big, burning issue that country of origin labelling is.

Mr JUSTIN FIELD: I have some comments about the community awareness campaign. Has Sydney Fish Market been part of any discussions with Government up to this point on that campaign and how it will be rolled out?

Mr SKEPPER: Yes. We do invest in promotion of the industry and promotion of the product. We think that we have something to add into that. I have been advocating recently that rather than having whatever money is available to promote the industry just spent on a whim there needs to be a well thought through marketing strategy put in place so that you get the maximum effect for the investment. I happen to believe that if a well thought through awareness campaign is put together whatever investment the \$400,000 could become a bigger number as you bring in other people.

Mr JUSTIN FIELD: My question was has the market been engaged in any of the planning around this campaign? Has it kicked off? Has the Government engaged you in this process?

Mr SKEPPER: No, it has not kicked off yet. We have indicated through the NSW Seafood Industry Council that we would like to put a strategy forward to DPI. It has indicated a willingness to accept that strategy but it has not gone to the next step yet.

Mr JUSTIN FIELD: Any idea of the timelines?

Mr SKEPPER: Not at this stage because things are in a bit of a hiatus at the moment. The Seafood Industry Council is giving consideration to developing a strategy but I think until the restructure has been sorted out we need to know—yes, it is difficult to take it forward.

Mr JUSTIN FIELD: I have asked the Minister this question as well. I note in your submission one of the motivations is to increase the demand for local seafood. There does not seem to be any barrier to local seafood getting bought at the moment. The reality is that with so much seafood being imported, increasing the demand for local seafood will put up the price of local seafood. That will be good for the fisher. The Committee heard today about how pricing changes demand for seafood. How do you see that play out? With these reforms going through there is either less seafood or it is being marketed in a way that is more attractive to the consumer. Do you see New South Wales seafood becoming far more niche restaurant-orientated, not available to the local person?

Mr SKEPPER: It is hard to generalise because some species will be niche but they will not be restaurant generated, they will be more for in-home consumption and so on. I think as a general principle we should be maximising the return that is achieved for a harvested wild resource whether that be by way of creating a local premium or by way of creating a niche over the top of, say, imported. I do not see a conflict between promoting the industry, promoting the product that it produces. A big part about that consumer awareness campaign also needs to be about promoting the producers that harvest that. It is the classic: consumer eating seafood but really not understanding where it comes from and it is building that social licence at the same time.

The Hon. GREG PEARCE: Your submission is consistent with most of the other people the Committee has heard from in that it states that this matter needs to be resolved as quickly as possible with no delay.

Mr SKEPPER: Yes, as I say, business as usual is not an option. The restructure of the industry needs to proceed. People have already been making investment decisions based on what has been announced up to now. Deferring unnecessarily is not advisable. I think also that it is very important that the linkage to a property right is created so that the producers have an asset that they can use and that they at the appropriate time can sell to somebody else. So you create an asset of value by linking that to the catching effort.

The Hon. GREG PEARCE: You say that people have made investments. One of the propositions put to the Committee—and I am not sure if it is going back and redealing with those or just with the future those that still have to be dealt with—is that they should be given whatever shares they require for free. Is that a viable option?

Mr SKEPPER: No, in a commercial world that will not be viable and it will be a balance. Like any business you will need to invest in your business. It is a matter of how that is set up. Sure, whatever additional resources that can be provided is going to change where those numbers land. You cannot just give it away, no.

The Hon. GREG PEARCE: In relation to consultation, I think it is fair to say that the Committee has heard that the industry is extremely divided.

Mr SKEPPER: It is.

The Hon. GREG PEARCE: How would you go about your proposition that consultation would have been better if there was a single catcher sector—I think they were the words you used—peak representative body? How would you get to the point of forming that body given everybody else thinks the industry is hopelessly divided?

Mr SKEPPER: I think you need to create a governance framework that is set up in such a way that the sectors' representational processes can feed into it. I thought that the recent report on the workshop that Neil MacDonald undertook was a valuable process and I think there was some very strong, good ideas in that process. I would pursue that and put that into place as soon as we can.

The Hon. RICK COLLESS: What proportion of your product that goes through the market is sourced from New South Wales?

Mr SKEPPER: New South Wales contributes about 56 per cent of our sales through the auction and direct sales. The next highest is New Zealand. It is in our annual report that was annexed to my latest submission. It is roughly 56 per cent.

The Hon. RICK COLLESS: What proportion comes from interstate? I think you said New Zealand was the next highest.

Mr SKEPPER: Yes, New Zealand is about 12 per cent, from memory the next highest is Queensland followed by South Australia and Victoria. It is in our annual report. And that is quite important to us so it is a significant amount of our turnover.

The Hon. RICK COLLESS: The Committee has heard a lot of discussion about the shares and the allocation of how to get to a result that will be the least painful, I suppose, to as many operators as possible. What is your view of what form that should take? Keep in mind there has been discussion about a quota system and how that quota is allocated, whether it is on a history of use or effort or the fact that you have a number of shares that you have not used for a number of years. Where is the balance that we should be striving to get to to make sure we get as equitable a result as possible?

Mr JUSTIN FIELD: You say quota is quite expensive to manage, in what way, what is the expense?

Mr SKEPPER: The research levies you pay.

Mr JUSTIN FIELD: Setting the catch limit?

Mr SKEPPER: The catching assessment and so on. It is the user pays principle.

The Hon. RICK COLLESS: This whole process stalled a little bit. Do you see there is any potential problems with that? Do we really need to get on with it and sort it as soon as possible?

Mr SKEPPER: I believe we need to move forward with it as quickly as can be done. Not only to get certainty but also while ever it is in a hiatus it creates enormous stress for the operators not knowing where they are going to end up with their business. I certainly applaud some of the assistance that has been put in—the low interest loans have been a step in the right direction to try to ease the pain of the transition. The transition, in my view, is definitely needed.

The CHAIR: Thank you very much for agreeing to appear before the Committee and the documents provided to us. There may well be questions that the members would like to put to you on notice and what we would ask is that once you receive those you reply within 21 days. That would help us in our deliberations given that we are against the clock.

(The witness withdrew)

(Short adjournment)

Evidence via teleconference by **NICHOLAS RAYNS**, Executive Manager, Fisheries Management Branch, affirmed and examined

The CHAIR: Mr Nick Rayns will be talking to us from Canberra via teleconference. This is Robert Brown, I am the chair of General Purpose Standing Committee No. 5. There are a number of members around the table: Mr Amato, from the Liberals; Mr Colless from the Nationals; Mr Pearce from the Liberals, Mr Veitch, deputy chair, from the Labor Party; Mr Graham from the Labor Party; and Mr Field from the Greens. At the conclusion of the teleconference if there are any questions on notice the Committee will send them to you. I ask you to confirm that you would be comfortable supplying us with answers to those questions within 21 days?

Dr RAYNS: That sounds fine. If I can give a brief opening statement?

The CHAIR: We do not have a submission from you, Mr Rayns, so you can speak as extensively as you like. If you would give us your thoughts on the terms of reference of this inquiry?

Dr RAYNS: Thank you for giving me this opportunity to speak to you today. I am going to give a brief opening address which I hope covers a number of the terms of reference and at the conclusion I am happy to take questions from wherever they come. To start off with I will give a bit of history. The Commonwealth and New South Wales Fisheries share many important commercial fish stocks and many years ago, back in the 1980s, entered into offshore constitutional settlement arrangements to reflect our respective fishing interests. At that time our commercial fisheries had much in common. They were largely based on what are now called input controls—they are things like fishing gear, fishing capacity, areas that can be fished and not fished and times that fishing can take place.

However, since the late 1980s period our two fisheries have taken a different course. In the late 1980s the Commonwealth Government's policy preference was for output controls with a market-based trading system of statutory fishing rights based on what is now called total allowable catch-individual fishing quota [TAC-ITQ] management or output controls. Soon after that policy position was stated the Australian Fisheries Management Authority [AFMA] was established as an independent statutory regulator and a statutory stakeholder advisory process through management advisory committees was set up and cost recovery was also brought in for commercial fisheries.

This legislative and policy system of tradable rights with an independent decision-making body—stakeholder advice in terms of those decisions being made and cost recovery—has successfully endured now for almost 25 years. The journey of implementation of this system has been a long and sometimes contentious one however, and one that has ultimately proven worthwhile from both a sustainability and profitability perspective.

Getting rights allocated and all AFMA's key commercial fisheries took 20 years. We are getting to the point where our commercial fisheries, the ones solely managed by AFMA, are now not subject to overfishing, so we have a clean bill of health on the sustainability front as well. The second outcome was supported by the establishment of resource assessment groups for all our major fisheries in the early 2000s and again supported by a ministerial direction to AFMA in 2005, which placed a statutory obligation on AFMA to make science-based decisions when setting total allowable catches [TACs], for example.

The statutory fishing rights have proven to be an asset to the fishing industry that now have an estimated value of between \$1 billion and \$2 billion, with major banks enabling loans to be made against them, thus assisting capital movements in and out of the fishery. Prior to the introduction of statutory fishing rights Commonwealth fishing boat licences were granted to fish in a fishery but many were ill-defined and had little statutory security or third party value so the move to statutory fishing rights [SFRs], as they are now called, was a major step forward for the fishing industry.

Achieving a sustainable and profitable Commonwealth fishery has not been easy for AFMA, the Commonwealth Government or the fishing industry. AFMA was subject to significant rounds of court actions against statutory fishing right allocations in the 1990s and early 2000s and has been the subject of reviews at least once every two years since its inception. Those reviews have included upper and lower House reviews, reviews by the Australian National Audit Office and the like. The Commonwealth had to intervene with a structural adjustment package in 2006 when it became clear that self-adjustment through the ITQ system was proceeding but too slowly to return fisheries to the profitability levels they should be at.

As a result of that adjustment process, which was funded by the Federal Government, the fishing industry as a consequence had to endure significant TAC and effort reduction as part of that and also we saw over time, from just before AFMA's inception in 1992 until today, the number of fishing boats in the fleet reduced from just under 1,000 to just over 300 today, so the impacts are significant on all players in the fisheries management system. However, the result has been that the average Commonwealth fishing boat now has a revenue in excess of \$1 million per annum, with a large majority of boats and profit. The social and economic

benefits that flow from this are considerable, with a more law-abiding fishing industry; people who are making money tend to obey the law and making profits even more so. It enabled the fishing industry to provide more stable employment and also it enabled us to move down the route of co-management with a number of our fisheries where we delegated authority to the industries themselves to run some of the activities in their fisheries.

It was always worth remembering that all Commonwealth fishing operators reside in a Territory or a State so when Commonwealth Fisheries do well, the States and Territories also benefit. The lessons learned from AFMA's experience in terms of the last 25 years and the various reforms that have taken place are many. I would like to highlight just a few of those that are relevant to this inquiry. In the early 1990s when the reform process started there was bipartisan political support for the fishery reforms and that was essential. Having an independent body to make day-to-day fisheries management decisions while enabling the Minister of the day to focus on more significant policy and adjustment issues has also been beneficial.

Our experience is that talking straight to the fishing industry about the likely reform outcomes is also important. The reality is that through reform processes the usual outcomes are pure, more profitable and more sustainable fisheries but also more compliant fisheries and ones, as I said earlier, that can enter into co-management. Another point is procedural fairness and a reasonable exit for those adversely affected by significant change. The fishing industry is no different from anyone else. They like to know that if you are going to do some structural adjustment you have got the wherewithal there to help them adjust in a fair and proper manner. Finally, persistence and perseverance is a key part of any reform process for both government and industry to achieve the goals of reform.

It will likely take many years; that is our experience, and also it will not be easy. For both New South Wales and the Commonwealth there remains some work to be done in terms of our common fisheries interests, particularly around the transition of the New South Wales Southern Fish Trawl Fishery—the Commonwealth jurisdiction—and bait access for the Eastern Tuna and Billfish Fishery, which operates off the New South Wales coast. I trust, given what I have just said and also the questions I will hopefully answer, that our experience of fisheries reform, the use of rights based systems, making science-based decisions and stakeholder advisory processes that are enduring, are of use to this Committee in its deliberations. I will be pleased to answer any questions you may now have.

The CHAIR: Thank you. That was very comprehensive. We will now go through 15 minutes of questions. That will be five minutes per group; the three groups being firstly the Opposition, then The Greens and then the Government. I will ask each member to clearly identify themselves when they ask a question. We will start with Opposition members.

The Hon. MICK VEITCH: During this process you have enunciated to the Committee were there any legal challenges? If so, what were the bases of those challenges and what was the result?

Dr RAYNS: Early in the piece we were subject to a number of legal challenges, particularly against changes to allocations. As I said, we were changing from a system of input controls to output controls. That inevitably meant we had to reallocate the rights in the fisheries in a different form. A number of Federal Court cases related to those events over about a decade. One of the reasons I raised the issue of reasonableness and procedural fairness is the first and one of the major cases we had that related to the allocation of fishing rights in the south east trawl fishery. The court came to the conclusion that the approach the Australian Fisheries Management Authority [AFMA] took at the time was not reasonable. The authority had to go back to the drawing board to recast the allocations and put them back to the fishing industry and rights holders. It was upheld the second time around, and I guess we learnt our lesson about procedural fairness and reasonableness in terms of how we expressed those allocations to operators. Yes, there was a number of those challenges, not only through the courts but also through the Administrative Appeals Tribunal. As is the case in New South Wales, in our system there is an administrative process that often precedes any court process.

The CHAIR: Correct.

The Hon. MICK VEITCH: Given your experience, what is the best way to allocate quotas to a fishing type?

Dr RAYNS: It is not about the best way so much as the reasonableness test. With all of these things there is a number of ways you can allocate. It is more about ensuring that the one you choose is regarded as reasonable. My advice would be to ensure that you get advice on that reasonableness from some independent parties before you apply it. There is no one straight answer. However, as long as it is reasonable it will usually stand its ground. The second part is process; that is, giving people a reasonable way forward—not only from an

outcomes but also a process point of view—to engage in that structural reform process and being able to choose to stay or to leave on a reasonable basis.

The Hon. JOHN GRAHAM: Thank you for your evidence, which has been clear and encouraging. One of the views put to the Committee is that the New South Wales fisheries we are talking about are more complex than some of the Commonwealth fisheries that might have benefited from the changes you are talking about. Do you have any views about that?

Dr RAYNS: There are some similarities between some fisheries and some are different. For example, the offshore fisheries in New South Wales have many similar characteristics to those of Commonwealth fisheries. The Committee should bear in mind that many of the fishers operate in both jurisdictions with the same boat. There can be a degree of overlap. The differences are probably most evident in the inshore fisheries that have more smaller and part-time operators. To be fair, AFMA's portfolio of fisheries covers those that are worth less than \$1 million in terms of gross valuation of production [GVP] up to \$100 million. We have a wide range of small-scale fisheries, such as those in the Coral Sea that collect aquarium fish, through to major sub-Antarctic and northern prawn fisheries. We are aware of the issues facing jurisdictions that have some very different types of fisheries and in their portfolios.

The Hon. JOHN GRAHAM: Do you have any particular lessons for people leaving the industry to make it easier for them?

Dr RAYNS: Financial planning is an issue. We have done a couple of structural adjustments over the years and we have found that financial planning is essential. The fishing industry has the wherewithal to make a cogent and logical decision about its future. Each of the members can do that. There should be some level of support in the community, whether it be through an extension of the farm advisory service or support services. Those sorts of things assist. However, in the end it comes down to an operator looking at their portfolio and deciding whether they can make a financial go of it. As I said, our experience is that in the end sustainability is the key issue. From that, good economics and good social outcomes will follow.

Mr JUSTIN FIELD: I refer to the complexity of the inshore environment versus the offshore environment. When you went through the change at the Federal level you saw a reduction in the number of boats in the water. There was a significant reduction from 1,000 to 300. How much did the catch change over that time?

Dr RAYNS: We did two things at the same time. One was to introduce the structural adjustment package and the other was to reduce the TAC. For a number of the species being targeted we reduced the TAC. At the same time, we were moving to introduce what we call "maximum economic yield" [MEY] as our fishery target. Instead of trying to get as much fish as possible out of the water, our target changed to trying to maximise the profitability from the fish harvested. It is usually set at a more conservative level than maximum sustainable yield [MSY]. It required us to reduce significantly quite a few total allowable catches for species such as flathead, ling, and orange roughy. The idea was to assist the fishing industry, and it has done so, not only to be sustainable but also to be profitable. We can have a sustainable fishery if we have enough regulations, but there could still be a lot of people losing money.

Mr JUSTIN FIELD: This goes to one of the critical issues regarding the difference between offshore and inshore fisheries. A large amount of the take in the inshore environment is the recreational take. They would define the economic value differently in some instances; that is, the yield versus the economic value of the pastime and social good. Do you have any advice for the Committee about how it can weigh up those two issues?

Dr RAYNS: That involves some serious policy issues in terms of how to deal with recreational and commercial fisheries. I know that a degree of spatial separation has been practised in New South Wales. Some water bodies are now purely recreational rather than commercial. That is one way of doing it. Sharing resources in inshore waters can be problematic unless you have a sophisticated set of policy settings. It may pay the Committee to talk to someone in Western Australia about this. They have been working on this probably more than some of the other States and Territories for their inshore fisheries around Perth in terms of resource sharing. Spatial separation can work, but other forms of allocation also work. Rock lobster fisheries often have tag systems. Recreational fishers can buy tags in South Australia and fish alongside commercial fishers subject to a quota or a tag. There are ways and means of doing that. The tricky group is the fin fish. To be fair, I am not aware of anything other than spatial separation that has worked well in respect of fin fish species.

The Hon. RICK COLLESS: Will you go over the process you went through when you moved from input controls to output controls? That is part of the process that the Committee is now going through. How do we best reconcile the inherent differences in those approaches during that restructure process?

Dr RAYNS: There were several steps. First of all, under our legislation there are management plans that are created for each fishery, so they are statutory instruments. Within those plans the allocation of rights is made. Part of that process is to take, effectively, the current set of rights that exist. In our language it was basically catch history and vessel capacity in terms of size and type of vessel we used as the main criteria, and those were worked out in terms of percentages for each of the fleets and sub fleets and our fisheries. That was then converted into a quota formula; so basically how much of that catch history, given the size and type of boats that have fished in the fishery, would that equate to in terms of quota? So that was the basis of the allocation.

We have several built-in review processes in our legislation, so there are internal reviews through the Administrative Appeals Tribunal [AAT] and reviews through the Federal Court. Once those have been exhausted, if indeed they are applied—in some fisheries they were not, the industry basically accepted the allocation; in others they were applied to their full extent—once those are completed the allocation is then finally determined by the AFMA Commission and the Minister and basically becomes part of the statutory plan. That plan then exists effectively in perpetuity unless the government of the day decides to do something with those plans, but to date that has not happened; they have existed since their inception in the nineties and they are still with us today.

The Hon. RICK COLLESS: So the quota result that you came to was a quantitative allocation. Is that correct?

Dr RAYNS: Yes, that is correct. The way our statutory fishing rights system works is each SFR, as we call it, has a weight value. That weight value, of course, varies with the TAC; but originally when they came out it was basically one SFR was one kilo or thereabouts and since that time that kilogram value has gone up and down depending on the movement of the TAC.

The CHAIR: Could I ask you to elucidate SFR please?

Dr RAYNS: Statutory fishing right.

The Hon. RICK COLLESS: When you were arriving at that quota allocation what was the weighting that you took on from various aspects? I think you mentioned things like catch and effort and vessel capacity and so on. Did they have a particular weighting on when you arrived at that particular quota allocation?

Dr RAYNS: Yes, they did, and they varied between the fleets and sub fleets and our fisheries. Basically they looked at how some of the fisheries had previously been managed. So before getting to the point when we were looking at quota allocations, some fisheries had a significant history of input control management and some of that involved size and types of fishing vessels used at the fishery. So if that was the case, we gave some weight to that particular criterion. In other fisheries there had been no prior history of input controls of that type and therefore there was very little or no weight given to the size and type of vessel. So we basically took into account the history of the fishery itself and how it had been managed to a certain percentage depending on what those input control arrangements were and then we balanced that up with the catch history of the individual vessels concerned, and that just depended on the fishery. Some fisheries were 80/20 in terms of 20 per cent boat and 80 per cent catch history, some were 60/40; so it just depended on the history that the fishery had had up until that point.

The Hon. RICK COLLESS: Can I just ask you about the effect that marine parks have had on your fisheries and what impacts they will have on the take and viability of the industry?

Dr RAYNS: From the Commonwealth fisheries point of view we have limited impact today. We are aware, of course, that there are other steps on foot at the moment within the Government, but to date the impact of marine protected areas [MPAs] has been very limited on our fisheries. There has been some minor adjustment required, but nothing of great significance. Most of the activity that constrains our fisheries is still controlled under the fisheries legislation. We have a lot of closed areas; those sort of things, for various reasons, protect young prawns, for example, or spawning areas, whatever it might be. But certainly MPAs have had a limited impact on our fisheries, but I cannot speak for the future at this stage; that, of course, is a matter of policy for the Government and other agencies at the Commonwealth level and I would refer you to them if you wanted to know more.

The CHAIR: Given that the New South Wales fishery that is under reform at the moment is, as you have disclosed, far more complex than, say, the ocean fishery and that the inputs that are currently applied are myriad—sizes of nets, lengths of nets, there is a list as long as your arm—do you believe that there is the ability to directly correlate some of the methodologies and the conversions that AFMA use for the ocean fishery to this inshore fishery or do you believe that your calculations would perhaps not be applicable?

Dr RAYNS: A couple of things there. First, I have managed State fisheries and recreational fisheries previously so I sort of understand the context within which this discussion is happening. I would not describe them as more complex necessarily but they are different. That requires some different approaches to how you solve the problems you find in smaller inshore fisheries as opposed to offshore fisheries, for example. So I would argue that while perhaps some of the things that we do for fisheries generally would apply to all scales of fishery, you may have to tailor some of the elements of those to the smaller inshore fisheries. It may be that if you have got a lot of part-time operators, for example, that your approach to restructuring may be a little different in terms of what you want the outcome to be. In most cases with the offshore fisheries there are a lot more drivers around economy and economics and businesses and making sure you are profitable, those sorts of things.

There are, certainly in some of the coastal and estuarine fisheries, more lifestyle elements even to commercial fishing and so you perhaps need to consider those things that I would not say they are impossible to deal with, I just think that they need to be thought about carefully and handled well to get the outcome you want for the inshore fishery. It may be that having some part-time operators left in inshore fisheries is okay, but you also want a professional element to it as well. So you might want a different mix depending on the policy settings and outcomes you are trying to achieve for those inshore and smaller-scale fisheries.

The CHAIR: That about wraps us up. Because we have only had a limited amount of time the Committee members may wish to send some questions to you. Would you be agreeable to providing answers to those questions within about 21 days?

Dr RAYNS: Certainly, that is fine.

The CHAIR: Thank you very much for taking time out of your busy day. We appreciate your input.

(The witness withdrew)

BOB KEARNEY, Emeritus Professor of Fisheries, Institute for Applied Ecology, University of Canberra, affirmed and examined

The CHAIR: We have jumped ahead one slot today and I thank Professor Kearney for being juggled around with the time.

The CHAIR: You have lodged a submission with us, and it is what we would call a headline submission. We have discussed that. Would you like to lead off with an elucidation on that or some opening comments, please.

Professor KEARNEY: Mr Chairman, I am happy to commence with questions. You have seen my submission. I would rather not waste your time repeating parts of it.

The CHAIR: That is good.

The Hon. MICK VEITCH: Professor Kearney, in your submission you say that the economic modelling has been far too narrow when it comes to assessing the commercial fishing sector in Australia, but also New South Wales. What are some of the things that you think should be included in the calculations to determine the economic value?

Professor KEARNEY: The principle I am raising is that most of the modelling that has been done to date has been very restrictive in considering the catch of fish. Normally it is first point of sale or subsequently its value to restaurants and things gets added in, but the things that concerns me is that the Australian public have a great need for fish and the National Health and Medical Research Council tells us we should be eating 40 per cent more than we currently are. It is well documented that the health benefits of eating fish are considerable indeed. In fact, it has been documented or claimed, at least, in the scientific literature that eating fish was responsible for the development of the human brain as a superior brain. That is how important it is to the evolution of humans and how important it is to our ongoing health. These are the sorts of issues, together with the lifestyle factors, that I believe eating seafood is a big part of the social structure of particularly coastal New South Wales, less so in inland waters. We have managed to get rid of commercial fishing to the detriment of those who used to buy fish there, but also to the heritage value. It is a big part of Australia's culture that you go to the coast. You can go to Coffs Harbour and eat Coffs Harbour prawns and you can go to other places and eat their local oysters. Those things are extremely important and I have not yet seen a study in which the real broad value of seafood to the Australian public has been taken into account.

The Hon. MICK VEITCH: The other interesting comment in your submission that I picked up is that you talked about the need for investment to address the degradation of many of the aquatic ecosystems. You are talking about other factors having an impact on fish stock and fish supply as opposed to commercial fishing?

Professor KEARNEY: Very definitely so. I think Nick Rayns' submission, which you have just heard, pointed out that the Commonwealth fisheries have been extremely successful in eliminating overfishing. There is no overfishing occurring in Commonwealth managed waters. One of the real reasons there is still stated to be and assessed to be overfishing in States like New South Wales, particularly the most populous areas, is that the only thing we are really managing is fishing and that is not the cause of the problem in many cases. Some of the problems we are not going to address. For example, there is no doubt that mullocky and snapper in New South Wales are in fairly serious trouble and I believe strongly that that problem must be addressed and the fisheries component of that problem must be addressed and must be managed, but there is not much other overfishing.

When you look at mullocky, one of the real problems is Warragamba Dam, and we are not going to do anything about that, so we are going to blame fishing most of the time for the fact that there are not many mullocky left, but when you dam off their major source of water that affects their spawning season and effectiveness, it is not surprising that you get serious problems. We have had major biota kills in many of our North Coast rivers from acid sulphate soils, and these are not minor instances. They are not fish kills, as they are popularly called. They are total biota kills. Everything in the river gets killed—worms, algae, weeds—everything. Yet we call them fish kills and we talk about the species being overfished. That is the real problem. We manage fishing, even in our marine parks. The only thing we really do is close them to fishing, and we claim that they are protected. Well, they are not protected. That is the problem that I have. We have to identify the threats and the review of the marine park process in New South Wales a couple of years ago stated that we have to take a risk analysis and a threats-based approach to managing the New South Wales marine estate. I believe very strongly in that.

One of the reasons we blame fishing is we can fix it; we can ban fishing and close it. It is cheap—relatively. It might cost us a few million but that is relatively cheap when you compare what the real problem is, for example Warragamba Dam, which we know we are not going to fix. Acid sulphate soils is far more

expensive, and that is the problem that I have. Governments on all sides take the easy option. It is easy to do this and give the people the impression that we are doing something serious about it.

The Hon. MICK VEITCH: Should we then spend more money on science and research?

Professor KEARNEY: This should be the subject of a separate inquiry. One of the problems is that a lot of the research in the marine area has gone ahead very quickly. It has been a real growth area, but it has not had the same history of benchmarks and critical assessment that physics, mathematics, astronomy and things have had, and is still subject to a huge amount of uncertainty. I was saying to a colleague recently, "Imagine how John Glenn and company would have felt on their way to the moon if there was the same amount of uncertainty about the science that sent them there as there is about our marine environments."

The Hon. MICK VEITCH: They may not have got on the ship.

Professor KEARNEY: But these are real issues. It is not a question I would like to give you a 30 second answer to, but it needs to be more structured and there needs to be more risk assessment related direction of that research, in my strong opinion.

The Hon. MICK VEITCH: I am happy for you to take it on notice if you think there is a more fuller response?

Professor KEARNEY: I think it is the subject of a separate inquiry, but I have outlined the principles that I think relate to it. If there is specifically more, I am happy to try my best.

The Hon. MICK VEITCH: Going back to the economic modelling, is there someone or somewhere that we should look at that has undertaken modelling that accommodates the things you have raised?

Professor KEARNEY: No. It is actually a global problem. The popular assumption around the place is that the world's oceans are suffering seriously and it has been stated many times by some of the people who consider themselves to be Australia's leading scientists that overfishing is the primary cause of that problem. That is absolute rubbish. That is a good word for it because that is not true. The rubbish in the oceans is the real problem. There are some areas in the world where overfishing is a real problem, particularly West Africa, for example, where IUU—which is illegal, unregulated and unreported fishing—is a huge issue, and they are stealing fish from the poorer West African countries. It is a huge issue and overfishing there is a huge issue. In some parts of South-East Asia overfishing is a problem. In South-East Asia overfishing is a problem but in more of South-East Asia habitat degradation and damming off coastal areas—the average person is not aware that China has built a series of concrete walls around their coastal areas that is longer than the Great Wall of China and it stops saltwater incursions. There goes half your fishery's breeding habitats and things of that sort.

Again, they say these things are overfished. Overfishing is not a real problem in Australia at all. The Commonwealth have demonstrated that; they have completely eliminated it. We only have one or two problems in New South Wales, and if they could be addressed holistically, we could probably get rid of those too. But the commercial fishing sector is—mulloway and snapper, the recreational catch is greater than the commercial catch, and we do not want to address that seriously because we will upset people and lose votes. So they are difficult problems to fix but the commercial fishing aspect of it is relatively easy to fix and the principles are very straightforward—identify the problem and reduce the catch or the effort, whichever way you choose to go and is assessed to be the right way to go, and the problem goes away, as the Commonwealth has proven. This improvement, I might stress to you, was achieved in less than a decade. We fixed the problem in Commonwealth managed—in all of them. That is a huge achievement. I can give you the history. I was on the board of AFMA at the time that it started. I know what happened. I thought Nick Rayns' summary was very good and very accurate.

Mr JUSTIN FIELD: Thank you, Professor Kearney, for being here. You were talking about the MEMA process, the Marine Estate Management Authority threatened risk assessment process. Have you looked at the Hawkesbury threatened risk assessment? They are doing a statewide one at the moment. How much credibility do you give that assessment?

Professor KEARNEY: I am sorry, I have not looked at that in detail. I looked at the principles of it, but there is a limit to what you can—I am supposed to be retired.

Mr JUSTIN FIELD: I think you will find it probably concurs with some of the things you have already outlined.

Professor KEARNEY: I have talked to people involved in it. I have made my views very clear. I think the Hawkesbury is a classic example of serious disruption to habitats, even things like—I mentioned Warragamba Dam, so let us stick with the example I have used. It is obvious that it has restricted the flow of

fresh water into the Hawkesbury River. What it has also done is completely change the time when that flow does occur. The fish can no longer rely on it whenever the rains normally come to spawn at that time as they have evolved to do over millions of years. These impacts can be quite great

Mr JUSTIN FIELD: The proposal to raise the dam wall would change freshwater flows again. Would you think that would have additional impact on the habitat?

Professor KEARNEY: It will have additional impact but I doubt that additional impact will be measurable because those things are extremely difficult to measure.

Mr JUSTIN FIELD: The big impact really has already occurred in that area?

Professor KEARNEY: I suspect that is true, but it would be amazing if there were not further impacts. I would suspect you could not even be confident that that impact would be negative. It probably would be but I doubt that you would get good enough data or that anybody would be able to afford to do enough analyses over enough years and enough areas of the tributaries of the rivers that would be affected to give you a really definitive answer. It is unlikely it will be a black and white line that says on this side this happened and on the other side something else happened.

Mr JUSTIN FIELD: I think most people recognise that those issues of pollution, land use management and coastal development are some of the biggest impacts. We are probably not going to address them, as much as people on this Committee might like to see them addressed. Given that they are unlikely to be addressed, do you agree with Mr Rayns's previous comments that spatial management is one of the better ways to deal with potential conflict between commercial and recreational users in the inshore environment?

Professor KEARNEY: Spatial management is very effective in many cases for allocation. I do not believe it has a great deal of value in conservation. That is the problem. I think its value in conservation is grossly overstated and presumed to be much greater than it is. There is no doubt that if you close an area to fishing in inshore rocky reef areas where people dive the diving will be better. There will be species there that you can see and they will be easier to get close to than if you had spearfishing going on, et cetera. I do not think there should be any question of that. That is a given. But that is an allocation outcome that does not necessarily benefit the species or the area in total, particularly if you do not address the other threats.

From a species point of view it has frequently been claimed that you get spill over and larval recruitment benefits. You cannot get those unless the species are overfished. The average fish lays a million eggs and there are plenty of eggs and larvae there for all but the seriously overfished fisheries. I have actually been an author on a couple of papers that have estimated how overfished they have to be before you get a benefit from these. It is serious overfishing that has to occur. But the allocation benefit is very real and I support it. Mr Rayns is right: it is one of the few ways of cost effectively regulating the division between recreational and commercial fishing.

Mr JUSTIN FIELD: I think it is right to say that you support the reforms in large part. But then we go to how do we make sure that the quota is based on sound science. It looks like for those fisheries where they are already doing that in abalone and rock lobster there is a cost to the industry to ensure that happens. How much do you think it is likely to cost to do that on a broad scale statewide for all the different fisheries? It seems like a pretty large task.

Professor KEARNEY: I am sorry, that is a question there is no point in me taking on notice. I simply cannot answer it. I am not involved with that. I was involved with the lobster fishery and the abalone fishery. In fact, I did the original plan for the lobster fishery when I was Director of Fisheries Research in New South Wales, so I know a fair bit about it. Yes, it did have a cost but the evidence is there that the cost was well and truly worth it. It is now a very viable fishery. Even though everybody dislikes having to pay more for their own research and everything I do not think there would be too many people in the industry even who would say it was not worth it.

Mr JUSTIN FIELD: Is that possible for the diversity of the other species?

Professor KEARNEY: It is not going to be possible for some of them. One of the real problems I have and everybody has is with the really small fisheries. Many of them are lifestyle choices and things of that sort. That is fantastic for individuals and there is a long history. The Government made a lot of mistakes over many years in encouraging these to continue to go ahead in the way that they were going ahead. One of the problems is that obviously if you are going to change that people are entitled to compensation. They certainly are because the Government really screwed some of those fisheries up. There is no doubt about that. There were allocations not of quotas so much but of shares and things which were excessive, really badly so. So they are entitled to that.

The problem with having lots of little fisheries is that they are not individually capable of standing up to the threats that face them that are non-fisheries related. This is where even the Commonwealth fisheries suffered in that they did not get together quickly enough to dispel the myth that Australia's fisheries were not sustainable. You ran into all of these certification schemes coming up and saying to only eat this and only eat that. Why not put organic lettuces on that? There is more damage done to Australia's environment from farming than there is ever is from fishing. In fact, a well managed fishery is the most sustainable source of food on the planet if it is well managed. We do not use herbicides, pesticides, insecticides, we do not clear-fell the land before we start and do not run on introduced species.

Australia's entire agriculture industry runs on introduced species. Every bit of the land that is under intensive agriculture in Australia is 100 per cent alienated from what it was. We do not do that in the marine environment. That is really, really important, but you have got to stand up to the real threats and manage the real threats. I think the small sectors of the fisheries are less capable of doing that individually. If they were collectively—if there was a peak body that really truly represented them that may well be different, but that is not the situation at the present time.

The Hon. GREG PEARCE: I am very disappointed you have retired because you speak a lot more sense than most of those who are still in official positions. I notice you are very strongly of the view that the restructure needs to be completed and we need to get on with it. You are nodding your head to that. One of the propositions put to us is that some of the fishers who currently have licences that they were given for free and who want to stay on object to having to potentially purchase additional shares and they expect to get those for free as well. Do you have a view on that?

Professor KEARNEY: I have a lot of sympathy for those that are in that position because I was around when a lot of them were given shares or entitlements and a lot of them were told that these were in perpetuity.

The Hon. GREG PEARCE: They keep their existing shares.

Professor KEARNEY: I do not want to avoid your question but I am sure I am not the right person to answer it comprehensively. My concern is that the longer you take to fix this the more it is going to cost. If you look at the issue dragging on and on, anybody now that was to sue the Government can say that this has been going on for 25 years. Any judge listening to this is going to be increasingly sympathetic the longer and longer it goes on when there is ample evidence that governments of both persuasions have been told that this is a problem and it has not been fixed. I firmly believe that the longer that goes on the more it will cost and the more damage that will be done. I make the point in my submission that seafood supply to me is as a conceptual issue far more important than a relatively small number of jobs. It is not that I am not sympathetic to those people in those jobs, of course I am, but that is to be dealt with under a broader principle.

As I said in response to the first question, the health benefits and the social benefits and the heritage benefits of seafood supply are extraordinarily important in my opinion and they are grossly undervalued. That needs to be projected. Not just protected. I actually firmly believe that New South Wales could produce a lot more fish if its structures were better set up to allow more exploitation of some species that are currently not available or not harvested. I heard one of the earlier speakers acknowledge that dumping still goes on. I certainly would not allow that if I ruled the roost. It is possible to make all fisheries land everything. You have to adjust quotas and management processes, but dumping fish in somewhere like New South Wales is something that just should not happen.

The Hon. RICK COLLESS: In your submission under the first section you make the comment:

Continued support for the short-term interests of selected fishers completely dominated the long-term needs of optimum sustainable harvests in the interests of the State's seafood consumers. Inept, and biased, application of the principles of effort and catch controls, quota management and share allocation resulted in distorted allocations to individuals.

Do you see that there is still a hangover from that situation in the current marketplace?

Professor KEARNEY: I do, but if I may elaborate a little, at the very start of it I pointed out that back when I joined NSW Fisheries as Director of Research in 1986, I believe the then policy from the former director, Don Francois, who had had a series of different governments was that it was impossible to over-fish fisheries. That was how far off track they were. The whole thing was a joke. There was one fisheries manager for the whole of New South Wales, recreational and commercial combined, so there was virtually no fisheries management going on. But it obviously had to happen and I was one of the ones that led to the science-based approach to this.

The approach to science changed dramatically in the next 10 years. When I joined NSW Fisheries they produced six scientific publications a year. When I left nine years later it was 57 a year. The attitude to science

and its involvement in the process changed enormously. But what happened then in about the 10 years after that was that we had a series of Ministers who appointed their own—well, the Senior Executive Service was created and this allowed Ministers to get rid of their former directors and put their own in. There was a series of very bad, one or two in particular, appointments and people who then appointed their own people to do this and they promoted managers to positions that they were not competent to be in.

The shares were allocated willy-nilly particularly if you knew individuals and said, "I'll fix you up mate" and this went on. The whole industry is still paying the penalty for that. I heard things said to individual fishers "This is all right. This will go on forever." You could tell then that it could not go on forever but that was not the way it went.

The Hon. RICK COLLESS: Further in that paragraph you go on to say that many individual fishers still have an unrealistic perception of the rights of the catching sector. Does that situation still exist amongst some people?

Professor KEARNEY: I think it does. I think it is unfortunate. I do not blame individuals but it is collectively. I have said to the industry, and I have said this publicly so I am not giving away anything that they do not know that I am probably going to say because I have said it when I have spoken to the national seafood industry conferences and international conferences, that one of the real problems is that the property right has been given in many cases to individual fishers and it should never have been so. The property right must rest with seafood consumers and individual fishers should have an access right on behalf of the seafood consuming public.

But it is the pursuit of optimum sustainable yields that should be the goal of good fisheries management. In this day when New South Wales imports closer to 90 per cent of its seafood then the optimum yield must be very, very close to the maximum yield because we need as much as we can get. I think that must be the argument given for the support of commercial fishing, not that there are a few thousand people in the industry because for the reasons that I have given about the heritage values and the social and lifestyle values of the importance of fish to people of New South Wales is a much bigger issue than the relatively small number of jobs that are in the catching sector.

The Hon. RICK COLLESS: You heard Nick Rayns talk about the process he went through in determining the quota allocation and the waiting he had on the historical records and the input controls and all those sorts of things. How can we utilise that process to devise a fairer system of allocation of shares in New South Wales?

Professor KEARNEY: I am seriously out of touch with some of the fisheries but I was involved with the lobster fishery early on and, as I said, I was responsible for the setting up—

The Hon. RICK COLLESS: Did it go through a similar process?

Professor KEARNEY: They went through a similar process but it was easier in that there was only one species to start with that was actually managed. There was a relatively small number of people in the fishery and it was really one fishery. The problem we face in New South Wales is that it is not difficult to argue that each estuary is a different fishery and that different principles could apply. Unfortunately in the mayhem that occurred in the allocation process people in adjoining estuaries were promised totally different outcomes by totally different inputs. So all sorts of mismatches were set up.

This is where I get concerned about the small fishery because I see a real need for the commercial fishing industry in Australia as a whole to be able to speak as a unit and to talk about why the problems with having all of these sustainability guides and things, and only eat this, when it is simple; argued logically, it is not true. If we have no over-fishing in Commonwealth managed fisheries why should we go around saying some of the species are not sustainable? Those things need to be addressed because this affects the public attitude to the social licence of fishermen to operate, which is an extremely important issue. I believe that an amalgam of operators who are economically viable will be a much better medium for addressing the issues and the threats that they face from non-fishing sources than would be a large number of disparate, individual fisheries in isolated areas. Some mechanism needs to be brought in to bring them together as much as possible. In many cases that will be standardisation in so far as possible of the rules and regulations that allow them to operate, or that govern the operation. I stress, as I have all along, that a lot of people have been very badly done by in this process and that needs to be borne in mind. What I am talking about is the idealistic way in which I think it should go forward.

The Hon. RICK COLLESS: I take on board your comments about marine parks and lock-out areas—

Mr JUSTIN FIELD: Sanctuary zones.

The Hon. RICK COLLESS: Whatever you want to call them. Do you see that they have actually resulted in the restoration of some of those fisheries and marine environments or do you see that they have actually resulted in heavier fishing pressures on other fishery areas?

Professor KEARNEY: There is no doubt that some of them have resulted in a visible outcome that appears very attractive. It is extremely attractive to divers and other observers of those areas because there are more fish of the sorts that you are likely to see. If you take it to the extent of the Great Barrier Reef, for example, where in many of the areas they feed the fish in these so-called sanctuary zones—it is the word "sanctuary" zone that I have a problem with when you do not stop pollution and all of these other things, but you give the public the impression that they are sanctuaries because you close them to fishing. That is a real benefit but there has been no demonstrated benefit to other fisheries or to fisheries generally in New South Wales from any of these zones or practically anywhere else in the world. It is claimed that you can get them but they have not materialised to the extent that has been claimed.

I believe very strongly, and I think the scientific evidence is increasingly supporting it, that if you do not have over-fished fisheries it is very difficult to create a scenario when closing one area to fishing will benefit the whole lot. Not just because effort moves but because unless you are over-fishing the area in the first place the amount of larval recruitment cannot increase—and there will be net movement from an area if you have got it closed and there are more fish in it but whether that net movement out is a benefit is another story because they are moving out into an area that may have been fished down a bit because of the movement of effort. But again I do not really accept that movement of effort issue because it is up to the fishery manager to control the total effort anyway.

If fisheries are well managed—I think it is extremely unlikely you will get a fisheries benefit from any of those closures and extremely unlikely you will be able to demonstrate one anyway but you will get an allocation benefit to different user groups. This is one of the problems that the commercial fishing industry faces. I think it was Brian Skepper who talked about the fact that some fishermen sell out their property right, and that is why I firmly believe the property right must rest with seafood consumers and the access right should not be transferable to other groups. Similarly it should not be allowed to be closed off without due consideration of compensation things. But there are all sorts of competitors for these now.

The assessments do not take into account the negative effects on fishing that things like kite surfing and all of these other things ripping through the water have an impact particularly on species such as garfish. Many of the spawning areas of garfish in New South Wales have gone because they are now key surfing areas. They used to spawn on the northern ends of headlands which had the sheltered protected swells which is where surface species like garfish area and where do you think the best surf is? It is on the northern ends of headlands when the southerlies blow.

There is no doubt these things have had a major impact. People do not like to talk about it. Mr Rayns is right that allocation areas probably remain the best allocation mechanism that we have at the present time. I stress that the conservation benefits have been grossly over sold. I am not anti-marine protected areas or marine parks. If you call it protected I want it protected. If it is a marine park that does nothing more than say this is an area worth specifically greater effort to protect. That is what you have done by declaring it a marine park. The Commonwealth Government actually states formally that marine park, marine protected area and marine reserve are synonymous. I get really upset about that because it is clearly blatantly untrue. Any serious scientific assessment of it can see that. I do not have any problem with any one of the three, they all have their uses. Just do not close an area to fishing and walk away and say you have protected it.

The CHAIR: Our time has concluded. I am sorry it has because you are a very good witness, Professor Kearney. I always enjoy listening to what you have to say. If members wish to ask questions on notice it is better to contain them to issues you do not understand or need to have elucidated by Professor Kearney rather than asking him to write *War and Peace*, because he is now retired.

Professor KEARNEY: Largely retired.

(The witness withdrew)

(The Committee adjourned at 16:51)