

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 Wednesday, 14 December 2016

The Committee met at 9:45 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: Good morning, ladies and gentlemen. Welcome to the second hearing of the inquiry into commercial fishing in New South Wales. This inquiry is examining the economic, social and cultural impacts of reforms for the regulation of commercial fishing in New South Wales. A further hearing is to be held at Parliament House on Monday 19 December 2016 and we will be hearing from the Minister for Primary Industries, and Minister for Lands and Water; Mr Grant Saunders and his father, Raymond; and possibly a couple of other fishers from the South Coast whom we have not been able to get in touch with.

I acknowledge the Gadigal people who are the traditional custodians of this land. I also pay respect to elders past and present of the Eora nation and extend that respect to other Aboriginals present. Before we commence I will make some brief comments about the procedures for today's hearing. The hearing is open to the public and is being broadcast live on the Parliament's website. A transcript of the hearing will be placed on the Committee's website when it becomes available. In accordance with the Legislative Council's *Guidelines for the Broadcast of Proceedings*, only Committee members and witnesses may be filmed or recorded. These guidelines are available from the secretariat.

While members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also 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 what witnesses may say outside their evidence at the hearing. I urge all witnesses to be careful about any comments they may make to the media or to others before or after they complete their evidence as such comments would not be protected by parliamentary privilege if another person decided to take action for defamation.

There may be some questions that a witness could only answer if they had more time with certain documents to hand. In those circumstances witnesses are advised that they can take questions on notice and provide answers within 21 days of receiving written confirmation of that question from the secretariat. I remind everyone that Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. I therefore request that witnesses focus on the issues raised by the inquiry's terms of reference and avoid, where possible, naming individuals unnecessarily. Witnesses are advised that any message should be delivered to Committee members through Committee staff. Could everyone, including members, witnesses and people in the public gallery please turn their mobile phones to silent for the duration of the hearing.

HEATHER ELLIOT, Member, NSW Wild Caught Fishers Coalition, sworn and examined

DANE THOMAS VAN DER NEUT, President, NSW Wild Caught Fishers Coalition, affirmed and examined

MARY HOWARD, Secretary, NSW Wild Caught Fishers Coalition, affirmed and examined

GARY BRAITHWAITE, Commercial Fisherman, NSW Wild Caught Fishers Coalition, sworn and examined

TANYA JOY KING, Senior Lecturer in Anthropology, Deakin University, sworn and examined

The CHAIR: Before we commence with questions I will be asking one or all of you if you wish to make an opening statement. I will not say a "brief" opening statement because the Committee has not yet received your submission. Ms Howard, I take it that the submission on the table in front of you is ready to be distributed?

Ms HOWARD: I have dropped off the submission early this morning to be distributed to you. That is one submission, not one each. These are copies of what I would like to table for this morning.

The CHAIR: Okay, thank you. We will get that out of the road first. If you could table all of those documents I will then have them distributed to the members.

Mr VAN DER NEUT: And these also.

Documents tabled.

The CHAIR: Obviously we are not going to be able to copy that and distribute it to the members so the members will be at a little bit of a disadvantage in asking you questions. I will ask you then to make an opening statement that covers the key points of your submission. Is there a summary in the submission?

Ms HOWARD: The introduction is copy one and it was received on Friday. It was acknowledged that it was here yesterday so I am at a loss as to why there are not copies available. I did not realise that I had to actually provide a copy.

The CHAIR: No, you do not. I did not realise that a copy had already been made available. We will sort that problem out. So we do not use up any of your time we will move on. If any of you wish to make an opening statement please do so in an orderly manner. Who will go first?

Mr VAN DER NEUT: Thanks for that.

The CHAIR: Please proceed.

Mr VAN DER NEUT: I will begin and I will pass on to my colleague Ms Howard. I would first like to thank the Committee and all the members for agreeing to this inquiry. I cannot stress to you how important this is to the commercial fishing industry in New South Wales. What has happened over the past three decades is mismanagement to degrees that we cannot fathom.

What are we doing here when we have a political system that respects fishers that catch fish for themselves more than an industry that catches fish to feed the nation? It is unacceptable. We have exclusively accessed recreational fishing zones in New South Wales and that is what they are called when they should really be called seafood consumer exclusion zones because that is exactly what they do; they exclude the general public from accessing seafood from those areas.

I just want to make a comment on research in general. I believe that research has moved from evidence based to outcome based. What I mean by that is there is a predetermined outcome and the research is geared to get to that outcome. Now, when I attended a Fisheries Research and Development Corporation [FRDC] event on 10 May this year I was told by a senior scientist that the mullocky research was not flawed and the methodology used to do that research was exactly right because they were asked to deliver on an outcome and they did the research to get to that outcome.

I was then told that if the fishing industry wants to catch a certain size fish, then we need to give them that size fish and they will do the research to suit. I just do not believe this is research anymore when we used to have a research facility in Cronulla that had its own trawler to do research. We now no longer have that and we have lost the knowledge in Cronulla and we now have people doing research to suit outcomes. I was interested in some of the comments made on Monday and if the Chair would allow it, we would appreciate making some comments on notice on some of the statements that were made that we believe may not be accurate, if that would be okay?

The CHAIR: As long as there is no adverse mention. In other words, if you are going to say, "Fred Smith is a liar", then I will shut you down. You are quite able to make comments on what is published, and we

will take what is said in this hearing as being published, but there may be some things that were said in this inquiry that will not be published, but only where there is adverse mention or where there is clearly defamation of a person.

Mr VAN DER NEUT: We appreciate that.

The CHAIR: We will regard anything that you say as a supplementary submission. But also understand that if you believe that evidence given is wrong—not calling it a lie but saying it is wrong—we will give the right of reply to those whose evidence you say was wrong.

Mr VAN DER NEUT: I appreciate that.

The CHAIR: Go ahead with your statement.

Mr VAN DER NEUT: I will close with my statement now and stress that while we do appreciate this inquiry very much, it seems a little bit rushed and I hope that this Committee takes the issues with the commercial fishing industry as importantly as they need to because we have 20 or more years of mismanagement that needs to be fixed. I could speak for five hours quite easily but we do not have that time. Also, to make it easy on the Committee, it would be appreciated if all the questions could be directed at me and I can pass the questions on to the relevant person. I will pass on to Mary.

The CHAIR: We will direct our questions to Mr Van Der Neut.

Ms HOWARD: I am a graduate of the Australian Institute of Company Directors, I am a holder of an Advanced Certificate in Agriculture, I have been in an industry over 30 years, I am a partner in the Hawkesbury Prawn Trawl Fishery, I have also been a participant in manufacturing commercial fishing boats in my time and I have sat on a State board, a catchment management board for the Hawkesbury-Nepean. So I have a broader understanding of fishing than just fishing. I found Monday very difficult because we are small-scale fishers but we are not ignorant, and while some of our fishers may not have education—that is, a university degree—there would be very few university degree people who would be able to go fishing and catch a fish and have a living; they just would not survive.

So this inquiry is integral to having as much importance to these people as if it was someone at a higher degree of intelligence and a higher degree of income. We are talking about people's jobs, and they are fighting for their jobs and they are living with this. I brought this so you could just comprehend; this is a third of the pile on my table. We tried to get this through to you so that you would receive this on Friday night, but the system keeps crashing, so we are still at it at a late hour at night trying to get it through. We had 21 days to respond to an issue that is so critical that we have been working for months on end just to get here. It is so important to the State but it is also important to the consumers, who do not even know and do not even realise that every time a commercial fisher disappears so does the fish on their table, and we can demonstrate that. We can demonstrate that in that period of time of 10 years the catch has dropped, the catch has lowered, and it has lowered by the removal of thousands of commercial fishers—not 1,000, not 2,000, 3,000 or 4,000—over 30 years by management that is not commercial fishing management but recreational fishing management, environmental management.

But when a government comes into office in its four-year cycle, the first thing it does is it promotes our industry, tells us what a good job we are doing of reducing our numbers and we are sustainable and they are going to make us viable, and then they turn around and take a few more of us out. And this happens in every four-year cycle and has been happening for more than 20 years. There comes a point when a group of people have had enough, and that is where we are at and that is why we are here and that is why an inquiry was asked for, because you cannot keep bringing people through what these people are going through over and over and over again—it never stops and it is remove, it is reduce, it is review, it is restrict over and over. Every Minister who comes in as a fisheries Minister puts their little tag on it and it is the commercial fisher that goes. So why are we here? Because we believe an injustice is being done here—it is not fair, and we have the figures and we would love to come back and just show you what we believe is so wrong about this process. Thank you.

The CHAIR: Does anybody else want to say anything?

Mr BRAITHWAITE: I am a commercial fisherman and I sat on the Ocean Trap and Line Management Advisory Committee [MAC] as well as the Seafood Industry Advisory Council [SIAC]. I would like to bring to your attention that I sat on the Ocean Trap and Line Management Advisory Committee for about 10 years. Through that management when we changed and SIAC came into fruition, everything changed on the way that management was heading even though we had a 10-year management plan in place. With the bringing of the reforms, the management advisory committees were shut down for 18 months while SIAC pushed through a lot of this new reform. What the Committee should know is SIAC's membership had ceased prior to

them holding meetings and giving information to yourselves, to Ministers, to the public, to DPI, whereas the management advisory committees that were democratically elected were closed down and could not comment on this, and as a member of SIAC under parliamentary privilege I could not even go back to my members at the MAC to bring forward some of the issues that I could see were going to come up until it was all too late. It was all orchestrated so that the MACs could not interfere. This problem would not have arisen if it had gone back to the management advisory committees.

The other thing is, under the offshore constitutional settlement [OCS] the agreement was once the Commonwealth signed over management of fisheries outside three nautical miles that all commercial fishermen put under State management would have the same rights as a commercial fisher would have had and would not be discriminated against. Every Commonwealth fishery has a management advisory committee for that individual fishery and they have other rights as well—the redistribution of wealth through the redistribution of a resource. We have now had the right of management advisory committees taken away from us, saying that the MACs were not doing their job. That was a democratically elected committee that was shut down. No-one will answer whether it was the DPI that shut it down or the Minister, and from there forward all other information that has come forward has been from those that were pushing a barrow for the reforms and I think that was very well orchestrated and very unfair to the commercial fishing industry.

The CHAIR: Because we have had a witness pull out later in the day, we can extend this into morning tea and once the Committee has had a chance to review that document, there may well be a discussion within the Committee that we bring you back because there are likely to be a thousand questions on notice. Do you understand what I am saying?

Mr VAN DER NEUT: I hope there are.

The CHAIR: They may be, they may not. This Committee may fully understand what you are saying and either agree or disagree with you; we will see. Before I pass over to Opposition members, did you have any further questions?

Mr VAN DER NEUT: Can Heather make a brief statement?

The CHAIR: Absolutely. You do not want to hear me talk; we are here to hear you talk.

Ms ELLIOT: I want to thank you for allowing us to be here. I want to put you in the picture about something. My husband, who is sitting in the back, is almost 75 and I am a couple of weeks off turning 70. I have been working five months at this, seven days a week, at least 100 hours a week, and we have not stopped. Mary and I have not stopped. The catalyst came for me—when the Minister made the announcement on 31 May, we listened to that announcement and thought, okay, right, we have got our packages. We looked at our packages and I thought I would bring you this. I can pass it around. We got a series of cards that look like this. You might note there is nothing on the back, but this is what it looked like. It was mind-blowing. There was so little information attached. You had to then ring the hotline and the people were clueless, and I mean they were clueless. They did not know. The poor people who answered the phone did not know anything about anything and they had to put you on to managers.

Since 31 May, it has been an absolute nightmare. Please believe me when I say this to you. I have better things to be doing with my life. I should be helping my daughter organise her wedding, but I am not, and she is getting married in February. I have turned my attention to this because this is unfair. On 26 July, at quarter past eight in the morning, when the Minister made his announcement that he would allow unlimited unendorsed crew and all these extra traps to go into the water immediately—not waiting until 1 July 2017—and then putting the ITCAL, which is the interim total commercial access level, out to 2024, that was it for me. I rang up. To put you in the picture, my husband and I have been members of the Professional Fishermen's Association [PFA] since the beginning. We have spent thousands upon thousands of dollars being a member, but on 26 July I thought, "This is absolutely ridiculous."

How can we be a member of an organisation and pay all this money—my son is a fisherman as well and he pays into it—and how is it that we are not being heard? We just were not being heard. It did not matter what we did and it did not matter what we said. I rang up the PFA and said, "What is going on? How can the Minister do this? What in heaven's name does 'unlimited unendorsed crew' mean?" I have not been able to get an explanation. I do not know what it means. All I can think of is that all you guys sitting at the table and all of us, we can go and get a professional fishing licence, which is apparently like getting it over the counter, and you will be able to get in a boat and go up the river and be unendorsed crew, which is just appalling, and to have unlimited—when you take out fishermen, snuff them out of their livelihood and replace them with unlimited unendorsed people, it is so insulting.

I came along to a meeting, Mr Brown, and you were here. It was 24 August. You made some comments. I thought, "Yep, you are absolutely spot-on." We need unity in the meeting. From that moment, we left the Waratah Room and I said to Bob, "Right, I am going to extend myself to the wild caught coalition", because I believed that my organisation was not doing that, and I believe that the only way that we could move forward was with unity. I have been in awe of Mary because Mary's work has been unbelievable. This woman needs to get the Star of the Sea award, because she is amazing. What she knows about this industry, what she has given to this industry is amazing. I really hope that you listen to her. I am just one of the helpers, if you like. My forte is not putting documents together; my forte is doing research, and that is what I have been able to do. What has kept me going is the fact that—my family have said to me, "Why you are doing this?" I said, "Because it is wrong. It is absolutely wrong."

We have 7.64 million people in this State today and they want to reduce us down to the same amount of fishermen in 1893. In 1893 we had 765,000 people in the State of New South Wales and we had just under 500 fishermen. They want to have fewer than 500 fishermen. Make no mistake, when you read the documents and you see what the agenda was in 2005, the "birth of the reform" I call it clearly stated they wanted to get rid of 100 per cent of latent effort and 50 per cent of active fishermen. Under the veil of secrecy they will tell you they have no intentions of getting rid of fishermen. That is exactly what they want to do. They want to get it down to around 500, because that is what was stated. It has been stated over and over again, and in secrecy. I wanted to clear up one matter, if I may, to Mr Greg Pearce. Yesterday my husband and I sat there, and I understand that you do not know a lot about the fishing industry, so I will be mindful of that, but we were insulted by what you said because you said that we got our licences for nothing. And I was extremely insulted.

The Hon. GREG PEARCE: Did you pay for them?

Ms ELLIOT: Pardon?

The Hon. GREG PEARCE: Did you pay for the shares?

Ms ELLIOT: Yes, we did. We made an investment into our business.

The Hon. GREG PEARCE: No, no. Did you pay for the shares?

Ms ELLIOT: No.

The Hon. GREG PEARCE: Thank you.

Ms ELLIOT: When my husband first started working, he could go and get a fishing licence, but he could not go up the river unless he had a licensed fishing boat, which he had to pay for. Those licensed fishing boats were quite expensive. Not only that, you could not put a net in the water unless that net was registered. They had a freeze on licences. Therefore, if you wanted to move into another category of fishing—say, for instance, you wanted to do flathead nets, or whatever the case may be—you had to pay for that and it was very expensive. In the beginning when my husband and I were married—we have been married 49 years—we could not afford for him to have an outboard motor, an inboard motor, or any sort of motor. He rowed up the river with his nets in the boat and then he rowed home. When we saved enough money, we got an inboard, a little launch, and he was gone sometimes for 17 and 18 hours a day working, and then we would have enough money to buy another net and that net came with a registration. We have probably got 10 registrations at home, all of which are now worthless. They were tens of thousands of dollars. You could not go prawning unless you had bought the set prawning net, which came with a registration. If you did not buy the registration, you could not have it.

Then when we had the shares in 2007. That started in 1986 to 1989 and then 1991 to 1993. You must remember that you had to comply with five tonne of product in three years or \$10,000 worth from three of your best five years. They were very strict on making sure that that is what you had in and, indeed, you had to go through an appeals process and then you had to go before a magistrate and they counted your shares. If you were 10 short, you were 10 short and you did not get your endorsement. That was the investment that you had made in your business. From then on, unfortunately, what we have learnt through this process is that many people did not quite have the right amount of shares, but the Department of Primary Industries [DPI] decided to give them a wink and a nod and said, "You have not got the right amount of shares but you can go to work anyway." We had worked so hard and went through the magistrates and the courts. Anyway, I will finish with that.

The CHAIR: That is all right.

Ms ELLIOT: I wanted to set that up. It is very important that you understand that there has been a change. All those licensed registrations which cost us tens of thousands of dollars are just pieces of paper now.

Mr VAN DER NEUT: We will provide some more evidence on that, if we can.

The CHAIR: Yes, you are at liberty to put in additional submissions. I know there was a closing date on submissions, but the objective of this Committee is to get as much information as it can as quickly as possible. Most of these members are going to be doing a lot of reading over their Christmas break. If you wish to put in a supplementary submission please do so. Dr King, please proceed.

Dr KING: Thanks, Mr Chair, and apologies for my entourage.

The CHAIR: No apologies necessary.

Dr KING: It was unavoidable today. My expertise is in the fishing industry mostly in Victoria but also around the country. I have been working with this industry for 20 years. I will keep it brief. I want to make three points. My research as a maritime anthropologist focuses very closely on the fishing communities themselves. We go fishing with people, we try to understand their finances and their very particular circumstances. We also try to put those circumstances in the broader cultural context and the national context. This is in a context where less than 0.03 per cent of the population are commercial fishers and 22 per cent of the population are recreational fishers. The rest of the population is supplied with fresh, sustainably caught fish by this 0.03 per cent. These are national figures.

My point is to keep in mind that this is an issue when readjustments are made. This is an issue that impacts on all Australians because as a public resource fisheries are owned by all Australians and it is the Parliament's job to manage those fisheries for all Australians, including via the people who actually catch the fish and supply them. Looking at the broader issue of the consumer is one point. The second point—and you have probably heard it in the statements of the panel here today—is that the impact on mental health in the community is astonishing. It is really in crisis. I see, Mr Chair, that you are part of the Shooters, Fishers and Farmers Party. I am a farmer's daughter myself and my father is a member of your party.

We have been privy to seeing some of the very poor mental health outcomes that have befallen the farming industry over the last few years. This has received pretty terrific publicity and recognition, and rightly so, within the formal channels and also in the media. What has not been recognised is the impact on mental health that has been brought about by continual changes, both environmental and managerial, in the fishing industry. We are talking about things as bad as suicide, people talking about killing themselves in front of their children, people vomiting, people shaking, their hair falling out. People are incredibly distressed and we are starting to gather enough evidence to get a better picture of what is going on in this country. It is not pretty. It is at least as disturbing as what is going on in the farming sector. That is my second point. I would like you to keep in mind some of those impacts because we are getting better data on that all the time.¹

The third point is environmental. If these reforms were saving fish, saving habitat, rebuilding habitat, addressing alternative environmental issues around climate change, dredging, invasive species and that kind of thing you might look at the welfare of small fishing communities and say, "Well, do they matter as much as the environment?" But when you have a situation where the changes are being made broadly for what I would argue in some cases are politically driven reasons and not evidence-based, scientifically informed environmental reasons then it would be, I suspect, wise for Parliament to look more closely at some of those decisions and revert back to what it is that we claim to do as a country, which is manage our marine resources and all our natural resources on the basis of the best available environmental science. That is all from me.

The CHAIR: In your research are there any other cohorts that are similar or identical to the professional fishing cohort in terms of the anthropological shape of it or the potential impacts?

Dr KING: In 20 years I have only really scraped the surface. They are pretty special. One of the things that makes them special is the fact that they do not have secure tenure over their resource. Farmers, for example, own their land. They have freehold title.

The CHAIR: You reckon?

Dr KING: Some of them do. My folks do. It depends how far down you go, I suppose. But relatively farmers have a more secure tenure. The fishing industry does not have that secure tenure. What they are beholden to, as Ms Howard mentioned, are political cycles.

The CHAIR: It is a bit closer to perhaps the forestry industry; it is a public resource, there is no tenure and so on?

Dr KING: Yes. I think there are some similarities there.

The Hon. MICK VEITCH: Thank you for your testimony and the submission. I want to keep talking to Dr King about the mental health issues. For a way forward for this Committee to make recommendations to Government I think it is really important that we look at the mental health of individuals within the sector. I

¹ In [correspondence](#) to the committee dated 10 January 2017, Dr Tanya King, clarified her evidence and provided additional to her evidence.

have met with fishers my age who have cried quite openly. I have had wives ring me and say that they are really worried about their husbands. Regardless of the reforms, there are some serious issues in this sector that need addressing. Going forward, what should we be doing?

Dr KING: Providing dedicated mental health support, not just economic counselling. I think when there have been reforms around the country there has been provision of economic counselling to some fishers. I am not sure about New South Wales. There certainly needs to be a bigger effort paid to addressing these mental health issues by providing support for people, for families. One of the big issues is that people do not feel respected. You can hear that in the testimonies. They do not feel like they have been heard. They do not feel like they have been taken seriously or that their generational knowledge has been taken seriously. That hurts people. It hurts them. It makes them feel really bad.

I know that might seem like a bit of a wishy-washy issue, but when you are trying to communicate with people if there is not that basis of respect there it makes it very difficult to come up with good solutions. I will just say I know on Monday there were lots of references to spatial solutions as being the solution to some of the issues that we face in fisheries. I have just come from a conference where a bunch of other environmental fisheries social scientists have been talking as well. We are all saying that spatial solutions are not a silver bullet. That is all we have tried; we have got to try other things. There are other methods. We need to look internationally to places where they have used more nuanced management solutions. Spatial solutions are not a silver bullet.

Mr VAN DER NEUT: The answer seems to be with every political cycle that that Government has the answer. That answer, as Ms Howard referred to in her statement, is it always ends in the loss of commercial fishers. The fix that the Government generally brings out—and we have had examples of it this year first with the previous Minister Katrina Hodgkinson and now with the Minister Niall Blair—is to give us pamphlets for counselling. We got pamphlets for Lifeline. That, to me, is the Government throwing their hands in the air and saying, "Well, look, we are going through with it. You've just got to deal with it. We'll help you through it." Instead of fixing the issue, which is the actual Government's changes, they say, "You're the issue because you can't handle it." That seems to be typical of every government that this industry has put up with. That would be my addition to that.

Ms HOWARD: Like farmers, fishers are no different in terms of they come from a farming family as well. Men are proud. They do not like this notion that they need to go and get help. And then you ask the question "Why am I getting help?" Then you come to something where you have got a meeting and what is the solution? The solution is exactly what Dane just says, resolve the problem, but every time you try to resolve the problem, every four-year cycle, it is always the removal of the commercial fisher that is the resolution of the problem to the point where we are not the problem any more, and it is time to recognise it.

While the objective is, in the minds of the department, the 1994 legislation and giving shares a linkage to catch, we are not 1994 any more, we are 2016. In 2007 shares were issued to the industry. I have heard the statement that too many shares have been issued to the industry. That statement has been said over and over again and if you look at the pink brochure I have given the Committee you will see the graph of catch going back into the late 1990s. You will see from then to now we have literally halved the catch. In 1996-97 there were 26,826 tonnes of fish harvested in this State. In 2013-14 there are 11,597 tonnes being harvested from commercial fishers, in-shore fishers not your Commonwealth fisheries. One thousand fishers have been taken out of the industry in that time. We have been told we have got to be capped. Excuse me, we have been capped as an industry pre-1994.

The Hon. GREG PEARCE: What is the source of that information in that chart?

Ms HOWARD: The Australian Bureau of Statistics.

The Hon. GREG PEARCE: The bottom one has a blue line on it—

Ms HOWARD: Says the domestic supply.

The Hon. GREG PEARCE: Which has basically flatlined over the same period.

Ms HOWARD: Yes, but it goes from 2001 to 2013-2014. That is the Australian volume. If we really look closely at what is happening here you are decimating this industry. There are two States in Australia that have the word "viability" in their Act—New South Wales and Victoria. Is viability of a person who works in the fishing industry the responsibility of government? Should it be? Should "viability" be in the Act? Are you managing fish resources or are you managing a fishing business? What are you doing? I thought the responsibility of government was to manage the fish resource. I would have assumed that the management of a

business and the viability of a business was the fisher's responsibility. Some fishers may not manage money very well but others manage their money well.

Whether the share for a lobster industry that is a high-value product can equate to the share on a fin fish and price the consumer totally out of being able to buy that fin fish is a sensible way to go, I do not think it is. You may be able to equate crabs to lobster, and equate that to that share value, but you certainly cannot be sensible and say that that is what you are going to do to flathead, bream or snapper. Where are we going with this? We see that history in other countries that have been down the track and in 1994 we set down that process and we are going down a track to destroy our small co-ops and small-scale fisheries and to totally eliminate anyone who is on a low-income bracket. Why? That is what keeps our fisheries sustainable.

What you are saying to us is that you want us to go out there and harvest the fish as hard as we can hit it—that is what this is going to do—instead of saying to us, "We want you to work your days as you are working them, manage your resource like you have been managing it and keep your fishery sustainable." We are not doing that.

The CHAIR: To try to tie that all into one neat little knot, the Committee received evidence and a question was asked on Monday that it does not really matter how many days a person fishes, if you tie their business to an absolute limit—a quota, or whatever you want to call it—it is up to the fisher to decide how they achieve that. Do you agree with that? In other words it is a control on output or a control on the amount of fish, not a control on the way you do it, how you do it or in how many days do it.

Ms HOWARD: I do not think I am interpreting what you are saying correctly. Let us look at your cards—

The CHAIR: If you are allowed to catch 100 tonnes of fish—

Ms HOWARD: Yes, you should be allowed to have the whole year to do that.

The CHAIR: That is exactly right. You agree with the comment that was made that there should be only output controls, no input controls?

Mr VAN DER NEUT: No.

Ms HOWARD: But you are saying output and not saying input. No.

The CHAIR: No, I am saying if you are allowed to catch 100 tonnes of fish, you catch 100 tonnes of fish but how you do it, where you do it and when you do it, provided it is within the broad—

Mr VAN DER NEUT: Just to go to what you are saying. What you are saying is if it were to go to output controls then you should be able to work every day of the year, there should not be input controls. Most of the issue is the fact that we are trying to move to a management regime that has demonstrated that it has destroyed coastal communities in the world.

The CHAIR: All I need to know—I am not trying to tell you anything, I am asking you a question—

Ms HOWARD: Can I go back to answering?

The CHAIR: Yes, please.

Ms HOWARD: What I heard on Monday from DPI was that we are going to try to lift some of those input regulations. We want to go to output, so we can lift the input.

The CHAIR: Yes.

Ms HOWARD: I will refer to the Hawkesbury and use prawn trawlers as an example. Prawn trawl in the Hawkesbury is a limited size vessel. We are restricted to the sizes that we are at. We discourage anything over a 30 foot vessel, over 10 metres. There are some who do exceed 10 metres but to think that you are going to operate a 20 or 30 metre vessel in the Hawkesbury? Go away, you are in a dreamland. It is not socially acceptable to do that. We are talking about the social acceptance of the community of what we do. We are being taken down the track of saying let us lift some of the regulations off the industry—and you have already done that with crabs and what you have got is a setting of pots for crabs with no quota at the moment, and you have got a problem and that is a problem with the commercial fishers as well as recreational fishers. And that is happening today and that is a result of this process. I know you do not think I have answered your question.

The CHAIR: You have answered my question. I understand what you are trying to say.

Mr JUSTIN FIELD: I will pick up on that but I will just say to you the longer you respond the fewer questions the Committee can put to you. I am picking up from what you are saying that if you just have quota,

and allow people to go and take the resources as quickly as they can, some people would describe that as efficiency but what you are saying is you could have quite a significant impact on that local environment. It also would change the nature of a business because you would not employ people for as many days as you otherwise would. So it would so dramatically change the nature of fishing communities, and a particular fishing area, because all of a sudden some of those controls that were designed to have some other values protected are no longer there. Is that fair to say?

Ms HOWARD: I am reluctant to talk because I do not want to take up your time. It is essential that we do talk and explore what you are thinking and what we need to convey. Each fishery is different. That is the thing, each fishery is different, and each practice of what you are doing is different. I understand that what you are saying is we want to go to quotas and the output process. The department has issued a notice to a fisher in the Hawkesbury who could catch five tonne of eels for his 125 shares—I may be inaccurate in the quantity of shares—he has been given 183 kilos for his 125 shares. His business is devalued. That is what happened on 31 May. He will not, if he cannot buy sufficient shares, have the ability to be viable and run his business in July next year.

The CHAIR: Would you be prepared to stay in the room or building and come back at 11:15 a.m. for 45 minutes?

Mr VAN DER NEUT: We will be here all day.

The CHAIR: We have had someone no-show and this is going slower than I thought it would. I can offer you another 45 minutes.

Mr VAN DER NEUT: We would appreciate that.

Mr JUSTIN FIELD: The Department of Primary Industries [DPI] has put in its submission that two-thirds of shareholders are at a shareholding now that will allow them to continue to operate at the highest levels they have operated in the last five years. That is pretty much what they have said. I know there is nuance across the different fisheries here but they feel that another half of the remaining one-third are pretty close to the shareholding that they need and a relatively small number of fishers are competing over the shares that are going to be subsidised on the market. What is your response?

Mr VAN DER NEUT: I can give you a perfect response: As Ms Elliott said, it is a bit of an insult. On the train this morning I did my own figures based on the shareholding register on the DPI website. I did my own graph which is usually available updated on the DPI website but it is not available up to date any more. This is figures based on nine days ago. I did it based on the meshing, mud crab and eel trap fisheries which are all quota or days. In those fisheries there are 710 shareholders. Out of those 710 shareholders 84 per cent hold either the minimum shareholding today, 125 shares, or lower. That is 84 per cent. I am sorry, the two-thirds does not add up.

Mr JUSTIN FIELD: It could be the case that two-thirds broadly across all fisheries statewide might be true but there are specific fisheries or areas where that is not the case?

Mr VAN DER NEUT: It is extrapolating the figures somewhat. What they are saying is loosely true because—I cannot tell you exactly—maybe 78 per cent have the minimum shareholding to access the fishery.

Mr JUSTIN FIELD: They have not said that in the submission. They said at a level that will enable them to fish at their highest catch rate over the last five years.

Mr VAN DER NEUT: Some of these, a lot of these, will be given 62 days to work 84 kilos of mud crab, 1,600 kilos of blue swimmer crabs and 863 kilos of eels. I reject it completely.

Mr JUSTIN FIELD: One of the other critical questions you have raised, and has been in a number of submissions, is the suggestion of insider trading. Ms Elliott, you indicated that the intention of these reforms basically was made clear in 2005?

Ms ELLIOT: That is correct.

Mr JUSTIN FIELD: Mr Braithwaite, you were on the Seafood Industry Advisory Council [SIAC] and those minutes were public. I am trying to understand how insider trading was able to happen when there is quite a bit of knowledge about the process within the industry?

Ms HOWARD: It is not that you did not know reform was there, it is that you did not know what was planned in the reform. No-one told any fisher that his catch history is going to be stripped from his rights. That is what happened. That is what is wrong. They may have the minimum shareholding, such as in the prawn trawler you have to have 200 instead of 150. You could go and still do what you were still doing. Not everyone

has it. If you are in a crab fishery and you have days or kilos attached to that you will not be viable. You cannot earn an income on the minimum. Have a look at the cards. You have the cards there. There is no way. You have just broken their back.

Mr JUSTIN FIELD: A lot of trading has been happening. The DPI has said that 20 per cent of all shares have traded. Clearly a lot of people had an idea.

Ms HOWARD: From 31 May you are forced to shore up your business so you can work from June 2017, otherwise you do not go to work. The insider trading was long before that. Have a look what the trading was before that. The fisher, up until 31 May, who was not in the meetings and in the know, they did not know that the reform was going to say to them for your 125 shares you are going to get X amount of kilo and you have been catching 20 tonne of crab.

Mr VAN DER NEUT: Can we take that on notice and provide you a lot of detail, including back to the Seafood Industry Advisory Council?

The CHAIR: This is a parliamentary inquiry, this is not ICAC, we do not have the investigative powers or resources to follow up allegations of corruption. The term "insider trading" is an allegation of corruption because it is the Government department or Ministers who are the titular owner on behalf of the community of those allocations or rights. By all means provide us with any information you want and the Committee will decide whether it should be kept confidential but this Committee does not have the capacity to investigate your claims.

Mr VAN DER NEUT: That is fine.

Ms HOWARD: We understand that.

Ms ELLIOT: You were speaking to me before. Can I answer you? What I wanted to show you was on the website. You can acquaint yourselves with this. There is 105 pages. This is all the shareholdings of the endorsements and it was updated on 5 December 2016. Prior to that we had to wait two months for a document because they had not updated it, obviously they were quite busy. The Government is saying to you that two-thirds have traded shares. I went through it last night because I was interested in what the DPI was saying. The reality is I decided to randomly pick from region one, region three, region four, mud crab or meshing et cetera.

I will give you an example of mud crabs: On 1 August 2016 there were 35 with 125 shares and there was one with 150 and one with 225 and another with 250. On 5 December it changed, there are 33 that have 125. The common thread between everything that I did last night is when you look at the share trading you will see the same people who have had multiple businesses and what they have done is consolidated or amalgamated their businesses. There is one chap, a physiotherapist—he is not a fisherman—who has 19 businesses. That consolidation is clear on these documents. You also asked me about the birth of the reform in 2005. The independent review of March 2012 by Cartwright, Neville and Stevens very clearly covers the secrecy of those meetings. It is covered very clearly in that 144 page document.

The CHAIR: I am going to call a halt there because other witnesses are waiting to give their evidence. Would you all ensure that you are back here by 11.30 a.m. You can leave your folders where they are, no-one will touch them. We will now hear from Mr McEnally.

(The witnesses withdrew)

LAWRENCE JOHN McENALLY, Fisherman and Chairman, Macleay River District Fishermen's Co-operative Limited, affirmed and examined

The CHAIR: You have made a submission to this inquiry. Before we commence with questions would you like to make an opening statement?

Mr McENALLY: Yes, I have read the provisions. From my point of view the Committee needs to look at the question: Where does this restructure take us? What has happened historically matters but where do we go? Do we end up with 500 fishermen with no co-ops because that is where we are going close to now? As I said in my submission, we run the very real risk of failure. We may survive; we may just end up as a fish depot and a shop. We may well also fold and be liquidated. Ballina, Forster, Laurieton and ourselves and Manning may also be in the same situation and that is not a good place for fishing to be. As far as I know, the aim of the restructure was to get the fishing industry down to around 500 fishermen but if you extrapolate where we go—as a fisherman

I have outside business interests and therefore I will survive no matter what but, as I have said in my submission, I will lose one tonne of mud crabs—I will come back to 1,440 kilos of mud crabs from my average of 2,500. I do not cheat; I set my legal limit and I work that. I will be docked that and I have actually put my hand in my pocket for \$25,000 worth of shares, which is straight cash out of my business. I do not appreciate having to do that but I have had to do it because there may be nothing available. Interestingly, my whole co-op has restructured either around lease licences or, like myself, they have actually put their hand in their pocket for various sums, the largest of which is half a million dollars. One person has outlaid half a million dollars on shares—good luck to him, he is a builder who has plenty of money.

But I am just saying that it has been at a cost and, as I have raised in my submission, we are going to change the face of the industry. Instead of using our money to buy new boats and new outboards or whatever, we are going to be using our money to pay off debt. Those shares that we have bought do not guarantee you anything, you have to go and get it. To make \$1 a fishermen has to catch it—whether it is \$1, \$1,000 or whatever. I did note at the start that someone asked: "Did you buy your shares?" I came in 10 years ago. I have spent \$140,000 of my super fund on shares and another \$25,000 on boats and motors. Fishermen have got a fair investment. I am a small-scale fishermen but there are plenty of fishermen out there with \$1 million investment in the game.

As I said, looking forward where does this deliver us? It delivers us with fishermen who are broke and dispirited, co-ops are going the same way, no guarantee of a future—we could be wiped out, with the signature of a Minister we can vanish. I have also mentioned that we have got freight. The sheer concentration on shares is taking away from the fact that the fishing industry is a fabric. I had my boat serviced the other day by a local boat place, 20 per cent of his business is commercial fishermen. If we go, he goes. We feed the tourist industry and the sort of food trails are becoming really important. With the actual catch we are not stressing—our co-op has been running at record levels for the past two years and we are not stressing the sustainability envelope. For the life of me I cannot understand why this is being done with the particular focus that has been done, but I have a much more business context than most people in the industry so I am quite happy to field your questions at that level.

The CHAIR: Other witnesses have made the statement and I am not sure if you confirmed it as being your own opinion, but what evidence is there that the Government wants to limit the number of fishers in New South Wales to 500?

Mr McENALLY: I have had it said to my face by staff of the Department of Primary Industries [DPI].

The CHAIR: By bureaucrats?

Mr McENALLY: I have had it said directly to my face.

The Hon. RICK COLLESS: I want to ask about the reallocation of the catch history. One of Mr Van Der Neut's diagrams puts it in a graphic form—for example, here you have one fishermen who catches 20 tonnes of catch and over here we have five latent fishermen with no history of catch.

Mr McENALLY: Correct.

The Hon. RICK COLLESS: He is saying that the proposal is to reallocate that across those six fishermen with 3.33 tonnes each. If that is the case, I can see the problem with the inequality of that. However, what about those fishermen with a mixed business who might have latent components of their industry that they use on an infrequent basis—for instance, in the last five or ten years they may well have been latent in that

period. How do we account for that to make sure that those people get a fair share of that pie even though they do not use it every year?

Mr McENALLY: My view is that if you have not used it in the last five years then you are not really operating in that fishery. I have eels that I use intermittently but my issue with the eels is that the buyers are not very consistent. So if there was a better receival method I would do more eeling.

In my case I have lost a tonne of mud crabs that I legitimately catch that someone else has got just because they held a licence so not only will I have spent \$25,000 this year to turn up for offshore Line West I will be docked \$30,000 next year because my catch will be reduced by 1.1 tonne. The people who are really working are also really losing. I do understand that DPI's point of view is that there has been rorting at some levels of the crab catch. How do you do it fairly? I don't know.

My suggestion inside my report to you was if you want to build a nice building you have got to set some good foundations. The good foundations were never set. Had they spent some years anchoring the foundations this would be much simpler today. Had DPI done a few things within our industry that we wanted done we would be in a much better position today. We have to verify who caught what; we have to get rid of the people within our industry who are rorting and who are criminals and we have to work out an even distribution of the system.

The Hon. RICK COLLESS: With the current situation within the management of the commercial fisheries, what are the problems, as you see it, with the way that is structured now and how can we move forward from that to make sure there are more equitable arrangements put in place in the future? I guess that is the answer we have to come up with.

Mr McENALLY: Yes. First, just letting the public servants set the standard is not good enough, which is what has happened and getting a competent management structure in place; it is not just there. Anyone who recruits staff knows how hard it is to get good staff but it is setting some competency levels. Probably keeping it simple with some key achievement levels, key performance indicators [KPIs], whatever you want to call them, but you have to set something that sets out a framework. One of the problems with what is happening right now is that I am the chairman of a \$3.3 million a year business and I cannot plan.

I do not know how many people are working next year. I do not know who is going to have licences; I do not know how many crabs they are going to bring in but I should. How can I run a \$3.3 million business without an effective business plan? How can DPI run a fishery without an effective plan? I do not see any plan. First is rock solid planning; get some smart people in who know what they are talking about; you have seen some at the table here today. There are people who know what they are doing—and there are probably others around too—and get those people to come up with an organisational structure and plan. And the Minister has got a role. He has to tidy his department up. They are not good enough.

The Hon. RICK COLLESS: Going back to the history of catch, do you believe that we should have a quota system in pretty much all the fisheries based on the fact that there is a certain amount of fish that can be taken?

Mr McENALLY: Yes.

The Hon. RICK COLLESS: Now how that is distributed in the pie is another question?

Mr McENALLY: Yes, that is an historic issue. I have worked in quota fisheries overseas. Quota works fine so long as the people involved can make enough out of it to make a living. Giving people 87 kilos of mud crabs on the Hawkesbury River is not satisfactory, or even us getting 1,440.

The Hon. RICK COLLESS: And let us accept the fact that within the Hawkesbury system there are so many tonnes of crabs that can be taken sustainably each year?

Mr McENALLY: Yes.

The Hon. RICK COLLESS: I think we would agree with that as a principle?

Mr McENALLY: Yes.

The Hon. RICK COLLESS: Once we have worked out what that sustainable harvest limit is, it is then an issue of how we allocate that to the various businesses?

Mr McENALLY: How you chop up the slices, yes. As I said, the fishermen who have consistently weighed in, the fishermen who do not have 30 or 40 convictions—as I said, you can build a layer plate that takes all those people in. If you want to come up with a formula that helps us as a business, you could stratify it. You could mix 50 per cent of my historic catch with 50 per cent of the quota for this year. Next year my historic

catch drops 10, the quota goes up 10 until you get to the point you want, but don't dump me in it next year and particularly do not dump my co-op in it so that we automatically lose \$350,000 worth of turnover. We could have done this in a nice strataed five-year plan that would have let us get to the goal without all this heartbreak that is happening right now.

The Hon. RICK COLLESS: Thank you. That is a good answer.

Mr JUSTIN FIELD: Mr McEnally, I wanted to go to your comments about the maths being simple on this, and it follows on from your last comment. You currently handle 25,000 kilos of mud crabs. This will fall to about 9,000 kilos under the Business Adjustment Program [BAP]. I am just trying to understand where the rest of the kilos go in this equation or are they just staying in the water?

Mr McENALLY: I would like to know too.

Mr JUSTIN FIELD: Because the idea is to get rid of latent effort—

Mr McENALLY: There is no latent effort in my co-op.

Mr JUSTIN FIELD: That is fair enough too and that is one of the critical points. There are different impacts on different regions within different fisheries; I understand that. There is a reallocation here of apparent latent effort amongst all the shareholders and there is a decision through the BAP that this is going to reduce the amount you can take through the co-op from 25,000 kilos to 9,000?

Mr McENALLY: Yes.

Mr JUSTIN FIELD: Where has that effort been allocated?

Mr McENALLY: You would have to ask DPI. I have nine licensed crabbers all on 125 shares who all fall to 1,440 kilos.

Mr JUSTIN FIELD: If they wanted to continue to catch 25,000 of mud crab collectively they would have to buy more shares to be able to do that?

Mr McENALLY: Absolutely, which are not available.

Mr JUSTIN FIELD: So where are they? Where has this allocation gone?

Mr McENALLY: You would have to ask DPI.

Mr JUSTIN FIELD: So when we talk about reducing the number of fishers in the system this is effectively how you make that assumption?

Mr McENALLY: My guys will walk; well, they have.

Mr JUSTIN FIELD: But that allocation is not based on an assessment of the stock at this point, is it?

Mr McENALLY: No. Fishers are just decided on region 3. Region 3 has 68 licensed fishermen. They caught so many tonnes of crabs and they have divided that tonnage of crab by 68 licences; thrown in a bit and taken out a bit, and added the next figure they thought of. That is the basis for what they have told us.

Mr JUSTIN FIELD: If that is the case then the shares would be available to purchase because there are people who were not fishing them. If they have taken the amount that is fished and just equally divided it amongst all of them?

Mr McENALLY: No, they have taken the tonnage that was caught, divided by the number of licences—

Mr JUSTIN FIELD: In your area.

Mr McENALLY: In region 3, but that is not my co-op. There are four co-ops in region 3. In my case I am going to come back to seven crab fishermen or nine, with bits and pieces, but it adds up to about nine tonne and that is what we are going to get.

Mr JUSTIN FIELD: So that would mean, though, that the allocation has gone somewhere else; maybe to a different co-op within your region?

Mr McENALLY: Absolutely.

Mr JUSTIN FIELD: That was my question.

Mr McENALLY: There are probably 10 fishers who have never weighed a mud crab who have now got 1,440 kilos of quota.

Mr JUSTIN FIELD: Right. They are going to be looking to get rid of those shares, I assume?

Mr McENALLY: They have sold them.

Mr JUSTIN FIELD: They have sold them?

Mr McENALLY: They have sold them to investors mostly.

Mr JUSTIN FIELD: So the shares are sitting somewhere at the moment?

Mr McENALLY: Oh yeah.

Mr JUSTIN FIELD: And as far as what will be done with that allocation, it is unclear?

Mr McENALLY: Unclear, but to buy them, if you can find them, it is \$100,000 for 125 shares.

Mr JUSTIN FIELD: At the moment it has just moved the latent effort from somewhere to these investors who are sitting on it wondering: How much will this be worth? In two years time I'll sell it back to the fishermen who want—

Mr McENALLY: No, they are going to sell them into the buyout and make the Government subsidise it. I will offer 30 grand.

Mr JUSTIN FIELD: Now I think we are starting to get to some of the key points here.

Mr McENALLY: When the subsidised market comes up I will offer \$30,000 for 125 shares. The investors will offer \$150,000 or \$120,000 and the Government will be made to paid the difference and all my people will do the same.

Mr JUSTIN FIELD: That is a pretty fraught investment strategy given there is not a lot of money on the table from the Government?

Mr McENALLY: I have to tell you: I am a serious investor on the share market and I would not touch it. I follow very strict business principles. I told all my people—and I feel guilty for it—not to buy anything until the Minister signed off on something and then overnight the shares doubled and tripled so I left most of my people at a disadvantage too.

Mr JUSTIN FIELD: They are going to be sitting on the shares with no-one prepared to fish the shares. They have got no way of making money on the shares that they bought?

Mr McENALLY: Oh no, no. They will lease the shares. They can lease the shares; no problem at all and they can lease the catch as well. That is already happening now.

Mr JUSTIN FIELD: But only within that region still.

Mr McENALLY: It is the only region I have any knowledge of.

The Hon. MICK VEITCH: I have travelled up and down the coast and I am struggling with some of this. I am hoping you can help me.

Mr McENALLY: I struggle too with this.

The Hon. MICK VEITCH: Wherever I have gone—car parks, beside tinnies, wherever—I have met about 500 commercial fishers in the last 18 months and I think about two people support the current reform. Then I come back to Parliament and we had people here on Monday tell us that two-thirds of the sector are already trading and that they agree with this process.

Mr McENALLY: They do not agree with it, they are forced.

The Hon. MICK VEITCH: There is a disconnect here.

Mr McENALLY: Absolutely.

The Hon. MICK VEITCH: There is a disconnect between what we are being told is going to be good for the industry and what the people who are actually in the industry are saying to me. Why is that?

Mr McENALLY: It is an unmitigated disaster for the industry. In my business plan, if our co-op fails—that is it. We board it up, we divvy up the money and we all walk away. What do we do then? That is three years under the business action plan [BAP] we will fail. Forster has had the same; Ballina has said something the same. The two \$12 million co-ops are the ones that are going to survive.

The Hon. MICK VEITCH: So how is that good for the coastal regions of New South Wales?

Mr McENALLY: It is a disaster—absolute, unmitigated disaster.

The Hon. MICK VEITCH: One of the things that is being raised with me is very poor consultation from the department. Would that be correct?

Mr McENALLY: No, the consultation is all right but they do not appreciate the impact of what they have done. They have consulted. I have and my co-op has had plenty of access through the local member and through the Minister and through DPI, but when it gets down to the nitty-gritty of saying "This doesn't work" they just ignore that; that is the bit that does not happen. I have got the situation where I do have people on suicide watch, I do have people with breakdowns, I do have people who have had heart attacks. This has not been well done or well run.

The Hon. MICK VEITCH: That then goes to the next part which is the implementation.

Mr McENALLY: Why are we here four years after it started if it is so good? The same as you: I have four fishermen that I have met in all my travels who support this. There is not one fisherman at my co-op that would give you the time of day over this.

The CHAIR: Well that is twice as many.

The Hon. MICK VEITCH: That is twice as many as me.

Mr McENALLY: That is a 100 per cent increase. But I have met four who support this. They all got in really early and bought vast amounts of what are now very expensive shares, but none of them have yet got one dollar from it, and if you are a good businessman—I know one of them borrowed \$260,000 and bought two crab licences; he still has not got one cent back, and he did it very early. So I would suggest he is about \$35,000 or \$40,000 in a hole now, interest only; he will be \$50,000 in a hole when he can make some profit from it. It is going to take him a long time to get his money back.

The Hon. MICK VEITCH: Looking at the reforms, and the Minister has made it clear that this process is going to continue, would it have been better to work on removing the latency first and then moving to the next stage rather than trying to do them both together?

Mr McENALLY: It would have been far simpler, as I have suggested in my submission, to take out the people who want to go. There are fishermen who battle and there are a lot of old fishermen; it would have been far easier to say, "Put your hand up" and give a prescribed payout and let those people leave with civility and respect. I do not care what the payout is, maybe 120 grand—work it out—but if those people were not in the mix and were not able to parlay their shares around it would have been helpful. It would have been helpful too if the Minister and his department had the guts to get rid of some of the crooks in our industry, which he has always had in the Act. He can not renew someone's licence.

We have got one man at a co-op near me with 102 convictions in court who still has his licence and who is still fishing. I have one in my co-op with 30-something who still has a licence and he can still fish. He fishes illegally almost every day. We have asked the Minister to get rid of these people; he has done nothing to do that. As I said, good things are built on good foundations. If we had a good foundation when this started we would be in a lot better place, but because they have had this massive focus on shares it has detracted from all the other things that could have been done.

The Hon. MICK VEITCH: I have a real concern for the small to medium size operations, particularly the generational family operations. The way this is rolling out I just cannot see too many of them continuing.

Mr McENALLY: They are going to walk away. The industry will collapse under this.

The Hon. MICK VEITCH: The big will get bigger—

Mr McENALLY: Yes. Good on them.

The Hon. MICK VEITCH: —and the small will go.

Mr McENALLY: Yes.

The Hon. JOHN GRAHAM: I just wanted to pick up on the issue you talked about, the business which was really relying on servicing commercial fishers. How much of their business—

Mr McENALLY: I am just saying it is part of the fabric. Our local boat shop does about 20 per cent of his business with commercial fishers. A person like me, I replace a boat, an outboard—I have two boats, two outboards, two trailers—I have basically a six-year amortisation of everything, so each year I am rolling

something through the system. I bought an outboard off him last year—that is nine grand. He services it twice a year—that is \$500 a time. But 20 per cent of his business is us. If we vanish he vanishes.

The Hon. JOHN GRAHAM: That is a big hit on him and it is a big hit on the community. Is there any allowance for that in this plan?

Mr McENALLY: No, none. That is why I have said that it is not just us; the trucking company relies on us, the tourism industry, the restaurants. Because it was so narrowly focused by DPI it has lost that thing that in a community like ours, or Ballina or Laurieton or Forster, it is not just the fishermen; there are probably 30 other related businesses. There is a guy in there doing our freezers and fridges every second week; we are probably 10 per cent of his business.

The Hon. JOHN GRAHAM: And none of them get any help or compensation?

Mr McENALLY: Coming back to the help and compensation, as I said, every single person in my co-op has realigned themselves somehow, including myself. There is nothing in it for me, I have not got any compensation, I have not got any largesse from the Government. I am one of these people that they are ticking off that supports the business. I do not support the business but I am forced, if I wish to continue—and I do; I am only 61, I like working. I am there, I have bought my 25,000 bucks worth of shares, so when 1 July comes around next year I am legal. People forget too, on the side of that, I have paid \$3,000 to Maritime. Last year we had a compliance program; we all had to meet safety and so on tickets. So there was another \$3,000 that just went out the door to them. It is not just DPI; there is a pretty big matrix around what we are.

The CHAIR: Would you like to just throw a number out there? Have you got any guess as to what that \$16 million should be if we achieve what you suggested the Government should have done, and that is take out the latent effort first?

Mr McENALLY: No. Let us say they want 500 as the operational thing, so 300 go.

The CHAIR: Thirty million bucks.

Mr McENALLY: That is \$30 million. The bit that I have mentioned in my submission, these people are not going to go away, they are not going to stop fishing.

The CHAIR: Why should it be set in stone that there are 500 commercial fishing businesses?

Mr McENALLY: Because somebody has got an agenda that says that.

The CHAIR: But that is not my agenda, it is not the agenda of most of the people at this table.

Mr McENALLY: I do not think it is the Minister's agenda either, but certainly inside DPI it is the agenda.

The CHAIR: Have you got any idea of how many fishing businesses could be sustainable, economically sustainable, as an industry?

Mr McENALLY: What is there now is sustainable

The CHAIR: Which is what? Eleven hundred?

Mr McENALLY: No, I think 800 is fine. What is there now, I think, is 800. There are people like me—I own two licences and I fish each business as a separate licence.

The CHAIR: So roughly 800 EFT, so to speak?

Mr McENALLY: Yes.

The Hon. GREG PEARCE: Mr McEnally, thank you very much for your effort today and the work that you have been doing. This is obviously a quite complicated space and, shall we say, there is a very wide variety of views.

Mr McENALLY: I have to say I detect in here what I suffer myself. When this first came up and I first went to the Minister my thing was "This is wrestling with smoke" and that is how I led, and we are still wrestling with smoke.

The Hon. GREG PEARCE: Which is why I think we all want to get it over and done with as soon as possible.

Mr McENALLY: I could not agree more. Because of the damage it has done to my people—I have had two of my best fishermen just walk, "Thanks folks"; they sold their boats and their shares for a pittance because outside of fishing they are relatively wealthy people. They are also high achievers, as fishermen and as

human beings. Two of those guys took out more than 10 per cent of the co-op's gross just by walking away and they have already walked; they are gone. The guys who have taken over from them are young and keen, but they do not catch the same, so you are not going to replace like with like.

The Hon. GREG PEARCE: I think one thing that we are all aware of is that there is disruption in all sorts of industries at the moment. This is not the same sort of description. This is an attempt to do the very things you were talking about, getting some of the inactive licences out, cleaning it up, and trying to put that framework in place.

Mr McENALLY: Yes.

The Hon. GREG PEARCE: I want to go back to the questions from my colleagues, The Greens. You mentioned an investment strategy that relied on gaining a large part of the subsidy from the Government when the shares are finally retraded?

Mr McENALLY: Not a large subsidy. You mean to the brokers, the outside players?

The Hon. GREG PEARCE: The outside players.

Mr McENALLY: Of course they are going to play off. I am dealing with it almost every day. That is the deal.

The Hon. GREG PEARCE: I agree with Mr Field, it is a fraught strategy, because there is no guarantee that they are going to get paid the amounts they ask for.

Mr McENALLY: They will get paid something, though.

The Hon. GREG PEARCE: Indeed. If we increase the subsidy, it is likely to go to those speculators rather than to genuine people.

Mr McENALLY: At some level. As I said, if the Government had set in place—say for me as a Line West fisherman—over three years or two years when I reached 50 shares I got X amount, when I reached 60 shares I got X amount, that would have been great. That would have helped my business along a lot and it certainly would have kept some of the brokers out of the game.

The Hon. GREG PEARCE: Having said that, I am sure the Minister will have a closer look at whether that is a good idea or not.

The CHAIR: I bet he will.

The Hon. GREG PEARCE: I am interested in the question as to the accuracy of the information that DPI has. Given that it is basically self-reporting by fishers, we have had some suggestion that there might not be a lot of good reporting. What is your experience?

Mr McENALLY: Useless. If you believe that, you will believe anything. My third biggest weigh-in is in offshore fish from Line West. That business about whether you have shares or no shares, whether you are active or inactive, my Line West came back as inactive. You had to have one weigh-in in five years. I have had more than 200 weigh-ins in five years and I came back as inactive.

The Hon. GREG PEARCE: I assume you pursued that?

Mr McENALLY: I have asked for an appeal; I never heard another word. The same there, I bought shares off a licence that did not have any fees paid on it for 11 years. I mean, who runs a business like that? I have given you the licence number, you can check.

The Hon. GREG PEARCE: I am sure he will.

Mr McENALLY: You cannot run a business with outstanding moneys for 11 years. That is telling me that they have never had all those shares that have always been—they are all live, and they are expecting us to soak up the outstanding shares with our money. That is very generous of them.

The Hon. GREG PEARCE: That is possibly an interpretation.

Mr JUSTIN FIELD: I want to go to this point about the risk of transporting fish should the co-ops fail, or you simply do not have the volumes to justify the travel.

Mr McENALLY: It is a volume issue.

Mr JUSTIN FIELD: Yes. We heard from someone—I am not sure if it was the head—from the Sydney Fish Markets. He seemed relatively supportive of the reforms, to be honest.

The Hon. GREG PEARCE: The chief executive officer.

Mr JUSTIN FIELD: I do not think that is unfair. Yes. Obviously they get seafood from a range of different places. Some is from New South Wales. I think 50 per cent of what they sell is from New South Wales. He did not seem to be concerned about this. What do you think happens?

Mr McENALLY: They are subsidising the truck at the moment and they will have to continue to increase that subsidy as the tonnage falls.

Mr JUSTIN FIELD: You think that is what they will do?

Mr McENALLY: They do not have a choice.

Mr JUSTIN FIELD: At the end of the day, the cost burden from the reforms is not just passed on to those people who want to stay fishing, the market will cover it?

Mr McENALLY: They will cover some, we will cover the rest. At the moment, we pay 48.5¢ a kilo dry.

Mr JUSTIN FIELD: To travel to Sydney?

Mr McENALLY: To travel to market our product at the Sydney market, to the freight, but that will rise, probably, to 60¢.

Mr JUSTIN FIELD: What percentage of the product going through your co-op goes to local retailers or restaurants?

Mr McENALLY: About 30 per cent.

Mr JUSTIN FIELD: Do you think that is a part of what the Government—making this a niche industry in a lot of ways is transition. I see a lot of investment from Government in aquaculture development. I asked questions of DPI whether or not that is where they saw commercial fishing going, putting more effort into aquaculture and downsizing commercial fishing. Is that a view within the industry?

Mr McENALLY: There is a trend. There is definitely a trend. Aquaculture in Australia is 20 or 30 years behind Asia, so you have to expect to see more aquaculture. Not only that, it is called closed-circuiting. The whole life cycle of the animal, once they can close the circle, they can farm it. Some are very technically difficult, some are really easy. Each time they get a product that they can close that circle on—at the moment, you can farm mud crabs, but it is tricky. Once someone really cracks the code, you will probably see mud crabs not being an issue, because they will farm tens of thousands of tonnes of them. Prawns are now being farmed in big numbers. Like anything, where you have got monoculture—in Queensland they have now got white spot. Once you have got white spot, you may as well turn it back to cane country because you cannot get rid of it.

Mr JUSTIN FIELD: That would affect the commercial industry as well, not just aquaculture?

Mr McENALLY: Absolutely. There is a trend, and the same story, it is dumb and simple economics. If they can make X amount of land and they can raise X amount of tonnes of fish or prawns or crabs and make it viable, they will.

Mr JUSTIN FIELD: We have had some comment from DPI and others about the success of the reforms around lobster and abalone. I picked up from Ms Howard's comments earlier that maybe you can make some comparisons with crab but it is more difficult with finned fish. The Government seems to think that these reforms will create value over time for the shareholders who remain in the business because the resource will be managed better, the value of the resource will go up, the value of the licences will go up, and those sorts of things will happen. Do you think that that is a fair thing to say?

Mr McENALLY: Some of that is true. Yes, some of that must be true because it certainly happened with the lobster fishery, but the lobster fishery was not achieved without pain either. That was 1991.

Mr JUSTIN FIELD: In what way?

Mr McENALLY: There were lots of lobster fishermen who did not get a quota. It taught a few people a lesson.

Mr JUSTIN FIELD: I assume with crab there is a big conflict that arises with recreational fishers as well?

Mr McENALLY: Not conflict. There is a big black market.

Mr JUSTIN FIELD: Of recreational fishers selling?

Mr McENALLY: They are not recreational fishers; they are unlicensed commercial fishers. We have several.

Mr JUSTIN FIELD: Where do they sell to?

Mr McENALLY: Pubs, clubs, back of restaurants. There is no problem getting rid of them, but they cannot achieve the prices we can achieve. Even if it is in the market, if we are getting \$50 for prime crab, they will still have to charge whatever the pub will pay, which is usually \$20, \$25, whatever. Is there a serious black market in mud crabs? Yes.

The Hon. JOHN GRAHAM: I note you have described your submission as blunt. It has been very useful as a result, so thank you for your evidence.

Mr McENALLY: Yes, I am blunt.

The Hon. JOHN GRAHAM: It has been very helpful.

Mr McENALLY: Thank you.

The Hon. MICK VEITCH: Fortright is the word that comes to mind.

The Hon. JOHN GRAHAM: I want to ask about some of the people leaving the industry, or weighing up this tough decision. What happens to them in your area?

Mr McENALLY: They will work in the black market, shadow fishing.

The Hon. JOHN GRAHAM: Even if they are out, they will not really be out?

Mr McENALLY: No, they are going nowhere.

The Hon. JOHN GRAHAM: Presumably some of them, given the right support, would not mind learning. They are older, but is not part of the issue that there is not much support for people leaving?

Mr McENALLY: No.

The Hon. JOHN GRAHAM: You can retrain, but where will they get—

Mr McENALLY: Turn up at the CES—at Centrelink.

The Hon. JOHN GRAHAM: If you do retrain, what sort of job could you get in your area?

Mr McENALLY: There has been a fair bit of work around. There is work, but not huge amounts. Like all regional areas, work can be tricky. If you have got qualifications or business skills, you can still find things to do. We have just finished the highway. The bypass has used up a lot of people—a thousand-odd people working on the Pacific Highway bypass. For our fishermen, I can tell you that I have got several with qualifications who have gone back to being whatever they were. My two best, they are gone. I have got one who has just outright retired. He is 62 or 63. He was not in a great commercial position anyway. The rest of my fishermen are going to keep fishing. We are providing bonuses through the co-op system to keep them interested in keeping on fishing.

The Hon. MICK VEITCH: I am looking at the situation post the implementation of the reform. We heard from the Department of Primary Industries [DPI] on Monday that there is still more reform to come, apparently.

Mr McENALLY: That is what they think.

The Hon. MICK VEITCH: Can we unscramble this egg?

Mr McENALLY: No, but there are pieces in it you can fix.

The Hon. MICK VEITCH: So we can add some herb to the omelette?

Mr McENALLY: You can. I have said in my submission that I think you are too deep in now. I said in all my submissions that I think you need to stretch these things out a little or, like I said, do staircasing marrying historical catch and quotas and doing it step by step. I have said it here that you cannot have a restructure without somebody getting hurt. If it is in the public service somebody walks out the door on Friday with a cheque, they are made redundant and they get paid. That happens. It is real life. In this case people are going to leave the industry with not much. They are not wealthy people. They are quite poor people in many cases.

The Hon. MICK VEITCH: I have met with a lot of them. I know.

Mr McENALLY: They do not have funds, and that is the issue. If you are going to take them out of the industry do it with some respect.

The Hon. MICK VEITCH: They cannot even get loans. Some of them are saying to me that they are just not eligible for a loan.

Mr McENALLY: I have supported one fisherman at home because he is real good young hard worker. I have funded him, but I cannot fund all of them. There are people who are going to be very bruised by this process. Had we done it in a much more staircased manner and had this been released five years ago with these KPIs if you want, saying this year you have got to have 45 shares, next year 50, next year 55, next year 60 and when you get to 60 you get a \$20,000 refund—beauty. You can sort yourself out. But then they go and change things in the system without even talking to people. Instead of having to reach 50 shares for Line West when it is signed off it is 60. How did that happen? Instantly you cannot buy a Line West share for under—I bought my shares for \$600 or \$700 a share. They are now nearly \$2,000 a share. Those impoverished people are now just being given more debt. They could bring in a simple staircasing method. As I said, I would be quite happy with 50 per cent of my catch and 50 per cent of my quota and diminish them each year for five years until we reach the point you want us to be at. I am happy with that.

The Hon. MICK VEITCH: People could structure their business arrangements around that.

Mr McENALLY: That is right. I can then budget for it and plan for it. Whatever you want to do. It might not make everybody else happy but it will defray this thing where they are going to fire a gun on 1 July next year and one person is out and another person is right. My biggest thing is as I said at the start that when this is over there will be a demoralised industry, no cash and no capital. It is all going to go into debt.

The Hon. MICK VEITCH: And we will lose co-ops.

Mr McENALLY: We lose co-ops and we lose fishermen.

The Hon. JOHN GRAHAM: Do think that sort of staircasing could save your co-op?

Mr McENALLY: Absolutely. That will give us five years to adjust our system. We cannot adjust in six or eight months. Nobody can. If you took 30 per cent even out of BHP they would fold. If you take 30 per cent out of us we will fold. It is simple mathematics.

The CHAIR: Thank you for agreeing to appear and thank you for a very concise and forthright set of recommendations. What we want from witnesses is their ideas as to how to fix it. You have given us several ideas. I dare say the Government, the Minister and the department will be looking at what is happening here. One can assume that they might be a bit proactive. We will be doing an interim report sometime in January and there may very well be some recommendations we could make to the Government to change the way it is doing things. Your suggestions are very valuable. We appreciate your time.

Mr McENALLY: Thank you, members.

(The witness withdrew)

HEATHER ELLIOTT, Member, NSW Wild Caught Fishers Coalition, on former oath

DANE THOMAS VAN DER NEUT, President, NSW Wild Caught Fishers Coalition, on former affirmation

MARY HOWARD, Secretary, NSW Wild Caught Fishers Coalition, on former affirmation

GARY BRAITHWAITE, Commercial Fisherman, NSW Wild Caught Fishers Coalition, on former oath

TANYA JOY KING, Senior Lecturer in Anthropology, Deakin University, on former oath

The CHAIR: I now reconvene our hearing with the witnesses from the Wild Caught Fishers Coalition. I put on record that I have investigated the situation regarding your submissions and the secretariat and the Committee's responses to those. I will leave it to say that I am satisfied that this Committee and the secretariat did everything they could to facilitate getting your evidence to the members given the fractured nature of your submission. That is where I stand.

The Hon. GREG PEARCE: Thank you for the hard work you have done. You are obviously very committed. We all know when things are difficult that your hard work is accompanied by a lot of other difficulties that we have heard about this morning. We are very grateful to you for making the effort to tell us a lot of these things. In your evidence this morning we ranged very broadly from issues relating to recreational fishers right through to mental health. That was very useful. I want to focus a bit more on the current restructuring that we are looking at. If you think this is commercial-in-confidence or something please feel free to say so, but do any of you have to buy shares to continue in your current businesses?

The Hon. MICK VEITCH: You need to say yes or no for the sake of the record.

Mr VAN DER NEUT: The question was directed to me?

The Hon. GREG PEARCE: Through you.

Mr VAN DER NEUT: Yes, through me. I will pass to Ms Howard.

Ms HOWARD: I have already purchased shares. I have two businesses. One business is classified as inactive; the other business is classified as active. The one that is inactive is inactive as a result of accidents with my son and we chose not to have another nominated fisher. In the period that he has had an accident he has actually had two. To continue to fish in June 2017, I would need to have 50 shares added to both businesses. I have bought 150 shares. I have paid \$60,000 for those 150 shares. I have transferred 50 of those shares to another business for another fisher to remain in the industry. In other words, he cannot see that there are shares there that he will be able to buy. Actually, that fisher was fishing as a process of getting him over a major accident. So it was giving him something to keep his sanity.

The Hon. GREG PEARCE: I think I have got the point.

Mr VAN DER NEUT: We will provide more information on notice if that is all right.

The Hon. GREG PEARCE: If you could also answer whether you have all purchased or sold shares in the last two years.

Mr VAN DER NEUT: People have invested, yes, but have we invested to the point that we think we are safe? No, we do not because we do not believe that this reform will answer any real questions. I believe that this industry can unscramble the egg. I know a lot of people believe it cannot but we have actually got recommendations that we believe—it will be costly in the short-term, however—the benefits will not only be there for the commercial fishers themselves but also for the broader communities and the seafood consumer because they deserve access to their seafood. I have tabled our recommendations. Yes, I think it is achievable and I think that the reform needs to be stopped completely because this department is incapable. It has demonstrated that. We have had four years now after 20 years. The problem in general is catch shares.

Mr BRAITHWAITE: I have got an ocean trap and line fishery with five different endorsements and a Commonwealth tuna line fishery on it. Out of those five endorsements two have been classed as active, school and gummy and Line West. I will still have to buy 20 or 40 shares so there is \$60,000. I am in my sixties so I have got to lay that out. For the other ones, talking about people that have got diverse fisheries, I am over six fisheries over 30 years. Some of those fisheries I do not use for five or six years but the problem with this whole reform was, I was on a committee for many years, we had a management plan in place. The fisheries management strategy that still runs passed an environmental impact statement and it did not get 15 months into the management plan and DPI was on the run to change it.

You cannot have a fishery that is based on hooks, traps et cetera changed to a quota fishery. You will never do it fairly. What the major problem, where they are trying to divide the pie up now is, from the bringing

in of restricted fisheries we were told we did not have to fish as hard as we had to keep entry into the fishery in later years, you could just do what you had to do, remain stable with what you were doing and ecologically sustainable. Now all of a sudden they are saying what we are going to do is based on these three years. They can work exactly on a program and say, "Right we are only going to end up with 500 fishermen because the catch over these three years, we bring the shares back, they have got to get 20 each and that will bring it to 500." That is not what the fishery can handle, it is not what is sustainable, it is just what is being caught.

That has not been caught because I do not lease my licence out any more because I did not have to make entry into the fishery later in life. Otherwise, every time I went away I would lease my licence out and make sure it worked 24 hours. If this plan stays the way it is everyone will fish as hard as they possibly can because they are all going to be scared as Christ that it is going to change again in 12 months and if I have not got a heap of fish, and catch every friggin' one that they give me, I am going to lose. My business went from 300,000 to probably 80,000: it just demolished it.

The Hon. GREG PEARCE: I want to say unequivocally, because the Committee has heard it a couple of times now, that it is not the Government's policy to reduce the number of fishers to 500. There is no such policy.

The Hon. RICK COLLESS: There is no number.

The Hon. GREG PEARCE: There is no number. I am happy to have you say what you think but let us just keep the record clear on a couple of these things. I am trying to get an understanding of whether it is, in fact, even possible to stop or slow down the process.

Mr VAN DER NEUT: Yes, it is.

The Hon. GREG PEARCE: Given the fact that many businesses have already made the investment and are ready for it to commence.

Mr VAN DER NEUT: Yes, see our recommendations.

Ms ELLIOT: I would like to respond. You did ask a question about shares. This might give you a better understanding. I brought this with me because in the previous share trading which was on 17 October my son decided to enter that in good faith. He has eight endorsements. He thought to himself, "How do I do this?" Where his money comes from is from five endorsements and so he decided to sell three. On one side of the ledger what he was selling came to—this is a printout from the previous share trading—\$68,750. He was very, very measured in the price he put. Then when he went over to this side of the ledger what he needed to buy was \$146,000. The difference was around about the \$80,000 mark because he thought he would apply for the loan.

We came out of the process, we had no idea whether or not he was successful. My husband and I went in as well and we had no idea if we were successful. What I want to say is that the difference between active and inactive is what you alluded to before, was one kilo—not even one kilo of fish—it was recording an event. Under the radar of people the DPI changed some of its strategies. The words "activity" and "active" are two different words. First of all they said that if you buy a business that is inactive it will take on the activity of that business which tells me in my mind that if you buy that business it is still inactive.

But under the radar, just before the previous share trading, just a couple of days before, they said, "Due to industry feedback if you buy a business for the purpose of share trading it will now take on the status of being active." So someone who had not even recorded a kilo of fish, only just recorded an event, bought a business and could enter into the share trading market, and get a subsidy. The problem is the 80 to 20 per cent ratio; we were promised by the Structural Adjustment Review Committee [SARC] of 2015 that 20 per cent of the fishermen who caught 80 per cent of the catch would be protected in this process, and unfortunately that is not the case.

The CHAIR: Before I move on to questions from The Greens, I have your summary document and the list of recommendations, Mr Van Der Neut. The first item on your agenda, the reforms to be stopped and removed from the Government's agenda, I take it that Wild Caught decided that putting an absolute position was the best way to go. I have been in politics a long time so I can tell you that there is a very high chance that the Government, irrespective of the recommendations of this Committee, will not stop the reform. Given that, do you have a plan B?

Mr VAN DER NEUT: We will take that on notice. However, I will say that it is legislated that any regulations to be written are to be fair and just. And what is happening here is not fair and just. For the Government to achieve its agenda which is to link shares to quota effort, it is not going to be fair and just. It is impossible. The ship has sailed on linking shares to effort and quota.

The CHAIR: You are probably aware of evidence given to this Committee that exactly that process, the linking of shares to effort or to quota, has been successful in other Australian jurisdictions in different fisheries and indeed internationally. What makes you think that a court in Australia would agree with you? I am not trying to be aggressive but you have given the Committee a set of recommendations which contain some very good information. But you started your recommendations with an absolute position, that is, the process needs to be stopped.

Mr VAN DER NEUT: And there is a reason for that.

The CHAIR: Yes, because you say it is unfair. Can you offer the Committee an alternative set of recommendations, given the process continues? If the process continues absolutely in your priority order—you can take this question on notice but I would ask you to get that back to the Committee fairly quickly—what does Wild Caught want done?

Mr VAN DER NEUT: We will take that on notice. I will add it to the other fisheries you have spoken of. I do understand the lobster fishery has been successful as far as share trading is concerned. However, what is not mentioned is the losses that occurred in the lobster fishery. Before the lobster fishery became what it is today it was a lot bigger, there were a lot more fishermen involved in that industry and a lot of people missed out for various reasons.

The CHAIR: Mr McEnally put that on the record.

Mr VAN DER NEUT: The lobster fishery cannot be used as an example for many reasons. It cannot be used for mud crab. Mud crab is part of a multi diversified industry that still exists. There is evidence from scientists that it needs to be maintained. The agenda the Government has put forward takes the multi method facet of the industry away.

The CHAIR: I understand. Will you take on notice and supply the Committee with recommendations that will reflect Wild Caught Fishers Coalition's objectives given that the Government continues with the reform, including timing? I would like you to comment on suggestions from Mr McEnally about staging.

Mr VAN DER NEUT: Yes.

Mr JUSTIN FIELD: I wanted to extend questions to those fishers who fish in multiple fisheries. I understand where that concern comes from. I might not understand as well as the Chair. There is nothing stopping fishers, under the reforms, continuing to fish across multiple fisheries, though I expect the challenge will be affording sufficient shares to work across multiple fisheries?

Ms HOWARD: Correct.

Mr JUSTIN FIELD: Are there any fishers that you envisage will continue to do to?

Mr BRAITHWAITE: They will not be able to afford to.

Mr JUSTIN FIELD: Someone was saying they had eight endorsements. Clearly people have made a decision to hold a number of endorsements and minimum shares across a number of different fisheries.

Mr VAN DER NEUT: Ms Howard will talk about what we got from our fishers.

Ms HOWARD: I can but I cannot. Can we take that on notice? I have several hundred samples of fishermen and the endorsements they have got and the endorsements they have to buy and affordability is a question mark. We have had a look at what is sitting there and the majority of fishers have a minimum and fishers are trading off some to get others so they can stay in the industry. The argument that you are not buying your job back is incorrect, you are buying your job to stay in the industry. If you do not buy you do not have a job.

Mr JUSTIN FIELD: Is one of the critical problems around this that you might work in three fisheries and sometimes the season might be good for one of those so you just work that? With the requirements under reform you have to buy a minimum number of shares to participate at all and the quota or the days might be severely restricted. Whilst you can still fish across multiple fisheries what you cannot do is choose in that particular season to work one hard, which is a key economic decision you need to make for a business. That is taken away from you. The one that might be working that year you cannot take advantage of the opportunities that are there.

Mr VAN DER NEUT: Precisely. We have already seen that occur in multiple fisheries. I witnessed a fisher who is very good at a specific fishery but he has opted out of that fishery to make sure he has the minimum shareholding in another fishery.

Mr JUSTIN FIELD: The Government would use the lobster industry as an example, which I appreciate is not a good example. It did explain to the Committee that because of the linkage between shares and quota in lobster it meant that the value of the licences had increased for the fishers that held them and because of the management of that fishery they were now catching almost twice as much and able to catch almost twice as much, so the financial viability of that industry had improved. What would be stopping—I know there is lag time as each of those fisheries is managed on a quota system—it becoming more valuable and the quota being increased for each of those shares across the different fisheries to rebuild the viability of those businesses? That is where the Government is heading by linking shares with effort or quota.

Mr VAN DER NEUT: I address it by saying the focus is on the wrong people. We are talking about the industry becoming more viable but it is going to be at the expense of the broader community who own the resource.

Ms HOWARD: Can we take that on notice? I would like to answer that in camera.

The CHAIR: If you give us a written answer and ask for the answer to the question to be kept in confidence the Committee will do so.

Ms HOWARD: Yes, please.

The CHAIR: I will make it known, so everybody understands, this Committee acts in strict accordance with the rules under which it is chartered. You have Government members on this Committee but this Committee operates within Chinese walls and you can be assured that anything given in confidence stays in confidence to the Committee. These guys do not run off to the Minister and say, "guess what I heard?"

Ms HOWARD: The lobster industry has some peculiarities that need to be known in terms of profitability from the time it went to quota. The saying is that it had to go up. That needs to be said in confidence.

Ms ELLIOT: Can I say to you that they spoke about the abalone industry and the reality is that in Tasmania 60 per cent of the abalone industry is owned by a Tasmanian and he receives 85 per cent of the gross value production on the landed catch. That is predatory capacity which then turns into predatory scope and that is exactly what is going to happen to our industry and what is happening right now. When the Minister made the decision to allow extra traps in the water on 26 July, people who had already invested in the shares were split into two species of fisherman, share investors and fishermen. Those share investors had secured themselves. There is one particular fisherman with 4,000 shares. If you put 120 or 130 traps in the water altogether and a guy comes along with 125 shares and puts 10 traps in the water he has predatory scope to bomb you out of the water. From a social licence point of view it is appalling and terrible.

Mr JUSTIN FIELD: I am sure that is the case. If these reforms happen I assume that fisheries managers will have to make decisions about changing quota if that was the case. With regards to the predatory activity question, my question is would it make sense to have a limit on the shares that any one person could hold under a quota managed system?

Mr VAN DER NEUT: This goes back to the Government where they claim that the objective is to remove input controls and introduce output controls. The simple fact is you cannot do that because that is exactly what occurs. Once you put a quota on things you limit the supply to the public. The public owns that resource and at the same time there is exclusive access to other sectors and they are the minority in the broader community. How can we be discussing limiting the supply of seafood to consumers at the same time as allowing open access to others? It does not make sense. We need to make sure that seafood consumers come first in the debate in all policy making.

The Hon. RICK COLLESS: I entirely understand what you are saying but surely in any fishery there is a maximum that you can take out every year on a sustainable basis anywhere in the world. Is that not what we are talking about?

Mr BRAITHWAITE: Yes.

The Hon. RICK COLLESS: So we need to come to that level, work out what that quota is and then the next step is to make sure that all the players in the game get an equitable share of that quota?

Mr VAN DER NEUT: Can we respond to that in writing?

The Hon. RICK COLLESS: Yes.

Ms HOWARD: Probably two steps back Dr King would have liked to have made a comment.

Dr KING: Mr Chair was talking about strategies for moving forward. I want to suggest that an environmental impact statement and a social impact statement are very necessary before moving forward with this reform in any form.

The CHAIR: Thank you. I thought you would probably put that in your recommendations.

The Hon. JOHN GRAHAM: Ms Elliot, I was particularly interested in your evidence about the difficulties and frustration in getting information and guidance in the middle of this quite complex process. You have given evidence in relation to the Government's questions so it is clear that people have moved on and made some decisions. Has this moved on since then and people have just had to make a call or do you still need support to get access to more information?

Ms ELLIOT: Absolutely, there is so much more that we need. We are talking about \$80,000 here, the possibility of spending that sort of money or even more to continue to work. How can you possibly enter a market when you have no idea whether or not you are going to come out of that market with what you need? Within the documents you will see that the Structural Adjustment Review Committee [SARC] recommended very clearly that we have what they call the combinational or conditional exit grant or market share trading program. That was also made abundantly clear by Professor Goeree in March 2015. We do not have that. I went to a meeting on 23 September and I asked David McPherson the question: "Why don't we have the combinational or conditional shared trading market?" That means my son would go there and say, "I am prepared to sell these as long as I get these."

I was promptly told that the Minister, that they cannot do it, the people they have got cannot work it out, yet in the productivity report of 31 August 2016 that the combinational or conditional market has been in use in Victoria since 2008—it is used for natural vegetation. We are severely disadvantaged because Professor Goeree said that if we enter the market and we do not have the ability to have the combinational or conditional market we could come out of there severely exposed, which will make us unviable. When you do not have the information and you do not have the right—they call it a generator—generator doing the share trading market then we could sell things that we are being forced to sell to purchase other things. We have sold them but we have not been able to purchase, and that is no good to anybody.

The CHAIR: When you say you require information, what sort of information are you seeking? Are you talking about information as to what can be guaranteed in terms of shares available to be purchased?

Ms ELLIOT: We would need to have a share trading market that was going to have the conditions attached to it and the combinational. In other words, if we decided that we wanted to sell our eel endorsement and say the ocean haul endorsement, that we would only sell it on the fact that we would be able to get the required amount of shares in another endorsement—

The CHAIR: So it becomes a provisional trade?

Ms ELLIOT: Yes. For them to say that they cannot do it is nonsensical when it has been used since 2008 in Victoria.

The Hon. MICK VEITCH: In a sense the industry is currently being asked to blind invest. I have been reading the transcript from Monday to find Mr Hansen's testimony about the share price. I have not been able to find it so I will now paraphrase in the hope that I am not incorrect. There are two lots of share trading taking place—namely, the most recent round as part of the reform but there was also an informal process for trading shares prior to that where on cooperative boards you could put up things like, "I have got some shares to sell."

Ms ELLIOT: Yes.

The Hon. MICK VEITCH: So the department would have known the actual price of those shares in that informal process?

Ms ELLIOT: Absolutely, because you have got the Fair Trading fishing online where you see how much shares are trading for.

The Hon. MICK VEITCH: So the department would have had a basis from which to work?

Ms ELLIOT: Absolutely, but you must remember something. The politicians, the Ministers or the National Party members—indeed, our National Party member was told that it was not going to cost us anything. In fact, when we went to a one-on-one meeting with him for half an hour he sat there and said, "Well I have been told that it is not going to cost you any money." I said, "That is not correct." I made that very clear to him. I showed him the documentation to support all that. He then continued on the next week and said the same thing to the co-op. We tried to convince him that that was not correct because why would they be giving you low

interest \$80,000 loans—and that is another issue that we need to discuss as well. As far as what you are saying, the department does know how much shares are worth.

Mr VAN DER NEUT: Just to add to that, we actually had phone calls from members saying that they have actually been advised by the department that they had been selling their shares too cheap and that a certain price was what they should be selling them for.

The Hon. MICK VEITCH: I just wanted to clarify that because it was one of the things that concerned me from Monday's hearing. I was certain that there was an informal process for buying and selling the shares. I now want to ask about the low interest loans. A number of fishers have told me that they have gone to financial institutions and have been told that they cannot get a loan in this process, which essentially takes them out of the process. They tend to be the smaller sized operations. Is that a reflective statement across your membership?

Mr VAN DER NEUT: That is a very reflective statement across our membership. We have heard a lot of it. We have heard of some who have got the \$80,000 loan but that \$80,000 loan is now a burden to them ongoing and they still have not achieved what they need to do to remain viable.

Ms HOWARD: Can I just add something? In terms of your trading, the share trading that I have participated in is seen as voluntary trading; I see it as compulsory trading. I would not have purchased shares but for the reform, but for the increasing minimum shares required to continue to do what we do today. Yes, you do that trading and the Government considers that as your voluntary investment in your business; as an industry we consider that as a forced process that we have to take to stay in business otherwise thank you very much we march in June 2017—we do not have a business. In actual fact our business has been devalued by the process.

The Hon. RICK COLLESS: I refer you to the table we talked about earlier showing a reduction in the catch and also to Mary Howard's 2012 paper, page 13, where it shows the recreational fishing havens that have been locked up over that time. If we look at that particular map and included in that the areas of marine national parks that have been locked up in that same period, is that the reason for the reduction in that commercial catch?

Ms HOWARD: Twenty-seven per cent closure of aquatic reserves and 30 per cent of estuaries, lakes and rivers closed to recreational havens and over 1,000 fishermen gone.

The Hon. RICK COLLESS: So it is as much a fault of locking those areas up; that is the reason for the reduction in the catch?

Ms HOWARD: Overall, the whole, yes.

The Hon. RICK COLLESS: Overall?

Ms HOWARD: Yes.

The Hon. RICK COLLESS: Given that is the fact, that those areas are now removed from commercial fishing?

Ms HOWARD: Yes.

The Hon. RICK COLLESS: Is there not good justification now for looking at trying to put in place a proper restructure of the industry to make sure that those remaining fishermen remain viable?

Ms HOWARD: So your argument is: Well, now the fishermen who are left in the areas they were in; you are making an assumption that the fishermen who were bought out have gone into the other areas. I would disagree with you.

The Hon. RICK COLLESS: I am not making that assumption at all. You make the point in that document that a total of 458 fishing licences were surrendered as a result of the reduction in commercial fishing areas.

Ms HOWARD: That is correct. They are gone.

The Hon. RICK COLLESS: For whatever reason.

Ms HOWARD: So why would you say that that is a reason to restructure the rest of the industry?

The Hon. RICK COLLESS: I think the important thing is to make sure that there is a fishing industry that is going to survive into the longer term. We do not want any more of those locked-out areas. I do not want to see any more of those areas surrendered. I know there are particular people who probably do want to see more marine parks and certainly the National Parks Association is pursuing that.

Ms HOWARD: I do not comprehend your rationale. If the Government is telling us that we have X amount of inactive effort—so just take that off the 1,100 fishers that we are supposed to have—and if we have fishers who have been fishing in those areas in regions across the State, fishing sustainably, and my understanding is our fishing is sustainable at this point of time, I do not comprehend why you would say we would need to restructure the active fishers who are fishing sustainably in the rest of the State.

Mr VAN DER NEUT: Especially by transferring the wealth of those active fishers to the inactive fishers.

The Hon. RICK COLLESS: I was going to ask you about that. That is my next question. From the graphic that you showed us—your point is very clear in that graphic.

Mr VAN DER NEUT: The fact?

The Hon. RICK COLLESS: Yes, and I think Mr Braithwaite indicated that he holds a certain proportion of latent licences as well?

Mr BRAITHWAITE: Yes, I do.

The Hon. RICK COLLESS: So how do we get to a situation where we make sure that everybody gets an equitable share, that that situation does not prevail and that the likes of Mr Braithwaite get to make use of his latent share when and if he needs it?

Mr VAN DER NEUT: There is a very, very simple answer. There is a department that is incapable of managing our resources. What has happened there is not inactive effort. They are actually taking the likes of Mr Braithwaite here—he has got a business; I see it as a business, and part of that business is this fishery, part of it is this fishery and part of it is this fishery. Now he may not use this part of his fishery at all times. Does that mean he is not worthy? No, I do not believe it makes him unworthy of holding that portion of the business but it does mean that he cannot do those fisheries at the exact same time. He is limited by that, by the fact that he has a fishing business, so the graphs that DPI have made up are a picture of what it would look like without fishing businesses, as if we had 10,000 fishermen or the amount of endorsements available. That is not the fact.

Some people have six and seven endorsements and they can only use one at a time. They are only one person. We are now down to 800 fishing businesses or somewhere around there in the State capable of providing fresh local seafood for our communities. How far does government and this bureaucracy want to take it? It cannot go any further. We are at the thin end of the wedge. Cooperatives are going to close, infrastructure, seafood retail outlets, truck companies, they are all going to suffer.

Ms HOWARD: He does not need an equitable share for that backup.

Mr BRAITHWAITE: With my business, with the five different endorsements I have got on it, I may use two of those in one day and I might not use the other ones all year but while those five endorsements—the way we planned it, with the management plan that is in place and the fisheries management strategy—they are locked to that one business and what Fisheries are trying to say is, "Well, that's latent effort." Well, it can't be. You can only do so much in one day with those five endorsements. The other ones are not latent. They are used in an ecologically sustainable way to fish your fishery.

If I was fishing snapper and the price dropped or the fishery got bad, if I only had snapper I would have to just drop the snapper. With that I can diversify, and we made that in the fisheries management strategy so that we did not take that away; we did not want to see any more fishing business licences come out where we could shift endorsements—say I could shift my trap endorsement to someone who just had a Line West endorsement because all of a sudden they could trap and Line West. We kept the management plan and the fisheries management strategy so the environmental impact statements [EIS] that are all still in place would say we are sustainable. My worry is that where this process is going they will say, "Righto, we have made it now that all endorsements are sustainable. What we will do is we'll hand out more fishing business licences and you could put that one on that one and that one on that one and that one on that one."

All of a sudden my business that was sustainable has been changed to where we have shifted the effort out to the whole diverse. The problem becomes where we have done the fisheries management plan on number of hooks and number of traps; that that worked across the business because in my fishery I would probably catch 30 to 40 different species of fish. How do you change that to quota? To change quota to meet with the different seasonal changes or changes in water temperature where you get a huge volume of fish, you cannot do it quickly enough. Even the Commonwealth now sets its quotas over three years instead of over one year so that you have got a different thing. With the number of hooks that way it was covered. You could use your full amount of hooks or not so it stayed sustainable.

The fisheries business plan and the strategy are in place and being used at the present time. They are going to be changed next year when this all comes in. Why would we change from something that has already been classed through the Commonwealth and through the State as sustainable and it has got a fisheries management strategy with it, that we already had worked in, that we were going to start using that \$500 a year to buy back endorsement shares at endorsement levels out of each part of our fishery that we thought was either overfished or that needed trimming back?

Now all of a sudden that 10-year management plan that you had set out has been changed to, "Bugger it, over 15 minutes, we'll just change it" and now that whole 10 years of structuring of that has been changed to a position where you really cannot spread it and be fair and equitable in the way you do it because of the structure of each fishery. That is why we had a fisheries management body for each fishery. They are that individual and they are that tied to different seasonal changes that it is very difficult to get a plan that will fit all. I see now that we are not going to have any of these management regimes where there is going to be each individual fishery. They are just trying to whack it into the gumboot and away we go. It won't work.

The CHAIR: We are just about out of time. I do not know if we have had an equitable share of questions but that is the way it rocks. Mr Van Der Neut, the last question asked of you was: What do we do about it? Your answer was: Oh, that's easy. The next five minutes of your answer did not say anything about what you would actually do about it.

Could you take this question on notice? When you come back to us with a rethink on your recommendations were the Government to proceed, Mr Braithwaite came up with a number of suggestions, and a couple of those are in here—the reinstatement of the MACs et cetera I take it was part of it—one of the questions we would like you to address if you could is how do you address the inequity of making sure that your activities are not spread across a range of amorphous groups and at the same time protect the interests of multi-endorsed fishers like Mr Braithwaite?

Mr VAN DER NEUT: I believe I answered that, but we will do that, yes.

The CHAIR: I would like you to put it in writing.

Mr VAN DER NEUT: Definitely.

The CHAIR: We will go back through the *Hansard*.

Ms ELLIOT: Just excuse me—

The CHAIR: We really do need another hour, Ms Elliot, but I am afraid we are out of time.

Ms ELLIOT: There is something I want to say that I think is really, really important because it was touched on by Lawrie McEnally and on Monday about the amount of money that is on the table. On 4 July 2014 at a PFA meeting one of the senior managers of the DPI stated—and I know it off by heart because I have said it so often—was that the Government is deliberately using uncertainty to drive prices down because the Government knows that the money is insufficient for its purpose. That is covered in the independent review committee report in 2012 because they were only given so much money and they had to work out a program or a process or a reform that was going to fit in with that amount of money. That has been highlighted over and over again in documents.

You did ask a question about if it has been successful in the rest of Australia. There is more peer literature out there that says that what they are going to do to us is going to fail. It has failed in Canada miserably and in 2014 there was a workshop which DPI managers attended, and I do not know whether they were asleep but they said that you must not do this to coastal communities, you must not decimate people. They must change what they are doing. It is really, really important—everything is in the documentation that we have given you, basically, and latent effort is an administration construct, it has just been designed by the DPI, basically. In all the reports it tells you how important latent effort is to a fisherman, a multispecies fisherman.

The CHAIR: It is not the latent effort itself—I disagree with you there—that is important; it is the equity of being able to work within an industry that demands that you have to be ultimately flexible in the way that you do your business, because you are like a farmer: you get a drought, you cannot grow irrigated crops.

Dr KING: The environment demands that flexibility.

The CHAIR: If you are a fisherman, if there is no fish of a particular type at that particular time of year, you have got to do something else. The interest of certainly this Committee is to try to get, if we can, a rough idea of the global impacts: How much money would be required if they did X? How many people are going to be distressed? What sort of assistance must be provided, including emotional and counselling and that sort of support? The greyhound industry debacle has just demonstrated to us how critical that can be.

I will leave it there and thank you for your evidence. The questions that will come to you on notice will be given to you in writing so that you know exactly what the question is and, if possible, we would like your replies within 21 days. Can I make an observation? The best way to get your message across to a committee like this is to be as succinct as you can. Do not provide us with another box of data. If there is back-up information and references that the secretariat needs to look to by all means provide them, but if you can be as succinct as you can and answer the questions as clearly as you can, you will achieve your objective far more than overloading the Committee. I am not trying to belittle the work you have done, Ms Howard and Ms Elliot—it is an incredible amount of work—but please come back with something like Mr Van Der Neut has given us: clear, precise, concise recommendations; that is what we need.

Thank you very much for taking the time. I know a lot of you have travelled to be here. You can rest assured that what you have said here today and what you present to us in writing will be taken into consideration. I give you my assurance of that.

Mr VAN DER NEUT: Thank you very much for the opportunity.

(The witnesses withdrew)

(Luncheon adjournment)

HOWARD NIXON JOHN ELLIOTT, Probity Adviser, Probity Advisors and Auditing Consultants [APAC], affirmed and examined:

The CHAIR: Before we commence with questions, would you like to make an opening statement?

Mr ELLIOTT: Not really, other than to say that I am the probity adviser and thank you for the invitation. I have no idea why I am here.

The CHAIR: We will soon find out. Mr Elliott, you did not put in a submission, so we will proceed with questions as we normally do. We have half an hour.

The Hon. MICK VEITCH: Thank you for coming, Mr Elliott.

Mr ELLIOTT: Thank you, sir.

The Hon. MICK VEITCH: When did your term start with this particular project of the business adjustment reforms for the commercial fishing sector?

Mr ELLIOTT: My personal engagement or the engagement of my company?

The Hon. MICK VEITCH: Both, actually.

Mr ELLIOTT: APAC Probity, the company I work for, was invited to submit a bid for the probity work on this job. We submitted said bid some months ago. It went through the evaluation process and we were appointed earlier this year. I personally became involved in the project about three months ago.

The Hon. MICK VEITCH: What is the role of a probity auditor in this exercise?

Mr ELLIOTT: Fundamentally, probity adviser—

The Hon. MICK VEITCH: Sorry, you are a probity adviser not a probity auditor?

Mr ELLIOTT: That is correct. I am an adviser. Do I need to explain the difference?

The Hon. MICK VEITCH: No.

Mr ELLIOTT: The fundamental role of a probity adviser is to assist the project team in ensuring the integrity of the process. That is the headline, I guess. We look at the process itself, whether it is an acquisition or investment process, or this kind of process, and we look at whether the process is open, transparent, accountable. We check for conflicts of interest and help the team manage those conflicts of interest or help them resolve any probity issues that might arise. They are wide and varied.

The Hon. MICK VEITCH: There have been, and even in testimony today, statements or allegations about insider trading or the potential for insider trading in this whole process. Has that arisen whilst you have been involved in this reform process? Further to that, what are some of the strategies to manage conflicts of interest?

Mr ELLIOTT: I am sorry—

The Hon. MICK VEITCH: There are two parts.

Mr ELLIOTT: Okay. With regard to insider trading, yes, that has been raised. A number of other probity issues have been raised along with that. Insider trading, in this particular instance, requires information that is available inside the project team and closely related parties being made available to market participants who would not otherwise be able to get that information and then use that information to their advantage. There are a series of dots you have to join. The mitigation controls around that are that most of the information that the market participant could use is already available in the public domain and that is fundamentally how the market works.

Information that could assist him either putting his bid or offer in will not be known until the end of a round and information that he has put in will be made available back to him at the end of the round, but it will not be made public. There is some information that is already confidential to the business, and that relates to the trial round, the trial market, which was done before, and they are indicative pricing areas to calculate what the upper and lower bounds are of some of the parameters that we are putting into the model. All the members of the evaluation committee and the project team and the related parties, the contractors and so on are all subject to NDA, either directly through contract or direct NDA.

The CHAIR: Can you expand on that acronym, please.

Mr ELLIOTT: I am sorry, a non-disclosure agreement. That is a binding non-disclosure agreement. It requires them to keep information that they receive through the project or as party to the project confidential. I cannot recall off the top of my head what the length of time is. Naturally that would expire at the end of the market conclusion or at the end of the business adjustment program.

The Hon. MICK VEITCH: There arises an issue. The Government is drawing on people with industry expertise as a party to the crafting or development of this exercise. If those same people sign an NDA, how do they involve themselves in the sector without using information they are privy to before anyone else? If they are commercial fishers, they know what is going to happen and they can adjust their business model or even purchase shares knowing what is going to happen when others do not know. How do they exclude themselves from that process?

Mr ELLIOTT: Okay. I would like to answer that in a generic way first, but with the proviso that we may be getting into an area that I may request we go in camera on.

The Hon. MICK VEITCH: I do not want to know names. I want to know the scenario in generic terms.

Mr ELLIOTT: Sure. With regard to insider trading specifically, the information that potentially could be used by a market participant is not available directly to those market participants because none of them belong to the evaluation panel. That information comes first to the evaluation panel and then it is sent back through into the department to the director general [DG]. If there is a breach inside the department, that would need to be handled under the existing protocols for breach of confidentiality, but, again, it should be stressed that the information that we have today on market prices came out of the trial. It is indicative only. It does not necessarily provide them with any major advantage.

Also, at the end of the day, to all intents and purposes, it is an open market model, although it is restricted to the commercial fishers. That market will resolve itself in the normal open market manner. The bid-offer spreads will evolve over time until we get that right number. Is there any particular information which a commercial fisher would use? We looked at the types of information that could be available to him and we came to the conclusion that the information which is probably the most critical is the outcome of the trial market, because that is the only one that had very specific information about what the prices might have been or could have been.

The Hon. MICK VEITCH: Your role only began at the commencement of this reform process with the trial?

Mr ELLIOTT: That is correct.

The Hon. MICK VEITCH: To the best of my knowledge there was no probity order involved in the process prior to that, so for the past four years?

Mr ELLIOTT: I could not comment. We have only been involved in this calendar year.

The Hon. JOHN GRAHAM: The Committee heard evidence earlier about a change in the treatment of certain aspects of inactive businesses, which was announced in the days before the previous share trading. Are you aware of that issue?

Mr ELLIOTT: No.

The Hon. JOHN GRAHAM: It was not one that was drawn to your attention?

Mr ELLIOTT: If you can elaborate on it, perhaps. I cannot recall anything specifically being mentioned to me about a change in the way they handle inactive businesses. I know the general model and the objectives that they are trying to achieve.

The Hon. JOHN GRAHAM: Are you aware of changes to the treatment of businesses that were announced in the days prior to the preview share trading?

Mr ELLIOTT: No.

The Hon. JOHN GRAHAM: It certainly might be useful to examine the claims that were made on the transcript. I think that would be something we would be interested in your view on.

Mr ELLIOTT: Sure. I would be happy to do so.

The CHAIR: We may ask you questions on notice and ask you to review evidence once the evidence is published. That would form part of a question on notice. We would ask for a response in 21 days. Would that be in order with you?

Mr ELLIOTT: That is perfectly fine.

The Hon. JOHN GRAHAM: I think the answer to this is that you probably have not provided advice, but are you aware of any advice being provided on the tender for the commercial fishing peak industry body? It was a couple of years ago. Are you aware of that issue at all?

Mr ELLIOTT: No, I am not. Just before you go on, Mr Veitch asked me about conflicts of interest. Did you want to explore that or are you okay with that?

The Hon. MICK VEITCH: If we have a couple of moments.

Mr ELLIOTT: Very simply, we ask all the members of the project and the evaluation panel to sign a declaration regarding conflicts of interest so that they have none at the outset. If they have some or if they arise subsequent to the project starting they advise us what they are and then we can manage that conflict of interest. By manage the conflict of interest, we may take extreme action such as excluding them from the rest of the project or manage it based on what we think the conflict of interest could cause more than anything else.

Mr JUSTIN FIELD: You mentioned that some other probity issues have been raised.

Mr ELLIOTT: Yes.

Mr JUSTIN FIELD: Without going into specifics are you able to give the Committee an indication of some of those issues?

Mr ELLIOTT: The main issue that we reviewed recently was the issue of collusion or market gaming. What participants could do to what we call game the system, which basically means to rip the system off. I am happy to go through what some of those scenarios are but I would have to do that in camera or give you that in writing.

Mr JUSTIN FIELD: I personally would be interested to hear that. Mr Chair, I might be looking for some advice on how we do that.

The CHAIR: We might ask questions on notice on the understanding that the responses would be held in confidence.

The Hon. GREG PEARCE: Some specific examples have been given this morning in public. I do not think it would hurt to put those to the witness to see if he is able to answer in relation to them.

Mr JUSTIN FIELD: It may be that my next question goes to that. It has been raised with us that some of the buying that has happened up until now has been by investors, not necessarily people who are active fishers but people who are looking to buy a bunch of shares, holding on to them and selling them into the market through the Business Adjustment Program [BAP] or maybe even holding them until after. Are there any probity issues there that might take the form of collusion with fishers or investors looking to tie up shares to either increase the value of them or keep people out of the market through the BAP?

Mr ELLIOTT: They are not the issues that we have been dealing with. I am happy to take that one on notice. You can see me thinking about that. I probably need to think about an external party becoming involved and what impact that would have, how they would go about it. Most of the collusion issues we have been looking at relate to within the parties.

Mr JUSTIN FIELD: I think one of the concerns is that it does not make sense for someone to have purchased shares for that reason over the past few years. They may have had a view of the way the reform was coming, but it does not make sense to many people on the Committee why they would invest so much money while not really knowing the outcome or when they would be able to get a return on their investment. To me it raises some questions about what people might have known about the process to have been able to have made those sorts of decisions. They might even be about intentions further down the track. Have there any been probity issues raised with you that go to some of those questions and how people came to make those decisions?

Mr ELLIOTT: Wow. The short answer is no. The long answer is it sort of borders on whether it is a probity issue or not a probity issue—that is, whether an external party wishes to invest in something for some long-term gain. The information which has been released recently—and by "recently" I mean the last couple of months—which may have assisted them are the market rules and how the market rules work. Prior to that the Business Adjustment Program was quite common knowledge and the debate in the Parliament and the media was quite common knowledge about what it was. I think it would be difficult from my position to discuss opportunism unless I had an example. If that could be shown to be bordering into some of the probity areas such as conflict of interest and insider trading then maybe we could look at it. But speculation and opportunism I would venture are probably out of my scope at the moment but I am happy to look at it if you want me to.

Mr JUSTIN FIELD: Obviously trading is happening outside the Business Adjustment Program [BAP] right up until now.

Mr ELLIOTT: Yes.

Mr JUSTIN FIELD: Are you monitoring those traders? Who is buying? If groups of people are buying, what are they buying and are they setting up any red flags about people maybe having been tipped off about something?

Mr ELLIOTT: No. My scope is only on the market that is coming in March.

Mr JUSTIN FIELD: You are not aware of any probity of other trades outside the BAP process?

Mr ELLIOTT: My understanding is that there is no transfer prices being kept but certainly the transfer registration is being kept by the department. My understanding is that is monitored under its protocols which exist at the moment.

Mr JUSTIN FIELD: Earlier the Committee heard confusing evidence that the amount that someone pays for a share of multiple shares outside the BAP is not something the department would necessarily know. It will just know that the shares have been sold or traded and it will not necessarily know the prices that have been paid for them.

Mr ELLIOTT: That is correct. There is one other thing in the market rules which I am not sure is clear but the market is only open to active fishers so for somebody coming in on a speculative basis it would really have to be someone from within the industry.

Mr JUSTIN FIELD: That is in the BAP but not necessarily outside the BAP.

Mr ELLIOTT: That is correct, and my scope is not outside the BAP so I really cannot comment.

Mr JUSTIN FIELD: The decisions made by the Independent Assessment Panel process for a number of fisheries with regard to quota and other things could have significant impacts on the number of shares that a fisher might need to be able to continue their current level of effort, which I know a lot of fishers are concerned about. How do they make decisions about how much to purchase and which fisheries to purchase into when there is so much uncertainty about the quota that might be available? Are there any probity issues that you can see around the Independent Assessment Panel side of these reforms?

Mr ELLIOTT: The Independent Assessment Panel is way out of scope. That is not even close to what I am doing. I am sorry, I cannot comment.

The Hon. GREG PEARCE: Are you confident that the proposed subsidised share trading scheme is robust and not challengeable from a probity perspective?

Mr ELLIOTT: Yes. One of our primary roles is to ensure that in these kind of processes there are the right controls and those controls go to transparency, auditability. We have had a look at the process end to end to make sure those controls are in place. There is a lot of audit information available at every stage of the market. Where it is not automated, so where we move off when the participants put their bids in, then it comes back to the evaluation committee from the Technical University of Munich [TUM]. There are processes in place for the evaluation panel and I have sat through a couple of meetings with the evaluation panel now to understand that as well. So, yes, we are comfortable that the probity controls are in place.

The Hon. GREG PEARCE: You talked about the mechanised part and the panel.

Mr ELLIOTT: Yes.

The Hon. GREG PEARCE: Is there any scope or involvement of any party with a discretionary capacity to influence outcomes at any way through the process?

Mr ELLIOTT: Any of the evaluation panel?

The Hon. GREG PEARCE: The process itself. Is there any opportunity for the Director General, for example?

Mr ELLIOTT: No.

The Hon. GREG PEARCE: The Minister?

Mr ELLIOTT: No.

The Hon. GREG PEARCE: I think the precise example that was given to the Committee this morning was the idea that an investor—not an active fisher—might have bought shares with a view to offering

them for sale in the expectation that they would get paid either the price that they have asked for or part of the subsidy. Is that possible?

Mr ELLIOTT: My understanding of the rules is that is not possible. They are supposed to be active fishers.

The Hon. GREG PEARCE: So it is only if they are active fishers that they will get an opportunity to offer shares for sale?

Mr ELLIOTT: That is my understanding.

The Hon. GREG PEARCE: And potentially get the opportunity to participate in whatever the subsidy may be?

Mr ELLIOTT: That is my understanding, yes.

Mr JUSTIN FIELD: If they purchased shares outside the BAP that were from an active fisher they are considered to be active shares and, therefore, as the holder of those shares they could participate in the BAP as an active fisher, even if they had not fished those shares?

Mr ELLIOTT: I cannot comment. I am not sure of the answer to that. You would need to refer that back into the director as to how those rules were come up with. I just reviewed the rules.

The Hon. GREG PEARCE: It is getting a bit murky.

Mr JUSTIN FIELD: Yes, it is murky.

Mr ELLIOTT: I am very happy to take those questions on notice.

The Hon. GREG PEARCE: The conspiracy theories are quite strong so you have to dig a long way sometimes to establish what the conspiracy theory really is.

Mr ELLIOTT: Understood.

The Hon. MICK VEITCH: You have been engaged in the latest stage of the reform process?

Mr ELLIOTT: Yes.

The Hon. MICK VEITCH: Correct me if I am wrong but I do not think probity auditors have been used at all prior to this in this process. Is that correct?

Mr ELLIOTT: I do not know. It certainly was not us. You would need to ask DPI.

The Hon. MICK VEITCH: I am not saying it is a bad thing, I think it is a good thing. I think if it had not happened it should have happened. No matter who was in government at the time I think the role of a probity auditor would have been quite beneficial.

The Hon. GREG PEARCE: Except there was no transaction.

The Hon. MICK VEITCH: But even in the process because this exercise is quite complicated and complex and involves the livelihoods of individuals. Have you had any experience in the commercial fishing sector in any other capacity?

Mr ELLIOTT: None whatsoever. I am a recreational fisherman.

The Hon. MICK VEITCH: We were going really well.

The CHAIR: A conflict of interest.

The Hon. MICK VEITCH: In regards to probity advice as opposed to probity audits, what experience do you bring to the table?

Mr ELLIOTT: I have been involved in probity work with the New South Wales Government for the past five or six years.

The Hon. GREG PEARCE: What are your qualifications?

Mr ELLIOTT: I have post-graduate qualifications in mathematics, law and computer science. My background is from the information and technology [IT] industry. Most of the work that I have been doing with the State Government over the past 10 years has related to procurement and probity, mainly the procurement side of things. In the past five years a lot more probity with IAB, the Internal Audit Bureau, a government department. More recently over the past couple of years with APAC, Probity Advisory and Auditing Consultants. We do a fairly large number of probity jobs at the moment. Specifically the ones that I am working

on, and I am the probity adviser on, are: Family and Community Services [FACS] in the out-of-home care area and its re-contracting side; Front of Office Information Technology [FOIT] which is a rebuild of technology with two probity advisers; the sale of the Millers Point property; and the sale of the Cobbora mine or the landholdings for Cobbora Holding Company Pty Ltd [CHC]. Previously with NSW Police in the operational systems. Previously with FACS corporate services transformation and its one SAP which is when they did the agency cluster thing and they consolidated its IT systems and also with the Department of Justice for the same things.

The Hon. SCOTT FARLOW: It is fair to say you are well credentialed?

Mr ELLIOTT: I would hope we would say that, yes.

The Hon. GREG PEARCE: My understanding is very limited because I am not a great IT man, although I am a great promoter of it, but the subsidy payment and calculation is driven by an algorithm?

Mr ELLIOTT: Yes.

The Hon. GREG PEARCE: It is not something that is a discretionary number?

Mr ELLIOTT: Correct.

The Hon. GREG PEARCE: Will you explain what that means in layman's terms?

Mr ELLIOTT: I should not describe it as an asymptotic linear program. The model which they are using, or formulas which they are using are, firstly, asymptotic; meaning they are trying to get to a goal. They are a goal-seeking set of formulae. There are a number of algorithms which are executed over time and each of those algorithms addresses one of the priorities that the Government has put into what it is trying to achieve. I cannot remember the order, but the top one is to reduce the share deficit across the industry. There are a number of other priorities in there such as exiting less active fishers and basically making the entire market much more viable. There are four priorities. Basically what happens is the bids and offers are compared to one another. The amount of government subsidy is used primarily to increase the successful percentage of transactions.

The CHAIR: It is a bias factor put into the calculation?

Mr ELLIOTT: Put simply—please do not use a calculator to check me—if the bid-offer spread is such then the government subsidy closes that spread. It is not one number at the top and one number at the bottom because the offers come in. As the subsidy comes in to the buyers that spread closes and the level to which it closes is the percentage of successful transactions. That is one of the goals that the evaluation team has. There are a couple of stages to the whole program. The first is when the market participants put in their bids and offers and they can put in a package bid or an I-want-to-exit-the-industry bid or they can buy and sell separate shares.

All of those things are put together and the Technical University of Munich runs the model against a series of scenarios. Each of those scenarios is just a collection of variables or inputs. They may be this amount of government subsidy, this amount of that, and this amount of that. There are currently eight scenarios which the evaluation team has tested and think they are pretty darn good, so we will start with those. The university will run the input sets and the net results will be a series of charts showing how much government subsidy and what the success rate of that will be.

The Hon. JOHN GRAHAM: Is there an assumption or a goal in the algorithm about the number of fishers in the system?

Mr ELLIOTT: No.

The Hon. JOHN GRAHAM: The algorithm is blind to the number of fishers, that is not a factor?

Mr ELLIOTT: Not the number of fishers in the system, no. One of the goals is to remove as many inactive fishers as the model will allow. It is a goal, not a threshold number.

The Hon. JOHN GRAHAM: The number of inactive fishers is a factor but it is not a goal?

Mr ELLIOTT: It is a target.

The Hon. SCOTT FARLOW: How does that work with the algorithm in terms of the goals and how the goals are applied? Is that part of the core algorithm or is it part of the outcome and the thresholds are applied in terms of the goals? How does that work?

Mr ELLIOTT: It is more the latter. The inputs which are put in, firstly, result in the system producing a series of charts. The evaluation committee looks at the charts and those charts will show the relationship

between the goals. For example, the successful transaction versus the government subsidy, the successful transactions versus the number of participants that should exit, and the successful number of package bids, how many people wanted to exit and were able to. Those kinds of charts. The evaluation committee has the four high level goals it is trying to achieve, or the priorities it is trying to achieve, and it gets as close to those as it can. It is a human evaluation of the output of the system.

The CHAIR: Mr Elliott, given the complexity of what you are trying to do and explain, thank you for making it clear. There are a number of questions that the Committee will wish to put on notice. Where those questions stray into commercial in confidence and you wish to keep the information confidential to the Committee answer the question and you have our assurance that it will remain confidential.

Mr ELLIOTT: Thank you. I hope it was a help.

(The witness withdrew)

PATRICIA BEATTY, Executive Officer, Professional Fisherman's Association, affirmed and examined

DIAGO BAGNATO, Chairman, Professional Fisherman's Association, affirmed and examined

The CHAIR: The Committee members will have taken note of your submission. Would either of you like to make an opening statement?

Ms BEATTY: We want to thank you for the opportunity to provide our advice and evidence to this Committee. The Professional Fisherman's Association [PFA] is a representative body of the interests of our members from across New South Wales. We are governed by a board, the committee of management, which is elected from directors from across the seven regions of New South Wales. I refer the Committee to the PFA's submission and its attachments to highlight our members' concerns and issues regarding the reform and the other elements that were raised in the terms of reference of this inquiry. However, we would like to note that at the end when a reform attempts to undertake something so major and complex, yet is not adequately resourced or have adequate consultation networks established with the industry, then it will result in such strong rejection as has been seen from this industry and an inability to achieve its stated objectives. This industry is worth far in excess of the recently announced \$436 million and it is essential to the fabric of our New South Wales coastal communities through its history, social contribution and economic flow-through. Any restructure of the industry must be careful to protect the industry and its members.

The CHAIR: Back in August, with Mr Veitch and other Committee members, I attended a meeting here at Parliament House. The Professional Fisherman's Association and the NSW Wild Caught Fishers Coalition were also present at that meeting. Since that time have there been any formal discussions between the Professional Fisherman's Association and the NSW Wild Caught Fishers Coalition?

Ms BEATTY: No.

The Hon. MICK VEITCH: I want to raise a couple of areas in the short time allocated to me. Can you tell the Committee about the practicality of imposing the number of days for someone to fish as opposed to a quota as to how much they can take over a 12 month period? What are the problems and the benefits?

Ms BEATTY: It is different for each fishery but those specifically referenced to linking for days, those fishers are the prawn trawlers and meshing—there might be another. At the moment the majority of the industry is governed by input controls. Input controls focus on limiting the efficiency or the effort of commercial fishers' impact on the resource, but the benefit is that it is a system in which the administration is not exactly costly. Limiting your days, however, is a costly system to administer. It is costly in its management, in its enforcement and in the research that you need to back that type of arrangement up. The limitation of such a system as well is that—as was pointed out by the PFA in numerous submissions to this reform—if a fisherman goes out, he might steam half a day to his grounds and then find it is either too dangerous to work or the fish are not there so he will then turn around and come back. Under a day or night system you would not be able to do so.

The Department of Primary Industries [DPI] has advised us that the moment you start steaming, the moment that you are on water, that is a loss of a day. So the repercussions of that is that it is forcing you to work in not optimum conditions. It also forces you to put yourself into unsafe conditions, which is an issue that we did raise with both DPI and the Australian Maritime Safety Authority. For example, the meshing estuary general guys who were given a day were told, "You will have 24 hours or one day to be registered." At the moment those guys might do a couple of hours on a shot here and a couple of hours doing something else. That allows them to diversify and it creates a viable business. If you are forced to go, "Right, I have to mesh on this day and I have 24 hours of meshing" then you will hit it as hard as you can. It is not necessarily a good system to utilise. It is very hard for us to make statements across fisheries. Each fishery is different—you have single species, single methods, multi-species, multi-methods, offshore, onshore, estuarine—it is difficult to put forward one overarching statement for each fishery.

The Hon. MICK VEITCH: In your submission you mentioned a recent *Landline* program.

Ms BEATTY: Yes.

The Hon. MICK VEITCH: Can you elaborate further on the implications of what was presented in that program for those who may be looking at making investments right now?

Ms BEATTY: There are two elements that we wanted to raise and we did so in our submissions after that show was aired. Firstly, resource allocation is a debate amongst sectors but when one sector stands up and says, "We don't care about the science", which was what was quoted in that *Landline* episode when Allan Hansard said, "I am not interested in the science, I am not interested in the sustainability of the commercial fishing impact on that stock; we just want it allocated to ourselves" that is basically saying that one sector of the

community wants a resource solely for themselves for one leisure pursuit. We have major concerns that a person starts out that conversation by straight away saying they do not even care about the science, that this is about allocation of a community resource solely for one pursuit. We have major concerns with someone coming along and announcing that.

The second concern, of course, is that RNC is being asked to invest in a major restructure of our industry. So fishermen such as Mr Bagnator have been asked to make a critical business decision about his future and whether or not he is going to stay in this industry and whether he is going to invest in further shares in this industry, and to then be told after that has all been completed another community sector is going to come in and use all their political sway to deny access of historical fishing grounds is of great concern. DPI has said previously to us, when the reform was first announced, that this reform, linking of shares and creation of quota was supposed to give us certainty and supposed to create property rights. The PFA has always disputed that because as far as I can see from across Australia and from across the world it does not matter whether you have got quota or not, it does not matter whether you have got strong property rights or not, someone will still come along and close down your fishery.

The Hon. JOHN GRAHAM: In your submission you suggest that there should be a two-stage approach—an exit grant process to deal with the over issued shares and then linkage later. What you are describing is a much more traditional approach to restructuring an industry, is it not?

Ms BEATTY: Yes. Throughout my history I have been through four restructures. I have worked in the Northern Territory and Queensland fisheries and I have been through four restructures. Traditionally if you create meaning to those shares then you allocate a certain value to those shares; if you have already over allocated those shares to begin with then you are basically stretching the existing resource across non-fishers. Traditionally, and what has been upheld in courts, if you go and link those shares to something then the difficulty lies in linking. If you have got a whole heap of latent shares not being used by non-fishers and you go and try to create linkage in that situation then you are spreading the active catch among non-active fishers and it creates additional hardship.

The Hon. JOHN GRAHAM: We have talked quite a lot about some of the distress and difficult choices facing the people who stay in, but does not your suggestion go to the heart of what one of the problems might be—that is, the limited incentives to actually leave the industry?

Ms BEATTY: There are two aspects that we have seen. The argument has always been buying the jobs back. The industry has said, "We do not want to buy our jobs back" versus the Government's argument of, "No, you are not; you are investing in the industry." But to invest you need to get something back for that investment and that has not been in the paperwork. The original options put forward by SARC sometimes had a bit of here and there about, "We could consider this, we could consider that, we might reduce red tape, we might reduce that" but when it came down to linking those carrots, as it were, they were not there. As an industry you are being told, "Invest in the industry. We will give you something back for it but we will not tell you what that is, and we will not even tell you what the cost will be."

How does a person make a financial business decision on whether they are staying in the industry or leaving if they do not know what the management arrangements will be, they do not know what the linkages are and they do not know what the costs will be? For example, in meshing, one of the constant questions that came up from our members was: Well, am I allowed to shoot away twice, three times? Can I keep my bycatch? Will I be able to go into here or there? Those details have more impact on their business viability than some of the things that were put forward.

Mr BAGNATO: There are some fishers out there who have been in the industry for in excess of 30 to 40 years and under the proposed arrangements, come 2018, unless they invest, will be forced out of the industry and there is no gain for them at all. What was put forward in the brief to us about investing and getting more gain for your investment and growing your business, for some people it is just about access to the right, the right they have had for 30 to 40 years in the industry. That has been taken away from them. And you are not talking about people who are latent, people who are part-time fishermen. You are talking about full-time fishers who have been out there and have made commercial fishing what it is today; essentially pioneers in the industry. They have been forced out of the industry and that is just on the first level so there are some serious issues as to what is going on.

Ms BEATTY: How we likened it to the Minister when we have had meetings with the Minister was that for those people through the independent allocation panel process, which is what Mr Bagnato was referring to, it is worse than gambling because with gambling you would know your odds. Say for example, Mr Bagnato's cousin, Paul, needs to go up to nine shares by a certain date. He has to make that decision about whether to go up to nine shares to meet the new minimum shareholding. Then he is told that in 2½ years time the independent

allocation panel process will determine what his quota allocation will be and whether it weighs heavily on catch history or whether it weighs heavily on how many shares he has got is unknown. So how do you make a business decision on purchasing shares when you do not know what your shares will equate to? Your shares may have no meaning out of the independent allocation panel process because they might rely heavily on the catch history of that business. Anyone going through the independent allocation panel process, which is four fisheries; it is incredible the amount of stress those guys are facing as well.

The CHAIR: What are the four fisheries.

Ms BEATTY: They are northern fish trawl, prawn trawl, estuary hand gathering and ocean hauling—

Mr BAGNATO: Trap and line.

Ms BEATTY: Sorry, ocean trap and line, and ocean haul purse seine.

Mr JUSTIN FIELD: Thank you for the detail and recommendations in your submission; they are very useful. You basically give an outline of the original intent of the share management fisheries process and you said there were a number of problems with it. Do you support generally the idea of share managed fisheries and if they had gotten the process right around the allocation, with no over allocation, is it a process that could be done well or potentially fixed?

Ms BEATTY: Share managed fisheries from across the world, if done correctly, can provide a benefit to the fishery, if it is accompanied with a co-management structure. When we talk co-management, it is where industry has an extremely large role in the decision-making process, which industry at the moment has not had, and has not had for a while. The problem you face in New South Wales is that share management was not done right from the start. In the New South Wales Government's own acknowledgement the shares were over issued and then they were very loosely, if anything, based on catch history; a very loose criteria. As an example, Mr Bagnato, a person who spends 100 per cent of his time out fishing the ocean trawl got the same amount of shares as a person who might have fished once in the last 10 years in the ocean trawl. Then so much time has elapsed and so many transactions have occurred back and forth that trying to make those shares mean anything now is just a nightmare.

And the Government is doing it at a time when there is very little formal consultation process in place. The Richard Stevens 2012 report said that you do not go into a structure without a good relationship with the industry. That is fundamental; it is not just fisheries. That is fundamental to primary industries, water, to anything. You have to have a good set, formal mechanism and consultation process in place. DPI was told that. They said you need a liaison unit; you need a peak industry body; you need a good relationship with industry. None of that happened. The liaison unit had one person in there. He lasted about four months. He left. Six months later they got another person in there whom we hardly saw and he lasted another couple of months in such an important process to arrive at a functional restructure; it has not happened.²

Mr JUSTIN FIELD: You raised a couple of concerns about quota systems. One concern was the potential for discards, increasing waste in the system?

Ms BEATTY: Yes.

Mr JUSTIN FIELD: Do you think discarding will be worse under the reforms than currently and where are the big problems? Which fisheries present the biggest concern around increased discarding?

Ms BEATTY: In regards to discarding, that is a real difficult one to answer because we do not know what the quota allocations are for those quota species.

Mr BAGNATO: I have been in both fisheries, the south east trawl and the State fishery. I can see in the future, if we went down a quota regime there would be a lot of excess dumping because of higher grading. In the Commonwealth fishery you can pay up to \$2 a kilo for flathead quota and your medium flathead range between \$2 and \$3 a kilo. It is not viable to keep the fish. I know they are having trouble in the Commonwealth fishery, from talking to fellow fishers, about discard rates. I do not want to be dumping dead fish over the side. I think it is a waste of a resource. It should not be happening. That is what is going to happen.

Whiting is another example. Last year in the Commonwealth fishery 30 per cent of the whiting quota was held back and from what I understand that was to increase the market value of the lease rate for the red spot whiting. There are many issues. I always believe in gear. I would rather not catch it in the first place than have to dump it in the water, if it comes to dumping fish. You get a lot of problems with the quota if it is not managed right and quota is very expensive to manage.

Mr JUSTIN FIELD: That is mainly in trawl?

² In [correspondence](#) to the committee dated 9 January 2017, Ms Patricia Beatty made a correction to her evidence.

Ms BEATTY: Yes.

Mr BAGNATO: Mixed species.

Ms BEATTY: So ocean trawl has shared species with the Commonwealth and we know the Commonwealth, when we queried the department about why on earth would they choose quota for a mixed species such as trawl, they stated that it was pressure from the Commonwealth because they are shared species. Our response was that if the Commonwealth badly manages a species it does not mean New South Wales has to follow suit. We noted to them on many occasions that Europe, which has had mixed species quota in their trawl fisheries for a decade or so are actually actively moving to go against that because of records of 50 per cent dumpage in those fisheries.

Mr JUSTIN FIELD: And what system are they going to?

Ms BEATTY: They are trying to buy out those quotas and also they are now putting on top restricted gear. There are policies being drafted, et cetera, but we do not want to go that way. We do not want to learn the lessons of the European Union 10 years down the way especially if quota is introduced in the ocean trawl. Quota is based on your history but our history is being restricted because ocean trawl is subjected to fish trawl trip limits. The guys are only allowed to catch a certain amount before they have to start throwing it over the side anyway. If you base quota on something that is already restricted and already having dumpage, you are going to create even further dumpage.

The CHAIR: You make it clear in your submission that you do not believe quota is the way to go?

Ms BEATTY: Not for mixed species.

The CHAIR: You reject the position of the Productivity Commission?

Ms BEATTY: Yes.

The CHAIR: What is your suggested alternative in that mixed trawl fishery?

Ms BEATTY: I have spoken to many of the fishers. They would just like to stick to the minimum share allocation at the moment and get some working groups together and work with Government and try and work out for the future the best solution, because the way it is looking right now, especially the way shares were issued and I cannot see a fisher getting the right amount of quota, the fish is going to be dumped. Through my business right now, the way shares were being issued, if I only get, say, 10 tonnes of flathead and I catch 30 tonnes of flathead a year, I am going to have to dump the fish. There is no structure in place for me to get the right amount of quota being put forward, and that is something that needs to be addressed.

The CHAIR: So, trying to paraphrase what you are saying, your position is stay with the current system in multispecies trawling?

Ms BEATTY: With the ocean trawl we were in a unique situation in which PFA pulled together all the northern fish trawl operators and brought them to Newcastle. The fishers from Wallis Lake and from Sydney all came up to Newcastle and we had a meeting with the manager, Darren Hale, and Andrew Galston, the director at the time, and we sat down and we went through all the options that had been presented by the Structural Adjustment Review Committee [SARC]. The northern fish trawl were already under a 10-year plan in which that fishery was, through industry initiative, adjusting itself; it was raising its own minimum shares and had a 10-year plan that they were every few years going to raise up the minimum shareholding, and even in the Structural Adjustment Review Committee's reports and meetings that they had with people they said ocean trawl is not a big issue; it is not a high-risk effort activation, the reason being that to go into ocean trawl you need a big boat, you need to know what you are doing and it is a lot of investment—the crew, et cetera.

They always said to us it was a low priority, it was not a high priority for being restructured because of the low risk of that fishery. We then had a meeting in which we sat down with DPI and DPI agreed that what was proposed was a continuation of the 10-year plan in which we just adjusted shares naturally by what was already in place. So it was quite a surprise when we walked away from that agreed meeting to suddenly see what was proposed and it was pretty much the worst option that we thought available.

The CHAIR: We will move over to the Government.

The Hon. RICK COLLESS: I have a number of questions. First of all, in your submission you talk about, and you mentioned it a few minutes ago, the need for a peak body. Is the PFA not the peak body for the professional fishers?

Ms BEATTY: No, we have never claimed to be. We represent our members and we only represent our members.

The Hon. RICK COLLESS: So what structure should a peak body take?

Ms BEATTY: DPI spent an enormous amount of money on this one. When it was first proposed in 2012 that a peak industry body was needed, they hired Peter Neville to look into it. He ran meetings and a workshop, I understand; he put out a discussion paper that talked about how it would look. That discussion paper talked about a modified PFA structure in which you would change governance arrangements, et cetera, and be more reflective of capturing the non-PFA members. The Government then said—Katrina Hodgkinson at the time put out a media release saying, "I will assist in the development of a peak industry body." From there the Government stated, "It is not the role of government to create a peak industry body. What we will do is assist."

A benchmarking exercise was done across Australia to look at how the industry bodies had been set up, and what was agreed was the most robust model that met industry needs was a body that was going through a consultation contract, and this is how the Northern Territory Seafood Industry Council is set up, the Western Australian Fishing Industry Council [WAFIC] and Seafood Industry Victoria is set up—there are three consultation contracts. From there they put out a tender calling for people to answer the consultation contract. PFA put in a tender. Halfway through the tender assessment process they closed it and we never received written advice regarding why that was closed. The verbal advice was that they said they were not interested in paying the level of funds that we had highlighted as needed, despite the fact that their own consultant said that was exactly the amount they would have expected. So it closed and that was it.³

The Hon. RICK COLLESS: Just going back to the comments you made about the days and when a day starts—whether it is when you start steaming or whatever—it is my understanding that that is still very much up for discussion and that there are some proposals to have it when the first fish is landed in the boat or when you start steaming or whatever. But, as I understand it, that is yet to be confirmed and it is open for consultation.

Ms BEATTY: The SARC final report stated 24 hours.

The Hon. RICK COLLESS: It can still be 24 hours but the starting time is the critical thing.

Ms BEATTY: The advice we received from Darren Hale, the fisheries manager, when we asked how would it work—sorry, Darren Reynolds, or was it Hale?—they certainly expressed their very strong opinion about how it would start.

The Hon. RICK COLLESS: That may be their opinion, but I think from the Minister's perspective I understand that it is still open for consultation.

Ms BEATTY: That is good to hear. We often find that what the fisheries managers state often turns out to be what happens.

The Hon. RICK COLLESS: That may be the case but, as I say, it is my information that it is still open for consultation. But moving on from that and getting on to this issue of the quota discussion and your comments about discarding/dumping of extra catch, do you think it would be a better system if there was a primary and a secondary quota so that maybe you get a better price for your primary quota but you are allowed to supply the secondary part of your quota as bycatch? You talked about catching 30 tonnes of flathead a year, of which you have a quota for 10 tonnes and you said you would have to dump the other 20 tonnes. Rather than dump it, would it be a better model if you could still supply that, albeit at maybe a lower price?

Ms BEATTY: It is not quite how quota actually works. What would happen in the quota system is that the fishermen, based on shares or catch history, we do not know, would get allocated quota. You have a prior reporting system in which when you steam out you have to say you are going out; when you are out and you start to head back in you say how much you have got on board and that gets tentatively taken off your reporting system; and then you advise "I will be back at port on this time", and that then gets validated by enforcement officers that might come and check your catch. That amount gets taken over your allocation for that year and then it depends on whether you own that quota or you lease that quota but you have temporary quota and permanent quota. The permanent quota is allocated to the fisherman; he might lease out temporary quota, but that is the amount.

Mr BAGNATO: It has been in my experience that with the Commonwealth fisheries we started off with gemfish, that was our first quotaed species, and, say, in the State fisheries they are proposing red spot whiting and flathead, what happens is people that do not have quota put pressure on other species. Then what happens is that because of the pressure of the vessels going for the other species, they become quotaed because there is too much pressure on them for sustainability reasons; so they become quotaed. It is a flow-on effect. We start off with the Commonwealth with one quotaed species, and do not quote me offhand but I think there are

³ In [correspondence](#) to the committee dated 9 January 2017, Ms Patricia Beatty made a correction to her transcript.

about 15 now that are quotaed species, and it is a roll-on effect because fishermen are always going to have to adjust their quota. One of the big issues you have got is finding quota; that has always been the issue.

The Hon. RICK COLLESS: When you talk about the red spot whiting and flathead, are they the primary species that you are chasing when you do your ocean trawl?

Mr BAGNATO: Probably 80 per cent of the trawl fishery, whiting and flathead are the main catches, but definitely if quota had to be put on them too, it would change.

The Hon. RICK COLLESS: Can I ask you where you actually catch these fish? Is it an offshore deep trawl or shallow trawl?

Mr BAGNATO: Flathead can be caught from 10 fathoms of water, which is roughly 100 metres to 200 metres off the beach. You can catch them right out to 160, 180 fathoms. Off Newcastle, that is about 28 miles off the coast. Red spot whiting is generally from shore out to 4½ miles.

The Hon. RICK COLLESS: In respect of depth, what is the cut-off level? At what depth does barometric trauma occur for fish? Are they automatically killed as they come to the surface?

Mr BAGNATO: Yes. Generally, red spot whiting, tiger flathead—any bladdered fish—once it comes off the bottom, it is pretty much gone. Any fish with a bladder, so that is tiger flathead. Sand flathead is not too bad. Red spot whiting, jewfish, gemfish, all those sorts of species. That is why I have always believed gear regulation is the way to go, not to catch the things in the first place.

The Hon. RICK COLLESS: I was going to get on to that.

The Hon. GREG PEARCE: Can you not lease extra capacity if you are reaching the limit of your quota and you do not want to throw the fish over the side?

Mr BAGNATO: Yes, you can. In the Commonwealth you can lease it. The issue that we have got in the Commonwealth, a lot of companies have bought into quota for superannuation because there is a good return on it. At \$20 a kilo you get \$2 a kilo return on your flathead. What has happened is that people hold their flathead back to increase the value of their shareholding. In the Commonwealth it is a big issue. I have given up the Commonwealth right at the moment, but I have cousins who cannot go fishing because they cannot reconcile their quota and there are big fines for that. It is a big issue. It is something we would prefer to stay away from.

The Hon. RICK COLLESS: I return to the gear design. I understand that in the prawning industry, in particular, they redesign their nets to reduce the amount of bycatch that was occurring. Is there the possibility of similar sorts of designs to the trawling nets that you use?

Mr BAGNATO: Yes. I have been proactive in that. We have worked with DPI on several occasions for gear construction. Outside 55 fathoms we use a single-braided cot end, which lets the majority of the small product out. Inside 55 fathoms, where we target red spot whiting, we use a double-braided cot end, which allows us to catch it but also allows the sand flathead and that to escape. I have done research with Ken Graham on it and it was successful. We have adopted the cot ends. Fishermen in general do not want to catch bycatch. It is a lot more work for us. Every hour it takes us to get fish down to five degrees, we lose one day shelf life. Fish have generally got a 10-day shelf life. Going through the added process of sorting through the fish, if you are on deck for three hours sorting your fish, you get low prices for your fish. We want to stick to where we are with gear regulation, not quota.

Ms BEATTY: Industry is constantly involved in national research and New South Wales research in LIFE, which is low impact fuel efficient gear designs. There is a national workshop happening next year on the same thing. New South Wales has been very much involved in that type of work.

The Hon. JOHN GRAHAM: I want to return to your evidence about the formation of a peak industry body. We all agree it is a problem that one has not been formed. You are telling us that the plan to fix this was that the tender was opened, the tender was closed; there has been no contract issued and no formal explanation?

Ms BEATTY: Yes. At the same time, the Minister, the Hon. Katrina Hodgkinson, had put out media releases saying this is happening. I think she did two media releases at the time, saying, "I am forming a peak industry body." She said that twice. That was all the advice that was going through DPI. When we queried why the tender process had not been finalised, the informal advice was that they were not willing to spend the money that we had put forward.

The Hon. JOHN GRAHAM: How much money are we talking about?

Ms BEATTY: It was about \$700,000 a year. I can provide the tender.

The Hon. JOHN GRAHAM: Given the scale of the reform it is certainly much more.

Ms BEATTY: Considering how much has been spent since, yes. PFA did not feel experienced and qualified enough to put up something that—we knew as an industry that this peak industry body had to work. PFA sought funding from the Fisheries Research and Development Corporation [FRDC] to hire an expert, which was Neil MacDonald, to speak to both PFA and non-PFA members across the State to come up with a structure that was supposed to work for everybody that everyone could be engaged in. Neil MacDonald has experience. We came across him when he was running an FRDC national workshop on how you create effective industry bodies.

The CHAIR: Is he the guy from South Australia?

Ms BEATTY: Yes, sir. We hired him through the FRDC to put forward a model that—

The Hon. JOHN GRAHAM: I want to understand where we are at at the moment. No contract was issued, no formal explanation. There is no path forward on this?

Ms BEATTY: No.

The Hon. JOHN GRAHAM: Is there any way to fix that, given where we have got to and given the complexity of this reform?

Ms BEATTY: The PFA has been strongly lobbying for the establishment of a ministry or commercial fishing advisory council. Considering that there is already a recreational fishing advisory council for the Minister, and an Indigenous fishing advisory council for the Minister, and we have not had a commercial one since the days of SIAC, there has been an absolute gap. We have been lobbying very hard for the establishment of that body.

The Hon. JOHN GRAHAM: How high a priority is that?

Ms BEATTY: Essential. We have also put a warning on that, a caveat if you will. We cannot have this body without having a supporting structure underneath.

The Hon. JOHN GRAHAM: Yes. You do not want the corners to be cut?

Ms BEATTY: Otherwise you end up with a similar situation as the Ministerial Fisheries Advisory Council [MFAC] where you have one person in closed meetings providing advice and we do not know what is going on. You have to have established working groups sitting underneath those people on that committee providing advice that has been agreed to and talked through by the industry.

The Hon. MICK VEITCH: To help the hard workers in Hansard, what does SIAC stand for?

Ms BEATTY: Seafood Industry Advisory Council.

The Hon. MICK VEITCH: I have had a number of fishers say to me that younger people are coming into the industry but they are unable to get the loans that may well be required. Is this a regular thing that you are hearing from your members, that there are issues about getting loans to participate in this process?

Ms BEATTY: Absolutely. That is why the second submission from the PFA and the New South Wales Seafood Industry Advisory Council also had Professor Daryl McPhee put forward a submission, and David Sewell Accountants put forward a submission, highlighting the fact that banks would not buy into this. We sat as an observer on the Structural Adjustment Review Committee for a couple of meetings and we highlighted that this was supposed to make us viable as businesses, yet no-one was having conversations with businesspeople. No-one was having conversations with banks. We put up several recommendations throughout the Structural Adjustment Review Committee in meetings, saying, please, can someone speak to the banks about whether they would buy into this. The paperwork kept saying you will get a property right and the banks will recognise this. Who says? Do the banks know that they are supposed to be recognising this? I think that is why—

The Hon. GREG PEARCE: It might be also because the median income throughout the industry is so much lower than average incomes.

Ms BEATTY: The advice we got from the NAB was that they did not understand the fishery structure.

The CHAIR: That is the National Australia Bank.

Ms BEATTY: The advice from the National Australia Bank was, one, they did not quite understand our income structure, which is share of the catch or percentage of the catch, which is the way a lot of the guys

go. Banks do not often understand how that is set up. They have been told that this is a property right, but as far as banks can see it still was not stopping commercial fishing being closed down. It was not ensuring that we were secure. There were questions that the banks were asking and that conversation and that dialogue still was not happening between the banks and DPI as far as we could see.

Ms BAGNATO: I spoke to my accountant for my business and she said to me, "What are you getting for your investment?" I could not answer her. We rang the DPI hotline and they could not answer her. I spoke to the rural adjustment to get the grant for \$80,000. My family and I spoke about it. I actually was accepted for the loan. I do not know how. I could not put a business plan forward. There is no way for a normal bank you could put in a business plan for this restructure that we are going through. For the life of me I cannot work out how I got that loan through the Government. The gentleman that was trying to help me out had no answers for me. Probably the heartache that fishermen have got is that no-one has got answers for us. No-one can tell us. No hotline, no rural adjustment assistance program—nobody can help us or tell us what is happening. That is the frustration that the fishermen have.

The Hon. GREG PEARCE: I understood that there was some more work being done on the peak body in the last couple of months.

Ms BEATTY: That would be the advisory council. That is not a peak industry body.

The Hon. GREG PEARCE: You do not see that as a peak industry body?

Ms BEATTY: No, that is an advisory council.

The CHAIR: At the time that I spoke to Katrina Hodgkinson, which was when it all started, I suggested she talk to the NSW Farmers Association to get them to make a bid. They declined I think.

Ms BEATTY: I have no idea why.

The CHAIR: Your submission was very concise and it has some very good recommendations. I think Committee members may want to ask some questions about the background or the detail to your recommendations. If so, would you be prepared to give us your answers within 21 days?

Ms BEATTY: Of course.

The CHAIR: Thank you.

(The witnesses withdrew)

(Short adjournment)

DAISY REBECCA BARHAM, Campaigns Director, Nature Conservation Council, affirmed and examined

The CHAIR: The Committee has received your submission, which is No. 53. All members will have read it. Prior to us commencing with questions would you like to make an opening statement?

Ms BARHAM: I will make a brief one, if I may. Thanks very much for the opportunity to be here today. The commercial fishing industry and hence these reforms really are important for the community and naturally the environment in New South Wales. The Nature Conservation Council [NCC] strongly supports a sustainable and vibrant commercial fishing industry to put food on the tables of people in New South Wales and also across the world as well as to provide long-term jobs for people across the State. I think that is something that these reforms are really aiming to address. Thanks very much to all of you for being here to spend your time on this inquiry as well.

Commercial fishing obviously impacts on the abundance of marine life and the health of our coasts and ocean in New South Wales. I acknowledge right from the start that I am not our organisation's expert on commercial fisheries. Unfortunately, she was not able to be here. I will do my very best to answer your questions but I might have to take some of them on notice and refer back to the people within our organisation and our broader membership who have more expertise on the ground—or on the water—than me. Whilst commercial fisheries are not a current focus of our organisation, the health of the marine environment certainly is. I am sure that many of you are aware of our work particularly on promoting marine parks in New South Wales and holistic management of the marine estate.

There are a few particular points I would like to make in opening. Firstly, as you would have seen from our submission, NCC is broadly supportive of the reforms but we recognise that for many years there has been latent effort in the sector. That is what these reforms are targeted at addressing, as well as many other issues. There are, of course, many more details written in our submission, which, from what I understand, even though the submission was written back in 2014, are certainly still current for the current reform process. I think it is important that we do not take these reforms out of context with what else is happening in New South Wales that impacts upon our fisheries and the marine environment.

As many of you will know, we saw just last month the New South Wales Government pass new conservation laws which really are aimed, as the Government would say itself, at increasing land clearing, which, as we remove more vegetation from the landscape, has an impact on poorer water quality. The Government is also continuing to develop our coastline and failing to adequately reduce our contribution to climate change. The commercial fishing sector will, like many other primary producers across New South Wales, absolutely bear the brunt of the impact of climate change whether that is things such as changing species distribution and abundance or through the realities of just more extreme weather events making it harder to get out on the water and more risky when you do. I would really ask that the Committee recommend that the Government commit New South Wales to keeping our emissions below the levels committed to at Paris—that is, the 1.5 degrees of warming.

Getting back more centrally to the reforms at hand, I would like to raise the issue of resourcing, which I am sure you have heard about from some of your other speakers today and on Monday. Over the past five years and particularly since the closure of Cronulla I understand that there has been a decline in resources available for the Department of Primary Industries [DPI] to manage our fisheries. Full stock assessments used to be completed. The fact that the last one was made publicly available in 2008-09 really is concerning and I think undermines the confidence that the community can have in the state of our fisheries.

Looking at the brief report provided in 2011-12—I have a copy here that I can table, no doubt somebody else has already done so—it is clear that a number of the fish species are moving to undefined or uncertain, which really is concerning and indicative potentially of a lack of resourcing available for the industry to properly monitor its stock, which is absolutely essential for sustainable management of our fish stocks. I would strongly encourage your Committee to recommend that there are comprehensive annual stock assessments that are released in a timely manner. Having skimmed through the transcript very briefly of Monday's hearing, I can see that recreational fishing catch has come up a little bit and has really been raised as an unresolved issue in today's fisheries management regime. You can see why

Looking at the 2013-14 survey of recreational fishing it is clear that for many species in New South Wales the catch is equal if not higher than it is for commercial fishing. That is dusky flathead, sand flathead, mullet, tailor and yellowtail kingfish. Those figures are only out of a total of 10 that were considered so we know that the impact of recreational fish take is considerable for many, many species. The survey also suggested that for many common recreational species the catch is actually increasing so if that trend continues this will only become more of an issue. Yet, from my understanding of the commercial fishing reforms they will not address the significant sustainability concern, and I would really ask the Committee to seriously consider how

this interaction can be better managed to make sure that species and populations are not being over-fished and sort of being missed by our current monitoring methods.

Finally, as you would no doubt expect from me, I will briefly touch on marine parks because I have seen this has also come up a little bit in previous questioning. As you know, marine parks make up about one-third of our marine estate, and sanctuary zones are about 7 per cent, which is well below the scientific consensus of what is needed to really protect marine biodiversity. The scientific evidence of marine parks, both here in Australia more broadly and globally, really is clear, including, which I think I have a copy of, in the 2012 Scientific Audit of Marine Parks which recommended that our existing network of marine parks be maintained and enhanced in places like the Hawkesbury where we happen to be now and at Twofold Bay shelf down the south coast.

NCC is fully supportive of the commercial sector which is genuinely impacted by the introduction or rezoning of marine parks to be financially supported to make the changes that are required there but really do see marine parks as a totally fundamental part of our marine estate management, of which commercial fisheries are obviously a part of.

The CHAIR: Do you want to table the document you referred to?

Ms BARHAM: Yes, I can certainly table the independent Scientific Audit of Marine Parks 2012. It was audited I believe pretty much as soon as the Government came back in in 2011 and then did not report until 2012.

Document tabled.

The Hon. JOHN GRAHAM: I noted in your submission that you said the most recent publicly available fisheries status report was 2008-09 but you have referred to the stock assessments that are coming from the DPI on an annual basis. What is the gap that is left by not having this other report?

Ms BARHAM: Yes, good question. The more recent versions that we have seen like the 2011-12 one which I quoted before are not as thorough. It may be a 10 or 12 page document and it does not have all the information that we were used to receiving.

The Hon. JOHN GRAHAM: So it is that comprehensive research that was there before?

Ms BARHAM: Yes, and in a way that was easily comparable between the different fisheries and the different stocks, which I appreciate there is an abundance of information but if you have got to go and find it all in separate documents it just makes it much harder for the community to make these comparisons.

The Hon. JOHN GRAHAM: I noted your concern about the uncertain and undefined categories rising in those stock assessments which has increased since 2010-11. There have been some improvements made in the past year but that has been increased?

Ms BARHAM: Yes, certainly from what I can see, making a quick comparison of the reports, it definitely looks to my calculation that the number of undefined and uncertain is increasing, and that really is worrying because to me it suggests that there has been a lack of resources going into the monitoring and evaluation which is just a fundamental element of sustainable fisheries management.

The Hon. JOHN GRAHAM: Obviously the science is crucial to this whole discussion. This probably would have been easier without the closure of the Cronulla research facility?

Ms BARHAM: Absolutely, yes. I think New South Wales certainly lost a lot of knowledge when Cronulla was shut down and it takes a lot of time for DPI, for those individuals—because we are talking about individual scientists—to build up that knowledge and for that to go in such a comprehensive way when Cronulla shut is a huge shame.

The Hon. MICK VEITCH: Is that the research component that was provided out of Cronulla fisheries that you are talking about, the ability to undertake scientific research?

Ms BARHAM: Yes, research but also from my understanding just organisational knowledge and the history. I am sure a lot of information can be written in reports but it is very different when you, yourself, as a long-term staff member of an organisation like Cronulla or of DPI more broadly can rely on the knowledge that you have had over many, many years and can call upon your colleagues. So that lack of knowledge and the changeover of staff is a concern for us.

The Hon. MICK VEITCH: Prior to 2008-09 how regularly were the status reports produced? I note you say they should be produced annually?

Ms BARHAM: Yes, I believe it was annually until 2008-09 which was the last comprehensive one. Before then I can definitely take that on notice but I believe they were done annually and that is certainly what we would recommend because that is in keeping with best practice fisheries management.

The Hon. MICK VEITCH: In relation to the closure of Cronulla fisheries, last Monday the Committee asked the department about where the research scientists have moved to and how many there are. The department said it has not lost all of that capacity for undertaking scientific research but it has been relocated to other parts of the bureaucracy. Do you have a view?

Ms BARHAM: That may well be right, I am not sure and I cannot really comment on that. But what matters is not so much the number of staff, it is the quality of the information that comes out and the fact that we do not have the comprehensive stock reports that we used to see is a concern rather than whether there is a slight increase or decrease in staffing. The issue is what is the quality of information and how does that inform management? Certainly looking at information available to us it looks as though there must have been a significant decrease in funding because of the quality of the information coming out.

The Hon. MICK VEITCH: Last Monday the Committee also heard testimony that there are several interested stakeholder groups that need to know what the resource is and have an interest in the resource and that we should maybe have a high level ministerial committee that has commercial fishers, recreational fishers and Indigenous fishers at the table to talk with the Minister on a regular basis about the resource itself and implications and ways to enhance the resource. What are your views about that?

Ms BARHAM: Yes, I think that makes a lot of sense. I do think it is important to have a conservation representative on those kind of bodies as well. Certainly the Nature Conservation Council has a long history of having representatives, often not staff but some volunteer members of the community that will sit on different committees and representative bodies. I know that is a really important contribution that they can make as well. So certainly for a body like that or if an advisory committee were to be established I would definitely recommend that there be some kind of conservation representative on it as well. But resourcing is really important. This is really a complicated area, of course. I would just like the Committee to consider if funding, resourcing or whatever is required to ensure that there is able to be equal and meaningful representation and participation in those kinds of bodies. From what you describe, that sounds like it would definitely make sense.

The Hon. MICK VEITCH: In your submission you also talk about the importance of observers and the issues with the current observer regime. What do you suggest to the Committee would be an enhancement?

Ms BARHAM: That is a great question but I will have to take it on notice. I did not write that part of the submission, to be honest, so I can come back to you on that one if that is all right.

Mr JUSTIN FIELD: Thanks for bringing up the points about recreational catch, in particular, that were raised on Monday. Is it correct that the Nature Conservation Council would support a better assessment of the recreational catch and potentially an environmental impact assessment of recreational fishing?

Ms BARHAM: Yes, that is absolutely right. We definitely support that.

Mr JUSTIN FIELD: Some commercial fishers have expressed their concern to the Committee about the closures, which include marine parks, though I note commercial fishing is allowed in marine parks in elements, but recreational fishing havens and some of the areas have been closed because of pollution with PFOS and PFOA such as parts of the harbour and Newcastle. Others have talked about spatial management as an being important tool for separating different user groups. Will you provide more information about the position of the NCC on marine parks such as who should be able to use them and how it manages them and its role in managing some of these questions around resource allocation and conservation?

Ms BARHAM: Yes, the NCC is very supportive of the six marine parks that we have and is publicly advocating for an additional marine park in the gap we have around the Hawkesbury shelf. That is because the scientific evidence shows that is what we need, both here in Australia and globally. It is clear that marine parks, with a good network of marine sanctuaries with no-take areas within them, are vital for protecting and enhancing the abundance of marine life within their boundaries. There is a lot of evidence about the spill-over effect of marine parks. There is a lot more work to be done on that particularly here in New South Wales and that could be an additional potential recommendation from the Committee.

What I would say is that one of the great elements about marine parks is that they provide something for everybody. If you are a commercial fisher there is most of the marine park where your activities can go ahead. If you are into snorkelling and diving there are places you can see nature in its most natural state and there are huge areas of marine parks that are not just good for recreational fishers but often fantastic and some of the best fishing in New South Wales. From the point of view of an everyday user and the millions of people in

New South Wales using the coastline, marine parks are a fantastic management tool, which is backed up with scientific evidence and social evidence.

It is clear that fishers, local community members, all user groups highly support marine parks. The former Government, in 2008-09, polled around the Solitary Islands Marine Park and found that 82 per cent of nearby resident recreational fishers supported the park and around Jervis Bay 82 per cent of recreational fishers supported the sanctuary zones within the park. That is a huge amount of support. You would be hard pressed to find other management regimes across the State that have had such a huge level of support from the community that lives nearby. That is a massive asset for marine parks.

Mr JUSTIN FIELD: Just to be clear, NCC supports a marine park in the Hawkesbury shelf bioregion, you are also supportive of the commercial fishing industry being maintained and remaining in that bioregion?

Ms BARHAM: Absolutely. That is one of the many great assets of marine parks, they do allow for recreational fishing, commercial fishing and more passive use, as it is called, such as swimming, snorkelling and boating. We support continued commercial fishing in the Hawkesbury shelf bioregion.

Mr JUSTIN FIELD: Part of this is about dividing up a pie. Different users want to access that resource for different purposes, whether it be commercial fishing or recreational fishing and the environment has a share in this as well. We heard evidence that the best thing to be done to improve habitat is by improving water quality, removing pollution, improving land management, and those sort of things. Do you have a view on where the low hanging fruit is in increasing the pie?

Ms BARHAM: The NCC is a member of the fish habitat partnership. It is a great initiative coming out of the Department of Primary Industries [DPI]. Water quality is an issue and that is one of the many reasons why the Nature Conservation Council is so concerned with the current land management regime in New South Wales. The fact the Government has just allowed a huge increase in land clearing is a concern and should be to anyone who is a fisher in fresh or salt water. There is always more that can be done on water quality. Coastal development is another big issue, removing coastal habitat. We know that marine parks, looking at the evidence, are one of the best ways to manage the marine environment. Any work that looks holistically at management of the marine estate across New South Wales has marine parks with a good network of sanctuary zones as core to that holistic management.

Mr JUSTIN FIELD: You have had a lot to do with the DPI in a variety of different areas. Going to the question of resource, there is lots going on with the Hawkesbury review, pilot programs, marine estate management program and more broadly sharks. Have you had much engagement with the DPI over this process? You have broad concerns about resourcing but it seems the fisheries element is particularly stressed within the DPI. Can you comment?

Ms BARHAM: That seems right. I have not had much contact with the DPI over the commercial fishing reforms. Engagement with them more broadly it seems the staff are stretched and constantly not able to meet the deadlines given by the Minister or that they confirm for themselves. That is a real concern for ongoing community engagement. This goes back to community members being part of committees or panels. The community, in my experience, is less and less interested in being part of those processes because they see the length of time it takes processes to go from start to finish is huge and the investment in time is significant. Increased resourcing from the DPI to move the processes through more quickly would help engender better support from the community.

The Hon. RICK COLLESS: In the introductory notes to the submission you suggest the Committee recommend the Government deliver an annual stock status report beginning in 2017-18. Would you see that report also including areas identified as marine parks?

Ms BARHAM: I think it would cover all of the commercial fisheries in New South Wales.

The Hon. RICK COLLESS: It should cover all the coast if we are going to do a proper stock report?

Ms BARHAM: Yes.

The Hon. RICK COLLESS: The other information which I can pass on to you, the most recent stock assessment that was done was in 2013-14, and that is now publicly available. In relation to the recreational fishing take you were talking about, in this day and age you have recognised the trend towards catch and release from a big proportion of the recreational industry. I am sure we will hear that from Allan Hansard later in the day. I have been fishing a couple times with Al McGlashan and he is pushing catch and release for recreational fishers.

I am a recreational fisherman and I rarely take anything home. I do let most of what I catch go because it is probably too small. That is the point, that is the way the recreational industry is going. When I was a kid, when we went fishing with father and grandfather, we kept everything. There has been a turnaround in the recreational industry in terms of understanding the value of catch and release. Would you subscribe to that?

Ms BARHAM: Definitely. There is no doubt that there has been an increase in catch and release fishing. We often do not know what the impacts of catch and release fishing are and there has been some evidence—which I did not bring with me—into the high mortality rates of catch and release. It is one thing to go out with experienced fishers who know how to successfully release a fish but a lot of people do not have that.

The Hon. RICK COLLESS: That is part of the learning exercise?

Ms BARHAM: Yes, it is a learning exercise. We need to be careful that we do not consider just because a fish was released that 100 per cent of the time it will continue to live the rest of its life as if it had not been caught. There are impacts from catch and release fishing.

The Hon. RICK COLLESS: Things such as the use of circle hooks instead of deep hooks—deep hooked fish have a lot less chance of survival than those caught in the corner of the mouth. That came out in the previous inquiry. There has been a big swing towards the use of circle hooks in recreational fishing. The NCC's campaign for more marine parks, despite what you were saying earlier, surely that is going to put more pressure on the remaining fisheries because of the exclusion zones that will be incorporated into the parks?

Ms BARHAM: I think that is where having a well-designed marine park comes in, and we have certainly seen with other marine parks around New South Wales that there are structural adjustment programs that go alongside with the establishment of new marine parks to make sure that effort is not necessarily just pushed into other areas.

The Hon. RICK COLLESS: What do you mean by structural adjustments? Do you mean paying out the professional fishermen?

Ms BARHAM: That is part of it, absolutely. If we are talking about a Sydney marine park, there are significant benefits commercially that New South Wales would gain from establishing a marine park for Sydney, just as other regions have, and that is documented in some government reports as well.

The Hon. RICK COLLESS: Is that not going to ultimately end up in a situation where there will be less local seafood available from the fish markets? A lot of our discussion has been about providing a good level of local seafood for the people of New South Wales.

Ms BARHAM: Absolutely. I think providing great, fresh, sustainable seafood for the people of New South Wales is really important but also what is really important is a network of marine parks across New South Wales. The Hawkesbury shelf, as you are probably aware, and the Twofold shelf on our border with Victoria are the two bioregions that do not have marine parks. It was identified in the audit back in 2012 that they were gaps and that the Government should look for ways to enhance the protection in those areas. So it is widely acknowledged amongst the scientific community as well as by that audit body itself that there needs to be increased protection around the Hawkesbury.

The Hon. RICK COLLESS: How then do we reconcile how extensive those marine parks should be and, importantly, how extensive the exclusion zones should be? Do you see that that will ultimately result in further reductions to the commercial take, which I think you have already acknowledged will happen? That will put more pressure on the remaining fishermen, which is surely not what we would like to see.

Ms BARHAM: I think that is the responsibility of government. If the Government is interested in good scientific management of the marine estate they will establish a marine park in Sydney and as part of that will be making sure that the affected stakeholders—and commercial fishing is obviously a big part of that—are not left carrying the bucket for the great biodiversity and social asset that marine parks are. So a marine park really is an investment in the sustainability of Sydney and our marine environment moving forward. I think it will be a great thing.

The Hon. RICK COLLESS: So people who enjoy a fish meal will have to rely more on imported fish from the Mekong River and places like that—from where a lot of fish now comes into our system—but I would prefer to see a little less of marine parks and more fresh fish on the table.

Ms BARHAM: I would rather see more marine parks—a marine park in the Hawkesbury shelf bioregion is what we need. That is what the scientific evidence suggests and that is what the New South Wales audit said that we needed as well.

The Hon. SCOTT FARLOW: In your submission you mention ocean hauling and you support a day quota in that regard. The Committee has heard some evidence today from some fishers that they thought day quotas would lead to them "hitting it hard" on that day. Do you have any comment on that?

Ms BARHAM: I would have to take that on notice.

The Hon. SCOTT FARLOW: My next question relates to recreational fishing impacts and your call for more monitoring of the catch of recreational fishers. How do you see that being implemented? What would be involved in that?

Ms BARHAM: That is a good question and I definitely acknowledge that it is challenging, but the real question for the Committee is how we better integrate recreational catch because it is really significant and if we do not find a way to do it then not only recreational fishing will suffer but commercial fishing will also suffer if we get it wrong. In terms of way to do it, I do not have an easy solution to be honest. I think some of the surveys that have been occurring in partnership with DPI and the recreational fishing trust have been great. I understand that is really resource intensive. I do not have a golden solution for that but I certainly think it is something that just has to occur, particularly given the increase in many of the fish identified in the recent survey.

The CHAIR: Thank you for tabling the two documents that you did. I notice the second document was the Independent Scientific Audit of Marine Parks in New South Wales. That was carried out in 2012, which was after this particular Government came to the Treasury benches. Are you aware that a couple of years before that, probably in 2010, the Labor Government did an independent scientific report on the veracity of the existing marine parks?

Ms BARHAM: I think so. Is that called the Review of Benefits of Marine Protected Areas and Related Zoning Considerations?

The CHAIR: No, it was called the Independent Scientific Panel Report on Marine Parks. There are two reports; I was wondering whether you were aware of that.

Ms BARHAM: Now that you have mentioned it, it rings a bell.

The CHAIR: You probably would have been aware at the time.

Ms BARHAM: I would have. I was the marine campaigner at the Nature Conservation Council for a while so I certainly read everything at that stage.

The CHAIR: How long were you in that position?

Ms BARHAM: I was in that position for about a year.

The CHAIR: Committee members will obviously have some questions on your submission and the evidence you have given today. We would like answers to those questions within 21 days if possible. Thank you for appearing before the Committee today.

Ms BARHAM: Thank you for your time.

(The witness withdrew)

STEVEN JAMES KENNELLY, Director, IC Independent Consulting, before the Committee via teleconference, sworn and examined

The CHAIR: Professor Kennelly, in what capacity are you appearing before this Committee today?

Professor KENNELLY: I am an independent fisheries scientist and I have lots of experience in this field, especially in New South Wales. I am the former Chief Scientist of the New South Wales Department of Primary Industries. I have spent the last four years or so giving lots of advice to governments and other international agencies about fisheries management and fisheries science.

The CHAIR: Would you like to make an opening statement or give us your ideas on the terms of reference of this inquiry?

Professor KENNELLY: I will start by referencing something that I prepared a long time ago. It was nine years ago when there was first talk about the commercial fisheries reform that is occurring throughout New South Wales at the moment. It was being discussed nine or 10 years ago in response to a thing called the Stevens report by Richard Stevens. I prepared, in association with various senior scientists in fisheries at the time, a briefing note to my bosses at the time about the reform process. In that I mentioned that I thought that things were not going in the right direction. Basically the way that fishery stocks in New South Wales exist and the quite unique businesses that have developed over the past century or so to catch those stocks is quite unique.

By world and national standards the stocks in New South Wales and the fisheries that exploit them are characterised by being quite small, with fairly limited production but very diverse in the various species that are available as well as the methods that are used to catch them. This has led to the fishing businesses having many endorsements, like individual fishing businesses in the estuary general fisheries as well as the estuarine prawn trawl that overlaps with that, ocean trap and line fisheries. The fishermen who operate in those businesses have lots of different endorsements to catch relatively small landings of stocks but across many species and in many places.

This allows these fishermen, who are basically jacks of all trades, to move from fishery to fishery, method to method, stock to stock, species to species as the conditions in terms of the catchability change. As they become marginal in one particular place or one particular stock, they will shift methods and start catching something else. They are low production and high diversity—the fishermen who have developed over the last century or so—and match the characteristics of stocks of fish that occur off our coast and in our estuaries, that is, high diversity and fairly low production.

Basically the idea of the reform is to try to move many of these operators into more specialised units so that they are catching fish in one or two fisheries or fewer endorsements and they will have less capacity or flexibility to move to other stocks. Therefore they could run the risk or they will run the risk of fishing down those few stocks that they have access to. That was something we said nine years ago and that was pretty much met with some sort of negativity by my bosses at the time and it was pretty much ignored.

We did not have a hell of a lot more to do with that after that because basically we were sort of saying, "Look, this sort of specialisation that they wanted to do and put these round pegs in square holes, if you like, didn't really match the sorts of fishing businesses and stocks that have evolved to catch those species." That is the overarching thing that I wanted to mention.

As to your terms of reference, that references quite a few of the various issues we are discussing at the moment and quite a lot of the controversy going on where people in the estuary general and estuarine prawn trawl and ocean trap and line fisheries are up in arms about the way that this reform package has been developed and the proposals in it to the point where you are now having this inquiry.

That is basically the sort of tenet that we put up nine years ago. As to the value, looking at your terms of reference, and the history where the fisheries have evolved over nine years to be what they currently are, they are pretty unique in that they are able to exploit these stocks that are fairly diverse and widespread but are basically fairly marginal and they are able to do it quite efficiently. It has led to the flavour, if you like, of these fishing businesses that occur throughout our coastal towns where small operators catch lots of different species in lots of different ways, and they do it fairly successfully, and have done for well over a century.

We also have in New South Wales a very, very large recreational fishing sector. Attempts to try to reduce fishing effort by the commercial sector are going to be met by what we used to call the recreational sponge, if you like, where the stocks that you save by reducing commercial fishing effort are fairly quickly absorbed into the recreational catches where we have a very large recreational fishery—one of the largest in the

world in fact, with over one million anglers—and they will quickly catch those species and those fish that any sort of structural reform may be designed to protect.

In terms of value of the commercial fishing sector, you have probably heard all about that; you know all about that. It is round about 15 per cent or 20 per cent of the supply that New South Wales has caught by our commercial fishing sector. The rest of it comes from interstate or overseas. In terms of the science available and the scientific research underpinning fisheries management, that has been fairly well documented as being reduced somewhat since they closed the Cronulla fisheries laboratory down. There was quite a loss of expertise when that occurred; it has not really been replaced.

As to the current arrangements for the assessment of fisheries by the Department of Primary Industries, Fisheries Resources Assessment Unit, there was a recent review done of that by McCoy and Stokes, who are pretty good operators, and that document, which you should have a copy of, is fairly pointed in criticising the availability of the science, et cetera, and the ability of the department to do the fisheries assessments that are required to inform the current structuralist adjustment program.

Talking about term of reference (1) (e), the business adjustment program, I have mentioned already my thoughts on that in terms of how it may or may not work, given the nature of the fisheries off our coast. Basically I suggest it has taken way too long for this thing to occur. It is bad for individual businesses. For the last four years I have been a small businessman myself and I know that having such lack of surety around rules and regulations is not good for business or anyone trying to operate a small business in this State. One of its main features is a big government type of view of the world where government or government departments are trying to force around about a thousand or so small businesses into doing what the Government wants them to do in terms of share trade, et cetera. It makes things fairly inflexible for the small operator and it interferes with small businesses and how they go about their daily lives.

In terms of the approach of other jurisdictions, for the sorts of fisheries that we have off this coast and the sorts of fishermen involved in other parts of the world, you really would not have such a complex system of structural reform occurring. Sure, it is great to have quota managed fisheries occurring where it is suitable and in some cases that works extremely well and in New South Wales it is working very well for abalone and rock lobster. The sorts of structural adjustment packages and structural reform being suggested at the moment for the State could work quite well for certain more mechanised industrialised type fisheries such as the offshore prawn trawl fisheries but for the smaller scale fisheries in the estuary general, ocean trap and line, which is the bulk of the fishing licences in the State, it is a bit of a square peg in a round hole. That is my opening statement. I went way longer than two minutes, which I was supposed to stick to; I am sorry about that.

The CHAIR: No, don't apologise. Where we do not have a submission from a witness it is always good. We had another qualified witness give evidence and it is probably the best way to go because it allows the Committee members time to think about what you have said and formulate the questions. Before I move on I might just ask you one question: given what you have said about the complexity of the industry in New South Wales and the historical development along those lines, what do you feel about the Government's assertions that it has worked for the lobster and abalone industry, therefore it will work in the rest of the industry? Do you think that is an oversimplification or a wrong statement?

Professor KENNELLY: Yes, I think it is wrong and I think it is oversimplification because they are much different fisheries. The lobster and abalone fisheries are simple fisheries; they are mono-specific. They catch one species without a lot of bycatch or no bycatch with the abalone and very little bycatch with the lobster fishery. They are targeted and they are high priced, low volume fisheries. Trying to extend that model into fisheries that are high volume, relative to lobster and abalone, but very, very low value—like every other species such as bream, mullet, flathead, whiting, all those other fish species, in the estuary general, estuarine prawn trawl, and ocean, trap and line fisheries, does not fit that sort of model because you have high diversity that is also caught by a very large recreational sector that also catches that same species. That sort of management model just does not apply.

The CHAIR: I will now move on to some questions from the Committee. Mick Veitch from the Opposition is going to lead off.

The Hon. MICK VEITCH: In your estimation, what will be the impact of creating multi-fishery, multi-method, multi-species fishers on the stock and sustainability of our fish stocks in New South Wales?

Professor KENNELLY: Currently it works well by having these multi-sectors like jacks of all trades, as I said before, who flock around between different sectors and different fisheries. As the mullet go off they will go and target some bream or target the flathead or whatever and once they start getting a bit marginal they will move on to something else and so on. They have worked for over a century so they have developed how to

do this sustainably. By forcing a management regime onto them where people need to specialise and to buy up shares and go into debt to buy up shares in order to catch the same stuff that they caught before, or to specialise and so on, leads to a situation where fishermen will have to borrow money or find money in some way to do that. Sure, there is the \$16 million that the Government has, but that will not be sufficient to be able to do this.

Fishermen will have to buy up shares in various fisheries just to maintain their current fishing practices or the current quantities that they catch or to specialise into particular sectors. That will lead to pressure on the fishing stocks; that will lead to increased pressure because fishermen will be forced into fishing harder than they did before they were in debt. You have to work harder if you have to pay off a loan and that is just not a place to force any sort of industry into, especially one that is in many senses a lifestyle type of fishing sector, if you like. In some parts of the world the sorts of fishing that goes on off our coast by our commercial fishing sector would be classed as artisanal. Off the west coast of Canada, for example, they would class these guys as artisans who fish in a particular way, fairly low mechanised sophistication, but catch really good-quality local produce that feeds into their local communities in a very efficient way, and that, to me, should be encouraged and not have some big daddy process come over the top of it that involves those same fishermen having to go into debt in order to operate.

The Hon. MICK VEITCH: With regard to the \$16 million, you indicated then that you do not think it is enough. Why do you make that statement and, in your experience, what do you think would have been enough?

Professor KENNELLY: The answer to that would require a fairly significant economic survey of what the various choices are open to individual fishermen, but why I made that statement is because fishermen have called me over the last few months and have said that, that the \$16 million just would not be sufficient in order for people to match the amounts of shares and share trading and so on that would be required to meet the structural reform targets.

The Hon. MICK VEITCH: Should we have worked on removing the latency in the sector before we moved on to the other parts of these reforms?

Professor KENNELLY: Yes. I have always advocated that latent fishing effort, which is quite a significant issue for New South Wales, should be the thing that goes first. It is a big risk for any fisheries management regime to have many, many basically what you would call sleeper licences—licences that are sitting there that are not active but could become active. That is something that needed to be addressed 20 years ago, not now. It should have been addressed a long, long time ago but it has not been. I remember things were kicking around about 20 years ago—the use it or lose it policy where the idea was that if a licence has not been used in five years then basically it has retired. That was probably a good way of approaching it, but that was about 20 years ago and that boat has sailed, if you like, so it did not see the light of day, which is unfortunate probably. So what has occurred since then is people buying up those sleeper licences and having them sitting there and it is still a significant risk, where they could be activated and people go out and start smashing stocks to compete with the existing fishermen who, as I have said before, are quite sustainable in their practices and have been operating that way for over a century.

The CHAIR: We will now move over to the crossbench.

Mr JUSTIN FIELD: You made a comment before that quota is suitable for some fisheries, and you gave the example of prawns, but smaller-scale estuary general ocean trap and line is not. How would you do it? Do you basically leave it as it is? Are there other mechanisms or are there input controls that you would look at? How would you respond to those?

Professor KENNELLY: As you are probably aware, there is a plethora of different management options available to any management agency to run fisheries and they have been doing so for well over a century off this coast. There is a variety of things for those relatively small-value stocks, diverse numbers of species and so on, where input controls have worked fairly well in the past; it is what fishermen are familiar with. Trying to force a quota management system on those sorts of mixed species, multi-method fishing sectors is fraught with problems, especially when there is not a massive amount of value in the total. If you are dealing with a fishing sector involving a few hundred fishermen and it is worth a billion dollars or something—some of these fisheries I have been working with in the United States, for example, like the scallop fishery, for example: half a billion US dollars per year. You can do some things, you can do quota management, you can do things like that and share trading et cetera, but when you are dealing with something that is worth a relatively small amount of money the economics are just not there to be able to put an overly complex, sophisticated management regime over the top of what is basically not much more than a cottage industry.

Mr JUSTIN FIELD: So if the Committee was to recommend, say, that reforms not proceed in a couple of those core fisheries, what do you do with the people who have already traded shares on the basis of making assumptions around the reforms?

Professor KENNELLY: I cannot comment on that because unfortunately I have not been familiar with what has occurred since I wrote that document nine years ago. I was pretty much shut out of things after we wrote that document nine years ago. In fact, it was said to me by the members of the current Government, by several MPs, when we were going through the Cronulla closure that one of the reasons for the Cronulla closure was the opposition of myself and a few of the scientists at Cronulla to this reform package. I did not see it personally, but it was said to me by some of the bosses in the Department of Primary Industries as well as several members of Parliament. So I was kind of closed out of that and I have not been familiar with what has occurred to date in terms of what trading has occurred or how the thing is being rolled out over the last few years. So I apologise but I cannot answer that question because I really am not familiar with what has occurred in the recent past.

Mr JUSTIN FIELD: I might ask then about this recreational fishing sponge you mention. What does that mean for quota management, should we go down that path, and for stock assessments that might underpin quota decisions in the future when you have this recreational fishing sponge out there? Is it even possible to have a quota management system when you have so much uncertainty about a big element of the take?

Professor KENNELLY: It is really, really difficult to do so. If you do not have a really good handle on this massive amount of fishing effort that is going on over the top of the commercial fishing sector that is catching the same species—I am talking about the same animals; not lobster and not abalone, which to all intents and purposes are not really targeted by the recreational sector, there is not a massive amount of effort on that, but for things like flathead and bream and snapper and all the other stuff that we are basically talking here with the estuary general fishery and the ocean trap and line fishing sector, yes, any attempt to try to manage things using total allowable catches and to try to do things so that you can maintain the sustainability of those stocks is going to be fraught with problems where you have a million recreational anglers out there waiting to catch those fish, those same species, those same animals. Until you get a really good handle on that and try to manage the stock holistically, taking account of the recreational and the commercial sectors' catches, you are not managing it in a properly sustainable way. You need to take account of all the fishing pressure that is occurring on those stocks, not just, in many cases, one relatively minor component.

The CHAIR: Professor Kennelly, I will now hand over to Government members.

The Hon. RICK COLLESS: Steve, it is Rick Colless speaking. I will go back to the issue of the recreational fishing sponge, as you described it. Surely that recreational pressure is a lot more seasonal—occurring around the holiday periods—than the commercial fishing take would be. I find it a little interesting that you say that where the structural reform proceeds and the commercial take decreases, that that is going to be taken up very quickly by the recreational industry.

Professor KENNELLY: It is an interesting point. The person who first introduced me to the concept of recreational sponges was Doug Ferrel. I am not sure if Doug is giving commentary in a single process, but he is one of the main architects of the current commercial reform process that is going through. He is a manager at New South Wales Department of Primary Industries. Doug introduced me to that, and with stunning evidence. There was a big closure to the take of snapper in Botany Bay. When the department closed Botany Bay prawn trawling down, there were huge quantities of little snapper being caught in that fishery as bycatch. We predicted an increase in snapper catches by the commercial sector after that, but we did not see it. We did not see a big increase in snapper catches by the commercial fishing sector of New South Wales in the four years after that closure, yet we thought it would happen. We put it down to increased catches of snapper by recreational anglers.

We did not have good systems for monitoring that; all we had was anecdotal information from recreational fishermen who claimed that they had never seen so many snapper in all their lives. We saw in that case that a predicted increase in one species did not occur and we put it down to increased catches by the recreational sector. In terms of the seasonality of recreational fishing, sure, it can be seasonal, but it does not hold true that everybody goes fishing only in the Christmas holidays. There are many avid recreational fishermen who go fishing all through the year at any chance they get. That is quite a significant number of people. Well over a million people do that, or they hold licences. Quite a significant proportion of that one million people go fishing regularly and are avid fishers. It is not true to say that recreational fishing is a seasonal thing. It occurs throughout the State on a regular basis.

The Hon. RICK COLLESS: Thank you.

The Hon. GREG PEARCE: Mr Kennelly, it is Greg Pearce. I want to go back to qualifications and so on. Have you done any academic work on structural adjustment of fisheries?

Professor KENNELLY: I am familiar with these fisheries. I have done some work in recent times in the big fisheries off the north-east coast of the United States in the New England area. They are massive fisheries. Some of the largest fisheries in the world operate off that coast, so I am quite familiar with that process. I have been advising the US Government on systems for monitoring those fishing sectors in light of the reform processes that have occurred over there. I am fairly familiar with them. I am also quite familiar with one of the largest fisheries in the world, the tuna fisheries that operate out of Papua New Guinea in the Western Pacific. It is one of the largest fisheries in the world and I have been working in assisting the Papua New Guinean Government in that area as well, which involved significant structural reform around using a days-at-sea legislation, not a quota. It is not a quota as such, but fishing effort restrictions.

The Hon. GREG PEARCE: So you have not looked at quotas and you have not looked at share managements?

Professor KENNELLY: Yes. Sorry, I was in charge of New South Wales fisheries research when the lobster and abalone process occurred. I sat on the total allowable catch [TAC] committee, which you might be familiar with, for several years, as the fisheries management expert, which decided on the quotas that would be allocated per lobster and abalone. So, yes, I am fairly familiar with it.

The Hon. GREG PEARCE: I am curious because we have been given a copy of the brief, I think it is, that you were talking about earlier in your evidence, which one of the other participants in the inquiry put out with a press release earlier this year. You described your experience then along these lines, "The following comments are therefore made with little familiarity of what has occurred so my comments below may be seen as somewhat naive." Can you put that in context?

Professor KENNELLY: Yes. That was nine years ago and that was a response to the fact that I was not involved in this process. I was not involved in this particular process other than being asked to provide commentary on the Stevens report and that blurb, and my review that you have got there. That is why I was not involved as a fisheries manager in that process—in this current structural reform process—which is why I answered the earlier question about what I think about current share trading and so on, and how things will be reversed or changed, or whatever. I cannot answer that because I have not been involved with it since I wrote that document nine years ago. I have not been involved in this one, but I have been involved in many others, yes.

The CHAIR: Thank you, Professor Kennelly. I might ask for a point of clarification. During the last answer you were talking about your work in some of those other fisheries. You mentioned an alternative to quota management, but I did not quite hear what you said. It was something about inputs.

Professor KENNELLY: Yes. A very well-managed fishery, which is one of the biggest in the world, is the Western Pacific tuna fishery, which is operated by Papua New Guinea, and it is a days-at-sea legislation. The commercial fishing vessels are allowed so many days of fishing per year, so it is effort control, where you are allowed to set your net. Once you set the net, it is a day's fishing, and you are allowed only so many days per year. It is a similar system that is used in the Spencer Gulf prawn trawl fishery, which is a very well managed fishery and one of the best in Australia, in fact. That involves number of days fishing, not a quota in terms of stock removal in terms of numbers of the animals or quantities removed, but the number of days you are allowed to fish. That is an effort management system that works well in those systems.

The CHAIR: Thank you. On that point, previous witnesses representing the industry have indicated today that they felt that a day's effort, if you like, or having an input control on the day's fish could be problematic given the smaller size of the equipment used by some of the inshore fishers, and that it may well disadvantage the fishers. The examples you are talking about are very large fisheries?

Professor KENNELLY: Yes.

The CHAIR: Do you see any problem in translating that to the type of fisheries you described existing on the coast of New South Wales?

Professor KENNELLY: Yes, there would be. As I said, they are only small and they are multi species, et cetera. It is horses for courses. You have to develop a system that is specialised for particular fishing methods. For the estuary general fishery and ocean trap and line fisheries off this coast, you would need to tailor the fisheries management regime involving input or output controls accordingly. I am not saying that output controls are no good at all. They worked really well with lobster and abalone, and I think the spanner crab fishery off the coast of New South Wales should lend itself well to quota management. I think it may have even

gone to quota management by now—or it was going to a few years ago—involving a TAC, et cetera. It is another one of those fisheries that lends itself to quotas, but other ones do not. Input controls would be more appropriate and not necessarily involving days at sea. The days-at-sea legislation works for some things. It will work for some things off this coast but not all of them. It really depends on the nature of the beast. As I started out saying, the nature of this beast off this coast is categorised by high diversity in terms of fishing methods, fishermen catching different species—lots of different species, lots of different methods and not a massive amount of volume in any one.

The CHAIR: Professor Kennelly, thank you for agreeing to give us your evidence, particularly over the phone, which is a bit more difficult. I am sure some of the Committee members will have questions. If the Committee sends those questions to you, would you be able to give us responses within 21 days?

Professor KENNELLY: Three weeks from now? I cannot guarantee that. I have got to do a bit of travelling.

The CHAIR: That is okay.

Professor KENNELLY: I can try but I cannot guarantee it.

The CHAIR: That is fine. Thank you very much for giving us your time.

(The witness withdrew)

DAMIAN KERVES, New South Wales Chair, Australian Fishing Trade Association, sworn and examined

ALLAN HANSARD, Chief Executive Officer, Australian Fishing Trade Association, sworn and examined

Mr KERVES: I also represent a company called Rapala VMC Australia

The CHAIR: I note that you made a submission to the Committee, which is submission No. 108. Before we proceed with questions would you like to make a brief opening statement?

Mr HANSARD: We would like to make a brief opening statement. We would also like to table it so if I run over time you can read it at your leisure. The Australian Fishing Trade Association [AFTA] values the opportunity to be a witness for the parliamentary inquiry into the New South Wales commercial fishing sector. AFTA is the peak national body that represents the businesses and communities that support Australia's three million to five million recreational fishers, including the over 800,000 recreational fishers who live in New South Wales. AFTA supports sustainable commercial fishing in the context of resource sharing that demonstrably maximises the economic, social and environmental returns to the State.

AFTA considers the reforms of the commercial fishing sector to be one of the most important issues facing recreational fishing in New South Wales for over a decade. The outcome of the reforms will influence the future direction of not only the commercial fishing sector but also the recreational fishing sector for generations to come. It is that important. At stake is the future of the \$800 million commercial fishing sector and also the State's \$3.6 billion recreational fishing sector, the hundreds of thousands of recreational fishers, the thousands of large and small businesses and hundreds of communities that are part of the recreational fishing fabric in New South Wales.

AFTA wishes the Government to note that the reform process will cost the State and recreational fishers of New South Wales in excess of \$36 million. An amount of \$20 million was funded previously by recreational fishers in what could be considered a failed adjustment process and \$16 million has come from the taxpayers for this round of reform. As the industry has an annual gross value of \$80 million this makes the New South Wales recreational fishers and the New South Wales taxpayers significant stakeholders in this process. We expect to see a satisfactory and expedient and sustainable return from this investment. New South Wales recreational fishers have been more than patient on this issue and it is time to see some results.

As stated in the Stevens report on commercial fishing in New South Wales, it is clear that there are too many commercial fishing licences in New South Wales. There are around 600, for example, in the general estuary alone. This needs to be drastically reduced. The current situation is impacting on all aspects of fishing management in the State, including the viability of commercial operations, sustainability of fish stocks, opportunities for recreational fishers and the businesses and communities that support them. It is also creating tensions between commercial fishers and the stakeholders who wish to share the resource.

It is our view that every year the reforms are not implemented and commercial fishing numbers are not reduced there is a significant cost to the New South Wales community through lost economic, social and environmental benefit from recreational fishing opportunities and through the inefficiencies created by having too many players in the commercial fishing sector. This reform provides a once-in-a-generation opportunity for the Government to change the paradigm of fishing management in the State to one of true resource sharing based on maximising community return from those uses of the resource, to one that right sizes the commercial sector, reflecting the sustainability of the resource it accesses and the markets it supplies, to one that recognises the growing opportunity for aquaculture, and to one that recognises the true value of the resource ensuring quality rather than quantity and efficiency rather than waste as the main determinants of supply.

AFTA notes that the Government is the manager of the fish resources and that it is responsible for managing these stocks to maximise the benefits for the New South Wales community. However, it is AFTA's view that the Government has been preoccupied in trying to maximise the value of the commercial sector rather than maximising the value for all users of the resource including recreational fishing and other resource users. AFTA asks the Government to recognise the value of recreational fishing and the principles of good resource management by including recreational fishing in the reform process. AFTA notes the moves in America in this regard. It has recently passed an outdoors Act that will require government decision-makers to consider the economic and social benefits of outdoor activities including recreational fishing when they are developing and implementing policies. I will table for the Committee a press release by the Obama Government in relation to that.

Our concern is that if New South Wales does not take this broader approach it will be obtaining a partial outcome that will not deliver maximum benefits for the use of New South Wales fish resources for the State and will inevitably lead to impacts on the resource and escalate tension between commercial fishers and other stakeholders. Simply, it will be hurting the economic, social and environmental wellbeing of the State.

Finally, AFTA wishes to note the substantial recreational fishing expertise of the Committee. AFTA also wishes to offer its assistance to the Committee in its assessment of the commercial fishing reform process.

The Hon. MICK VEITCH: Thank you for your submission and your attendance today. In your submission you say:

The reform process proposed by the government continues the "old school" fisheries management approach geared almost completely around the precepts of "maximum commercial yield/maximum commercial profit".

If there is to be new school way of managing the State's resource, what is it?

Mr HANSARD: Recognising the value of all uses, including not only commercial uses but also recreational fishing and other stakeholder uses of the resources. That is the best way to actually maximise the full benefit of using the resource for the community.

The Hon. MICK VEITCH: I have travelled up and down the coast and talked to commercial fishers about the reform package. It would be fair to say that there are some quite significant tense points from time to time between recreational and commercial fishers. How do we overcome that? I will qualify that. It has been put to the Committee on a couple of occasions in the past couple of days that maybe having commercial fishers, recreational fishers and Indigenous cultural fishers all on some sort of advisory council or round table to provide advice to the government of the day is one possible model of getting everyone together. If that is not a model you support do you support some other model?

Mr HANSARD: I make this comment. The more we have discussions and consultation with the Government, commercial stakeholders, Indigenous stakeholders the better. I think a lot of these issues can be worked out if you have got a good consultation process in place. Just a comment about the existing reform process, recreational fishers really feel they have not been included specifically within that process even though the impacts of this reform are quite broad and deep in relation to their potential impacts on the recreational fishing community.

The Hon. MICK VEITCH: You also say in your submission, "We could be doing more to restrict the catch taken by the commercial sector in order to allocate more fish of varying sizes to the recreational sector, restricting methods such as estuary meshing and creating more recreational fishing havens where all commercial fishing is restricted." If a commercial fisher is investing in the purchase of shares and in their business at this point in time, and then this takes place further down the track, why would you invest?

Mr HANSARD: That is why in the opening statement we are asking to be part of this process now. We have been asking to be part of the process for a long time because this is an issue. Basically we would like to see a rebalance of the resource use but how can you do that if you doing a partial outcome? Hence my comment about a partial outcome in relation to the reform process.

The Hon. MICK VEITCH: Does commercial fishing have a role in New South Wales? If so, what does it look like?

Mr HANSARD: Most definitely. As I said in the opening statement, we do see a real positive role for commercial fishing to provide fish to the New South Wales community but that needs to be in the context of resource sharing, and true resource sharing in relation to maximising that value to the New South Wales community. It cannot just be maximising the value to commercial fishers, it has got to be that broader sense. In that sense we do support sustainable commercial fishing.

Mr KERVES: We absolutely acknowledge that it is a shared resource but we just think it can be done better.

Mr JUSTIN FIELD: In your submission you note that recreational fishers are the largest stakeholder group affected by policies on fisheries management. I put it to you that the six million-odd consumers of seafood in New South Wales are the largest user group. They use the resource, they consume the resource and the bulk of that comes from commercial fishers in New South Wales. How do you respond to that suggestion?

Mr HANSARD: That is true in a sort of down-the-chain sense but we are the ones who are really engaging at the resource level, and that is what we mean by user stakeholder. Otherwise you are moving down the chain process and as there are consumers of fish there are also down-the-chain effects in relation to recreational fishing suppliers of goods and services. We qualify that by saying we are the largest user stakeholder. We are the largest one that is out there actually on the water engaging with the resource stock.

Mr JUSTIN FIELD: Eventually people engage with it on their plate. If we are talking about rebalancing, the Committee has heard evidence that the recreational take on certain species is higher than the commercial take. So we are talking about a rebalancing and you have got 850,000 directly engaging with the

resource but you have got millions who are looking to consume that resource. Would it be more of a balance to ensure that the recreational take better reflected that percentage of users? In fact, the balance is a bit skewed the other way for some species.

Mr HANSARD: We do not step away from the fact that we fish and we take fish but we also let fish go. It comes back also to the value of that as well. It also comes back to, I think, your objective in relation to providing fish to consumers. Are you advocating a self-sufficiency approach by the Government in relation to this matter?

Mr JUSTIN FIELD: I am not sure what you mean by that. I am a licence holder. I am a recreational fisher. I catch fish. I eat fish. I also buy fish from the fish shop when needed from the cooperative down in Ulladulla where I live. I think that for a lot of people they consume fish and engage with the resource in all of those different ways. My sense is that too much of it is one group and there is another group. I think broadly there is an interest across the board. I agree with you that the Government has to look at balancing those interests. My question is whether the balance is a little bit in favour with the recreational industry given the suggestion for more havens potentially or more areas where commercial fishers cannot go. Already you are accessing more of the resource as a total proportion for some species than commercial fishers. That is where my question is coming from.

Mr HANSARD: I think there is a true statement in that when you manage this resource you need to do it taking into account all resource users, and that is our point. Just as you say that is happening, I could say the opposite. There is no real science to actually look at what is really happening in relation to the take of commercial fishers versus recreational fishers specifically for species.

Mr JUSTIN FIELD: Would you support an environmental impact assessment of the impact of recreational fishing?

Mr HANSARD: No, a bit broader than that. There needs to be environmental, social and economic because this is really maximising the value of that resource for the community of New South Wales. It needs to be broader than just environmental.

Mr JUSTIN FIELD: Would you support an environmental assessment?

Mr HANSARD: Yes, as long as it was balanced with the economic and social as well.

Mr JUSTIN FIELD: You heard the comments online about the recreational fishing sponge. The sense from these reforms is that there will be fewer commercial fishers and you seem to call for that as well. If we take the sponge analogy as being true at the end of the day you advocate simply for that allocation to be redirected from commercial fishing to recreational fishing. Is that what you are calling for?

Mr HANSARD: We are calling for a rebalance, yes. We are calling for a proper recognition of the value of use and that has not been determined. We think that there does need to be a rebalance towards recreational fishing. It should also be noted too that there has been quite a discussion about regulation in relation to commercial fishing. I think it needs to be recognised that recreational fishing is also heavily regulated. We not only have input but we also have output regulation that is determined by the Government as the manager. We have regulations in relation to the type of gear we use. We also have regulations in relation to the number of fish we catch and the size of fish we catch. So we are heavily regulated in relation to our interaction with that resource. I think there are plenty of levers there to actually help create the right balance but we need to have that resource considered in a holistic way to do that.

The Hon. RICK COLLESS: It has been suggested to the Committee not only in this inquiry but also in a previous fishing inquiry that there a number of recreational fishermen who are hidden illegal commercial fishermen selling their catch at the pub, behind restaurants and so on. Is that a problem within the industry? If so, how do we overcome that issue?

Mr HANSARD: I think it is a real problem. Recreational fishers pride themselves on going out and often catching fish for no other reason than they want to and putting them back in the water. That gives recreational fishing a bad name. I would ask the Government to put all its power behind laws to stamp it out. It is not right. Whatever needs to be done to stamp that out we would support.

The Hon. RICK COLLESS: It is fair to say that there has been a big push from the recreational industry into the catch and release process over a number of years, but there needs to be an awareness program to make sure that those people know they are going to be targeted if they are going to be illegally fishing.

Mr HANSARD: I fully support that. You are right, Mr Colless, the recreational fishing sector is very aware of its engagement with the resource and the community. To that extent we released a national code of

practice that covers not only New South Wales but nationally. That code is all about respect: Respect for the resource, respect for your fellow fisher and respect for the environment. We are very much self-regulating. The last thing we want is people acting illegally and creating a situation that is not right for commercial or recreational fishers.

Mr KERVES: One of the worst cases was in the late 80s and 90s. It was the sale of yellow fin tuna from amateur fishermen and as a member of the Sydney Game Fishing Club I was made aware of a couple of people and they were kicked out of the club. We know that is inappropriate. We have regulated that within the fishing fraternity and that has been going for 20 or 30 years. I am not aware of much at all, if anything.

The CHAIR: Do you have any evidence of the concept of the sponge? In other words, Professor Kennelly presented anecdotal evidence about the snapper fishery in Botany Bay. I know there are only two what I call closed controlled assessments of recreational fishing on two recreational fishing havens; they were Tuross and Lake Macquarie. The last one was done 11 years ago in 2005. Can you suggest to the Committee how to carry out the scientific research needed to produce an economic and social survey of recreational fishing, given that it is such a spread out activity? It is not like you can count the fish on a trawler coming into a fish market.

Mr HANSARD: That is a detailed assessment to do. To look at that sponge issue, which I do not actually agree with, because if you have proper sharing of the resource all that is is a reallocation to a higher value use. There is nothing wrong with that as long as the stock is sustainable. That is the main thing, you need to make sure the stock is sustainable. Once you know the sustainability you know the size of the pie and it is about who obtains various parts of the pie. I am not really too convinced about the sponge argument. If you wanted to test it what you would do is look at an area where commercial fishing was removed from the system and look previous to that what the catches were and post that what the catches were from recreational and commercial fishers. It may take a little bit to do.

The CHAIR: That horse may have bolted given the base line. Given such an assessment would be expensive and from anecdotal discussion, going back to the recreational fishing inquiry, one of the stoppers on that was the sheer cost, never mind the methodology. What do you think about the proposition that an environmental impact statement [EIS] should be paid for out of the recreational fishing trust?

Mr HANSARD: For our share of it, yes. This needs to be taken into account in relation to all stakeholder users. There is also a public good component of this as well that needs to be taken into account. As long as these proportions of responsibility are acknowledged in relation to the payment of that EIS we would support it.

The CHAIR: Thank you for your detailed submission. The Committee may have questions on notice. We would like answers to those questions within 21 days if possible. Are you happy with that?

Mr HANSARD: Yes, we are.

(The witnesses withdrew)

DAVID MALONE, commercial fisher, via teleconference, affirmed and examined

The CHAIR: Hello David, it is Robert Brown speaking. I am the Chair of General Purpose Standing Committee No. 5 and we are inquiring into the reform of the commercial fishing sector. I thank you for agreeing to talk to the Committee this afternoon over the phone. It is not ideal. What area do you fish?

Mr MALONE: I fish the trap and line fishery on the South Coast of New South Wales.

The CHAIR: We received a submission No. 8 from you.

Mr MALONE: Yes.

The CHAIR: The Committee is fully aware of your views. Before we go to questions would you like to make a brief opening statement?

Mr MALONE: Yes. I am a commercial fisherman. I am part of the primary producer industry and we invest our own time, money and effort to produce a first class product for the benefit of the general population. I do not want to be forced to buy back my job. I do not understand why I have to pay for previous poor fisheries management. Buying shares will not improve my catch or improve my fishing ability, it will be a financial drain on my already threatened industry. If the purpose of this reform to the fishing industry is to control the threat of latent effort, what is being done in relation to the enormous potential latent effort of the recreational sector? Line east fishing is my main fishery. This fishery has a very small participation number. There are approximately 76 share packages and of this number approximately 10 per cent of the fishermen catch 90 per cent of the catch. This fishery cannot support a quota fishery. If this fishery goes to an equal allocation and quota, 10 per cent of the active fishers will be forced to buy up 90 per cent of the fishery. With line east shared packages at approximately \$47 each, that will be over \$400,000 in simple terms and I cannot afford to stay in the industry.

The CHAIR: Before each Committee member asks you a question they will identify themselves. We will commence with the Hon. Mick Veitch from the Opposition.

The Hon. MICK VEITCH: In your submission you talk about the misrepresentation by the Minister and the NSW Fisheries Department that the industry is happy with the current reform.

Mr MALONE: Yes.

The Hon. MICK VEITCH: I take it from your forthright address that you see that as not being the case?

Mr MALONE: No. I have been to many of the port meetings and it was unanimous at all those meetings that the fishermen did not want this reform to carry on in its current form. We have presented 10,000 plus signatures, supplied by the Wild Caught Coalition to the Minister, to prove that we don't want the reform to carry on in its current form. We have just been ignored. They say, "Yep, the fishermen want it." I don't know any fishermen that wants it.

The Hon. MICK VEITCH: You also talk about being forced to participate in the upcoming buyback auction before the independent allocation committee has decided how the fishery will be managed. Do you want to elaborate further on that?

Mr MALONE: The line east fishery is going to be decided on in approximately a year's time, at the earliest, when they put together an independent allocation committee to decide how to run the fishery. Fisheries is just bulldozing ahead with this buyback system and line east is included in it. I have written letters to the Minister, to my local member and to Fisheries managers to advise me how I can possibly invest or participate without any knowledge.

The Hon. MICK VEITCH: In your opening statement you spoke about how much money you would have to borrow or whatever if you wanted to stay. As I have been travelling up and down the coast a number of commercial fishers have told me that because of their personal circumstances they are unable to borrow money. Is that reflective in your part of the State?

Mr MALONE: I would gladly accept any financial institution that would offer us money to participate; there are none. Lenders will not lend to this share management because they do not know what is going to happen. I went to my accountant to get advice and he said, "Get out. You can't invest because there is no future. You have got no guarantee."

The Hon. MICK VEITCH: What is the personal impact on the fishers in your fishery?

Mr MALONE: In my own circumstances we had another port meeting with Fisheries and Veronica Silberschneider came down—the line east fisheries manager. She presented a scenario where she had worked

out that there was a criteria and a catch period and she was quite pleased that I was going to get a large amount of quota based on catch history but it was not anywhere near what we required to maintain our business. As that information had come from the manager, I then downsized my business. I sold my 16 metre boat and had to sack my three crew; I have now gone back to a 7.5 metre boat. I am trying to maintain my fishing effort in that boat and we are just not viable that way.

The Hon. MICK VEITCH: What do you say about the communication that you have been receiving from the department around the reform and the way in which the department has conducted that consultation?

Mr MALONE: I have presented arguments and said we cannot afford to be involved in shares or we can't buyback our jobs and just remove the latent effort. They say that they have empathy or they care about our situation but they are still continuing on with it. They are blindly stumbling ahead with what they want to do.

The Hon. MICK VEITCH: Thank you for your submission and thank you for your time today, we really do appreciate it.

Mr MALONE: Thank you.

Mr JUSTIN FIELD: My name is Justin Field and I am from The Greens. In your submission you talk about the flexibility in operating in multiple fisheries. Can you explain how the reform would affect your ability to stay in multiple fisheries or is that no longer affordable for you?

Mr MALONE: The way the reform is going I have three fishing activities: line east, line west and fish trap. During the period they selected as the criteria period they said that I did not have catch history for my fish trap business. They have classed that as being ineligible to participate in the assisted buyback package so I will have to sell my fish trap because I cannot afford to go and buy more shares without a subsidy. I am going to lose flexibility and then I will have to force that effort into the other fisheries.

The CHAIR: Over what period of time did they assess your trap catch history?

Mr MALONE: I have not got the exact figures, I will take that on notice. I had catch history for the two years previous and the year after but because of the weather conditions and fish stocks we targeted different methods.

Mr JUSTIN FIELD: If it had been considered active, what sort of level of subsidy would you expect to be able to access and would that make a difference as far as your ability to maintain a position in that fishery as well?

Mr MALONE: We have no idea of what the subsidy level is going to be because Fisheries won't give us the information.

Mr JUSTIN FIELD: I can imagine that makes it very difficult for you to make a decision. With regards to your comments and recommendations around the independent allocation process [IAP] and the challenges in making decisions to purchase shares because of the uncertainty there, if the Government was to choose not to go into an option for the fisheries that had the IAP running until the independent allocation committee [IAC] had made its decisions, would you consider that to be a viable thing for the Government to do? Would that help the situation? What would people do who had already made share purchases based on assumptions about what the IAC may do?

Mr MALONE: Firstly, we have to get the information. If I had information I could possibly make a decision. I just do not know why the active fishermen have to pay for latent licences that the Government produced. The whole reason for these latent licences was because of a previous review carried out by Fisheries where if a fisherman had one kilo of catch in certain fisheries they qualified and they made all the fishermen equal. They have changed the rules several times and now they are forcing the fishermen who are active to buyback these latent licences. People have been holding onto these latent licences as speculation that they are going to get quota or some financial advantage out of them and, unfortunately, the active fishermen are going to have to pay for it. The subsidy scheme is not going to pay for the whole thing. The active fishermen are going to have to put more money in to buy up these latent licences.

Mr JUSTIN FIELD: The Committee has heard quite a few people say that it would have been beneficial to separate out those two processes—the removal of the latent licences and then create the linkage. How viable that is now that the egg is well and truly scrambled is something I guess that we are all considering. I am concerned as well, particularly in the fisheries where you are catching multiple species, that moving to any formal quota system is just going to increase dumping as a result?

Mr MALONE: Look, in the line east fishery, I fish in depths of 200 to 300 fathoms. When the fish come up from that they are not in a condition to go back into the water. Their swim bladder has burst and they

won't survive. I can catch fish but I am not good enough to tell you which fish is going to come up. If I am fishing for blue eye and I catch a couple of ling or if I catch blue eye or bass groper and I haven't got quota for one of those species, what do I do with it? That is the problem with a quota fishery. In all the other quota fisheries worldwide they have problems with dumping, high grading and overcatch or undercatch because fishermen can't fish for it because they haven't got quota and it is not available.

In the Commonwealth line and tuna fishery last year there was a 2,000 tonne catch for yellowfin tuna but less than 60 per cent of the catch was caught but fishermen had to stop fishing because they couldn't get access to quota. This is because big companies had bought up a lot of the quota to eliminate competition and control the market. That is what happens in all these fisheries. The small fishermen go and big companies take over.

The CHAIR: I will now move to Government members.

The Hon. RICK COLLESS: On the last page of your submission you make a statement that in your home port of Eden you have already lost the fishermen's co-op and lost your regular freight supplies to Sydney and Melbourne's fish markets due to decreased fishing effort. Can you tell us over what time period that has occurred and what was the cause of it?

Mr MALONE: We lost that fishing co-op I think three years ago because of lack of viable supply. We had a private fish supplier and a fishermen's co-op. The private company who runs several trawlers works in the South East Trawl Fishery and I think it is the Southern Inshore Trawl Fishery. The co-op was not financially viable to continue so we closed the co-op down and put our support into the private supplier. We are just lucky that they are there otherwise we would have no-one.

The Hon. RICK COLLESS: That private supplier was a local fishing business, was it not?

Mr MALONE: Yes, called Southlands Fish Supplies.

The Hon. RICK COLLESS: What sort of licences do they hold?

Mr MALONE: They hold a fish receivers permit and they do process some fish there and they also provide freight and transport for the other fishermen. But we have trouble now that unless the big trawlers are coming in when we catch small fish daily, we have to wait until there is enough fish for a truck to get the fish to Sydney. I now fish not to the weather; I fish to when we can catch a truck and get freight, so we have lost the resource with the co-op because of lack of supply. The fishing numbers have dwindled.

The Hon. RICK COLLESS: How many fishing businesses operate out of Eden now?

Mr MALONE: I would have to take that on notice. I could not give you the exact number.

The Hon. RICK COLLESS: Has the number decreased over the last 10 years?

Mr MALONE: Dramatically.

The Hon. RICK COLLESS: Thank you. Those are all the questions I have.

The CHAIR: I will now move back to the Opposition; they have no questions, so I will move on to The Greens.

Mr JUSTIN FIELD: I might have missed it from the Government's question but earlier we heard from the fish markets and I understand they subsidise some of the transport options to get fish from other parts of the State up to Sydney. Is that the case on the South Coast as well?

Mr MALONE: I don't know of any subsidising by the fish markets to get fish from Eden but I do know they subsidise imported fish from New Zealand from the airport to the Sydney Fish Markets. On the fish market question, I am confused why the Government is going to spend \$250 million on upgrading and renewing the fish market if they are trying to get rid of the fishing industry.

The CHAIR: That is called property redevelopment; that is why. I do not think there are any other questions. Mr Colless and a couple of other members probably will have some questions on notice for you. The secretariat will send those questions to you in writing or via email. We ask that you provide answers to those questions within 21 days of receiving them. Would you be able to do that?

Mr MALONE: I will make an effort.

The CHAIR: Thank you for giving evidence. It has been of benefit to all of us.

(The witness withdrew)

DENNIS NOEL BROWN, Commercial Fisher and Director of D. I. Fishing Pty Ltd, Pelagic Fish Processors, sworn and examined

The CHAIR: For the information of those present, most of Mr Brown's evidence will be in open session but at the end of his evidence I will close the hearing for an in-camera session.

The CHAIR: Before we move to questions from the Committee would you like to make an opening statement?

Mr BROWN: Sure.

The CHAIR: Please proceed?

Mr BROWN: I will give a bit about my background. I am not your average fisherman. I am a significant quota holder in the Commonwealth Fishery. I am highly diversified across State and Commonwealth fisheries. I keep getting told that I hold the licensing for the largest commercial fishing boat in New South Wales, the *Delamere*, at 100 feet. I have vessels that range from three metres to 100 feet, and I have a bunch of them. In a previous lifetime I was a metallurgist qualified out of the University of New South Wales and I have been a commercial fisherman for nigh on for 40 years. I have been a student of fisheries management. I have been involved in State fisheries management committees and Commonwealth management committees. I have sat on State and Commonwealth resource assessment groups and I have learned enough about that process to be able to criticise the Bureau of Rural Sciences about some of their programming and oblige them to modify them to be more appropriate.

I am a very strong supporter of the reform process. This is about sustainability of fishing resources. It is about resource sharing to the people who actually own the resource—the community. As commercial fishers we do not own the resource; we are being obliged to enter into a process where we have a form of right over our share as an individual of a share of the resource as an industry on behalf of the community. We are the major suppliers of fish produce to the general community.

I heard in the short time that I was here earlier some statements from the recreational fishery representatives. In my background I am a very strong and active recreational fisherman too. I happen to have been one of the authors of the Australian National Sportfishing Association's constitution and I have been a recreational fisherman for 60 years. The recreational fishery has to come to grips with their rightful role in this process and their rightful access to resource. They are double-dipping in the process and have been since day one. They demand their right to enter into the sport as a sport of fishing and a right to take a quantity of fish for their own personal fish. In the most recent survey taken—which is quite old now—through the retail sector, 90 per cent of recreational fishermen accessed the wholesale source of fish through their local fish merchant—90 per cent of their consumption. That is just straight-out double-dipping: they want to have their right to go to fish and catch fish as their sport and then they want the right, as every other person in the community, to be able to go to the shop and buy another share of the resource. We have got to come to grips with that.

The real, rightful level of access based on historical access is something in the order of 17 per cent of the New South Wales community went fishing once a year in a particular survey, and something like 2 per cent of that 17 per cent fished on a highly regular basis. So the real percentage, historically, is quite small. This is about managing the fishery sources of our State and, ultimately, the nation, to be equitable across the community and we need to move on quick smart to achieve that. Across the board we have seen some different numbers from different people about the state of activity in the fishery. Twenty per cent of the fishermen across the board catch about 80 per cent of the fish and that means when you are in a fishery that unfortunately was issued with equal shares, if you are going to match your output to your entitlement, your share, you have got to buy up a share of about 4:1, and that, sadly, is the situation that we have.

The fishermen had the opportunity in the allocation process to identify what shares they believed they were entitled to. The fishermen themselves, through the management advisory committees, accepted equal share allocation in quite a number of fisheries. In other fisheries they did not; they argued for an allocation of shares based on catch in a criteria period. In the ocean haul fishery, which I am active in as a personae, that is exactly what we fought for, and we had to fight really hard for it in the MAC process, and that is what the industry accepted as their allocation. The hard part is we cannot keep going back over sequential entry criteria periods. You destroy anything and any legal basis of your share by having sequential entry criteria periods; things like saying today where you have got active and inactive fishers. They were issued with shares. The New South Wales Government does not manage the affairs of trading in shares; the Federal Government does through the Securities Commission, and a share is a share is a share. You do not have preferential shares, you have no right to suddenly describe preferential shares after the event, that my shares are worth more than your shares. A share is a share is a share.

I was highly critical of the Stevens review. I was one of the few people that was given a one-on-one interview with the Stevens review panel and I was highly critical of their output after the event. My main criticism was that they proposed that you enter into a trading regime of shares in 1 January of the following year after Stevens put the report out and the Minister accepted it and that in 12 months' time after that you would be told roughly what your shares were worth. You just cannot do that under administrative law and I indicated to both the department and the Minister concerned that if they proceeded they would go to jail: end of story. Unfortunately, that led to a several-year delay in how you get to grips with this.

The legalities of where we stand in fisheries management and where the review process stands and the restructuring process stands are as follows. The mechanism is primarily clauses 50, 71A and 82 of the Fisheries Act: end of story. They are created, they are locked in. You can change them as a government if you so desire; you will then have to compensate people for your changes as they affect their commercial and financial affairs after the event. You are fully entitled to do it as a department, but you have got to compensate. I suggest if you have not been briefed on the matter you need to get briefed on the matter by Treasury and the department about what they have actually done to look at what they can do in this area. Clause 71A is the ability to create new shares.

I was the primary cause of 71A being added to the legislation because, stupidly I would say, we created clause 50, which created shares and we created clause 82, which identified how your shares must act where there is a TAC: you must distribute access to resource based on the shares issued—end of story. There is no active and inactive basis for that, and I am astounded that the department has moved towards this concept of active and inactive shares and promotes a situation where some fishermen and some shareholders do not have access to financial support from the Government through the process that has been set up for that. I am not looking to buy any shares—I have more than I need. I did my purchasing of shares and my earning right of shares seven, eight years ago. I have not done anything in that period of time since then in terms of increasing my shareholding. So it is irrelevant to me in terms of looking for financial support.

What I can tell you is in terms of what the share market is, we are staring a disaster in the face, that whilst we are proceeding along with a situation of minimum shareholdings at the present time basically to force people to trade—and my advice to the department some years ago was that they needed to do that, that if they just bumbled along the way they were going with telling people roughly what their entitlement would be per share and did not force minimum shareholdings people would put off doing anything until the death knock. The industry has done that since 1935. So there needed to be some forcing along the way.

The situation is that if you have people going to State Government support through the rural support schemes or going to financial support outside that from the financial community, the industry nationally has been there before this—we have been there in the Southern Bluefin Tuna Fishery where quotas were suddenly reduced by 43 per cent. That fishery should have been bankrupt and collapsed completely except for the fact that one bank had carried the vast majority of the loans in restructuring that industry, and the bank was in more trouble than the fishermen were, so the bank continued to support them. A certain State manager I believe lost his job over taking on too much in that one fishery. But, otherwise, what would happen when you devalue a share through the market trading or through your process of TAC allocations is that if you devalue it too much the financial community will not continue to support that process.

Right now, we are moving along the way of putting in small minimum shareholding increases to make people trade. Sadly, my perception is that an awful lot of people think it is the end of it. It is not; it is just the beginning. Unfortunately, anybody who goes out and borrows against their house or whatever they are going to borrow against to meet these requirements and then the financial community discovers in another 12 months time that we now have to increase your shareholding in the industry to be economically viable, you have devalued what the share is worth, and you will get no further support from the financial community.

I can speak with respect to pelagic fish processes. We had a turnover of the best part of \$7 million a year, we were highly profitable. Unfortunately, our factory down at Eden got hit by lightning just before Christmas 2010. In trying to restructure the business to get ourselves back on our feet—because our insurance company ripped us off for about three-quarters of a million, as they do—we found ourselves in a situation where we had to go to the financial community. The response that we received was quite simply you have a marvellous business plan for your factory, you have been economically viable, you have been the second largest employer of people in the Eden local government district, and your business plan is quite viable. What is the security you have over being able to maintain the same catch of fish to continue to be viable? We could not provide it. We could provide it in terms of our Commonwealth input; we could not provide it in terms of the State. We still cannot and we are still waiting.

The opportunities are disappearing. You heard a previous submission saying that the impact on the Eden township is awful, and it is. It is thoroughly terrible. The fishing industry is a major employer in the coastal communities. There is very little opportunities to replace those incomes. We have got to provide a mechanism that quite quickly provides security through the shareholdings so that people know what they are restructuring. They can justify it to the financial community, be that State Government supported rural schemes or be that external, and we need to move on. What we are seeing is a number of people in the industry—I suggest quite a large number—who simply do not understand what is happening. They do not understand what the thrust is in the restructuring that is about ecological sustainability, economic viability and moving into the future. How you get there—we have been putting this off since 1990. This process started with restricted fisheries in 1990. The Act that we are currently managing in terms of shared fisheries is 2002, I believe, from memory. Stevens did two previous reviews to the last one that got accepted. It is really hard. It is hard for Government, it is hard for industry, but we cannot keep putting it off.

There is the issue of how does the total allowable catch [TAC] committee move forward? These resources are going to be quite complex in terms of getting the resource share. Some people—including, I believe, an earlier submission today—seem to think that establishing a resource share was going to be pretty straightforward and easy. Well, it is not. We are going to have to share the resources of this State with a number of other States and the Commonwealth, and until you have that nailed down, or you have some reasonable understanding of what that is, you have absolute uncertainty as to where you go. The way we have chosen Government-wise and departmentally to move forward is identifying TCLs.

The CHAIR: Being?

Mr BROWN: Trigger catch limits, interim total commercial access levels [ITCALs]. This is a very obtuse exercise. The legislation is very clear. If you have a TAC, you must distribute the access to the resource proportionate to the shareholding. What we have been about is not having a TAC. We are not even talking about total catch limits. We come up with things called ITCALs. It acts, smells, tastes, like a TAC. Legally, it is a portion of a TAC. I find the way we are moving forward at the present time to be pretty rubbishy. We need to make some notional steps to identify a reasonable, meaningful access to the resource for the current stakeholders. It needs to be as close as we can damn well do it—a one-off exercise—otherwise we will lose credibility somewhere. Somebody is going to make some terrible guesses about this, and New South Wales nationally has not been playing the same game as the other States. We have been losing our share across a wide range of fisheries. I was one of the pioneers of the eastern channel longline fishery. I wrote the handling manual for handling sashimi tunas. I had it converted from Professor Taniguchi's works on the physiology of tunas and why you needed to prepare them differently to other fish, because they temperature regulate, or had the ability to temperature regulate, which snapper and a lot of other things do not do.

In 1985 there were 38 people actively engaged in the fishery for tuna longline—in Australia. Ninety per cent of those were New South Welshmen. The fishery, notionally, was worth something like \$100 million. That is the sort of value that the Japanese were taking out of the fishery, and we knew what the Japanese had been catching. The Federal Government knew what the Japanese had been catching for many years, going back virtually to the 1950s, so we had a pretty good idea on what the resource was. What did we do when it came to managing that fishery? We issued 350 permits. The fishery could not continue to support the 38 people who were there and allow them to become internationally competitive and maximise Australia's share of the international resource. They could not all become distant water operators.

They have now gone through a process where the eastern tuna fishery took most of the \$220 million that the Federal Government threw at the Fishing's Future program to restructure that industry. How many people have we now got actively involved in that? I am still a stakeholder, but a small one. I have written down my shareholding. My shares were devalued. I was the historical operator. The fishery is worth \$20 million plus now, and how much of that reports to the New South Wales economy? A pittance—a pittance. The way in which that fishery moved forward was dominated by Queensland and some of the other States putting a cap on the maximum size of vessel in the fishery at 60 foot. We could never become commercial operators in a distant water sense with a small boat like that, and we were locked into that for a long time, only we convinced the Government to increase the size and we got up to 100 foot.

The small pelagic fishery, where you have seen a lot in the press about the Geelong Star and other things occurring—there was a situation there when we pleaded with New South Wales. I was a management advisory committee [MAC] member, I was a resource assessment group [RAG] member. We pleaded with New South Wales Government to stand up for our rights in New South Wales because we were not playing the same game as the other States.

Tasmania ended up with one-third of the eastern blue mackerel stock as their share in the entry criteria period having caught nothing. They were given a different entry criteria period to everybody else. That is absolutely, utterly scandalous. They wrote themselves a situation wherein the criteria period from memory was 1985 to 1990 and at that stage in Tasmania it was illegal to take blue mackerel because they were feeding their product into the meal plant at Triabunna. In 2002 they gave themselves a 5 per cent bycatch of what they had at the time. It was something like a 24,000 tonne total allowable catch [TAC] given by the Tasmanian Government administered under Tasmanian law. In 2004 they gave themselves a 10 per cent bycatch. When we came to the stage of identifying the quota entitlements in the fishery as of two years ago they got 10 per cent of their vastly inflated catch allocation for nothing. That was based on their 10 per cent bycatch that they gave themselves in 2004, which was some 10 years after everybody else had their criteria.

We do not play the same game as the other States. I do not understand why we do not do it but as a State we are losing out. Our industry is losing out and our community is losing out in terms of access to fresh fish. Other States are getting a disproportionate amount of the economic benefit. We have got to change the way we play the game. I hope that this Committee can put some focus into the broad issues. I see the terms of reference as to where you move forward. I would be quite happy after the event to provide you with some further information on that. The key issue is that there was a reference to failed adjustment arrangements previously by previous submissions. That largely related to the marine parks buyouts and the recreational fishing havens buyouts.

I had been asked by the University of Wollongong to provide insights to some of their international courses on fisheries management. They had interstate participants, et cetera. I pointed out to them that whilst the New South Wales department and their representative gave submissions claiming that this was a fabulous outcome for restructuring the industry, the reality was they had taken large areas, they had taken and paid for a disproportionately small amount of real effort and the industry was then forced into smaller and smaller areas with a disproportionately high level of active effort.

Now we see the local press screaming and yelling in my region—region 6, the Illawarra—where there are really only two areas left for people in that whole area from Bulli down to Batemans Bay. They have only got two estuaries they can access. That is Lake Illawarra and the Shoalhaven River. All the poor devils that were left in the industry that did not get a buyout have all been forced into these small areas and they are flogging themselves to death. When we are looking at restructuring one of the things that we need to do is recognise the mistakes that we made in the past and a priority needs to be provided for sorting out real effort shift from the previous buyouts. That is the most pressing need for the estuary fishermen. I am not one. I do not operate in the estuaries, but I see what has happened to the poor devils. One of things we need to do is prioritise what went wrong and why they are getting such a small amount.

I happen to have purchased quite some time ago a small estuary business up here in Sydney to help out a fisherman who was passing away and was very worried. I was financially able to do it at the time and I did it. That business has not operated. I have just merely held that entitlement. I know that you talk about interim total commercial access levels [ITCALs] for how many days a fisherman can work. In the estuary fishery and the meshing fishery in Sydney your 125 shares entitle you to something like 16 days work. The same 125 shares in region 7 gives you 62 days of work.

Those poor devils here in Sydney have been crammed back into almost one estuary and they have been disproportionately affected by all the buyouts in Botany Bay and everything that happened in Sydney Harbour. They are actually losing their access to fish. That is why they are now only entitled to 16 days for their shareholding. That is awful. That was nothing to do with what they caught. They have lost access to a proportion of the stock. They are the issues that I see. I am devastated by the delays in putting forward the independent allocation panel movements. They need to start tomorrow.

The CHAIR: I will ask you a question on it because we are starting to run out of time. What method could the Government use, given that the Government is frightened of an uncapped liability, to actually give some certainty to the value of the shares? In other words, is there some method you could recommend where rather than go to a full formal process of trying to do those IAPs as you call them the Government could take the risk up or underwrite the risk, set them now and then tie those to the shares that are reallocated?

Mr BROWN: The ITCALs that they have come up with are their best shot at that at the present time.

The CHAIR: So far, yes.

Mr BROWN: That is their best go at it. But it is not linked to a meaningful effort in some areas. I will give you an example of the trap and line fishery, the trap entitlements. You have got 40 shares. I currently hold 140, I think. I am pretty close to the four to one, and I have got a significant history in the fishery. Those 40

shares entitle you to operate with 30 traps. You are a damn good fisherman if you can handle anywhere near your 30 traps in a day. Basically what is happening is people are reserving ground with their traps. There are fishermen out there, I will tell you right now, who have got a lot more than 30 traps.

The CHAIR: If I was to put a question on notice to you the sort of question I would be asking you is this: With your Harry Potter magic wand and given the current circumstances, given that the current Government will not change their mind and will continue with the process, what would you suggest they do to try to take care of the uncertainty issue, which is what is the future going to hold for me if I do make the investment? Can those quotas even from a guesstimate point of view be set and any variation of that be underwritten by the Government with a guarantee to underwrite it? In other words, if you invest your four times or your three times and you get the same as you have now, which may well be totally inequitable, you can be guaranteed that you will get that amount of fish. Alternatively, if we deduce that the fishery is not capable of it then we will compensate you at the particular rate of investment plus some earnings on top.

Mr BROWN: I think you need to guarantee the downside situation because you are not going to see too much upside. There are a couple of fisheries.

The CHAIR: That is what I am saying. It would be the Government's risk to guarantee the downside. They have only got \$16 million on the table. We have had some arguments as to whether that is going to be enough. But the Government could either spend the money or underwrite or guarantee. They could do two things.

Mr BROWN: Yes.

The CHAIR: They have only got \$16 million on the table. The Committee has heard argument about whether that will be enough. The Government could spend the money or underwrite or guarantee. They can do two things: certainly if they underwrote those quotas, the quotas would be delivered and you could understand that the scientists or whoever is going to make those estimates would be fairly cautious but having said that. That might then put into place a position where money lenders would see that there can be a guaranteed minimum floor value for the future.

Mr BROWN: Yes, and if it does drop then the Government picks up the downside and that provides security to external money lenders.

The CHAIR: I will try to craft a question for the Committee to send you. It is best now if we move into the in camera session. I apologise members have not had much time for questions but Mr Brown's ideas are very interesting and we would probably like to make sure we have the ability to come back to you on those. Ladies and gentleman I am now going to close the hearing to take some evidence in camera.

(Public hearing concluded)