



18 June 2010

OUT10/8958

Dear Fishing Business owner,

FUTURE DIRECTIONS FOR THE COMMERCIAL FISHING INDUSTRY

This paper contains important information on changes to commercial fisheries including,

- **Improving viability and the use of shares into the future**
- **Information on an exit grant program**
- **Cost changes through:**
 - **Increased cost recovery**
 - **Fee for restructuring**
- **Information on other reforms**

Much work has been done with the Seafood Industry Advisory Council (SIAC) and its working group over restructuring options into the future. Industry and Investment NSW (I&I NSW) and fishers from SIAC will consult with fishers during port meetings over the coming months.

Whilst the Department's key objective is to ensure sustainability of fish stocks into the future, other objectives include promoting viable commercial fishing. During consultation over the Pyrmont Pact Reform Program, it was made clear that commercial fishers would take the lead role in developing changes to improve viability.

One of the more significant issues for fishers to consider over the next few months is the possibility of future changes within the industry. This will commence with an exit grant program to assist those wanting to leave, while those wishing to stay will have an opportunity to increase their shareholdings.

To improve industry viability, the linking of shares to the level of resource access is seen as an important way forward. In particular, this approach should provide a real benefit to business owners who accumulate more shares, as is the case in the Lobster and Abalone fisheries. The decision to move in this direction, however, lies with industry.

Port meetings will be held in the near future to discuss the exit grant program and share linkage / restructure options. Information regarding locations and times for port meetings is provided at the end of this paper.

If you have any questions regarding the information in this paper, please contact commercial fisheries management on 02 – 9527 8506.

Seafood Industry Advisory Council (SIAC) - improving viability

SIAC continues to play a vital role towards promoting industry viability. The Council is working at improving viability on a number of fronts, including the establishment and operation of the Structural Adjustment Working Group. The working group is tasked with developing, examining and advising SIAC on various proposals specifically aimed at improving industry viability.

SIAC has strongly supported all components of the *Pymont Pact* Industry reform program. The key elements of this program include;

1. Creating a range of tools to provide for tradable input and output controls
2. Providing for initial restructuring with minimum shareholdings and exit grants
3. Reviewing industry regulatory requirements and streamlining government's administrative systems
4. Reviewing cost recovery
5. Reviewing fishing closures
6. Moving the focus toward risk-based resource management
7. Initiating an industry development program (to enhance economic value of product to fishers)
8. Enhancing industry's voice to government

Consultation on these principles was done in the latter part of 2009, through fishery Management Advisory Committee (MAC) meetings and port meetings held at sixteen locations along the coast. Feedback from these meetings demonstrated good industry support of the principles.

Where to from here - restructuring

SIAC and the Department believe the most significant increase to industry viability will be realised through industry restructuring. One of the more effective options for achieving restructuring is the linkage of shares to a tradeable commodity. The Lobster and Abalone fisheries already have this linkage with fishing rights (quota in this instance) allocated proportionally to the number of shares held.

But there are more options available.

Ocean Trawl fishers have expressed a desire to adopt an approach where fishing days (or nights) would be allocated to shareholders based on the size of their shareholding. Likewise, many Spanner crab fishers see their fishery being more viable through a move to quota, with individual allocations based on shareholding.

Other examples of linking shares to the level of access could include quotas on sharks or mud crabs. Extra Mud Crab trapping shares could equate to the use of additional Mud Crab traps. In other fisheries, higher shareholdings could potentially translate to increased net lengths, 'block' licensing, priority in (ocean) hauling operations or unlicensed crew to assist in certain fisheries. These are suggestions; many more options to suit individual share classes are open to consideration.

If shares are not linked to access, restructuring options are more limited, with increases to minimum share holdings being one of the few options.

Statistical information on the current structure of the five non quota share managed fisheries has recently been compiled for the SIAC structural adjustment working group. This is now publicly available through the Department's website:

<http://www.dpi.nsw.gov.au/fisheries/commercial/reform/program-documents>

Information includes the number of fishing businesses, catches, value and active effort levels in each fishery. The information is quite interesting and may be useful in helping business owners identify sectors where they see a strong future or sectors that could benefit from restructuring.

Again, industry will determine the way forward, unless decisions have implications for stock sustainability.

The exit grant program

SIAC recently endorsed an exit grant program which will commence shortly. The program is aimed at assisting business owners wishing to leave the industry. It is also aimed at increasing the trading of shares and providing a good opportunity for those wishing to stay in the industry to purchase additional shares. It is critical that fishers understand that purchasing additional shares will result in greater access if industry chooses to link shares in the future.

The exit grant fund has approximately \$1.5m available, and business owners will be asked to put an expression of interest to the Department, requesting up to \$15,000 in return for the surrender of their Fishing Business. If the offer is accepted, business owners would have two months to sell all shares within their business. The exit grant amount would then be paid.

Fishers in the exit grant program will retain the proceeds from the sale of their shares in addition to the exit grant payment.

Details of the exit grant program, including frequently asked questions and answers, will be mailed out to all business owners in the coming weeks.

The upcoming port meetings will also include a strong focus on the exit grant program.

Changes to commercial fishing costs

A share management charge applies to all share managed fisheries. These funds are used for fisheries management and administration, research, compliance and advisory processes.

The current annual management charge for share management fisheries (excluding Lobster and Abalone) is \$839 for the first fishery within a business and a further \$104 for each additional fishery within the same business (amounts are inclusive of recent CPI increase).

This \$104 management charge for additional fisheries within a business is effectively a subsidy, encouraging fishers to stay in more than one fishery even if they rarely participate. It also means those with only one fishery on a fishing business unfairly carry the majority of the burden of management costs. This ultimately supports latent effort, which if activated in the future, has the potential to drive down viability.

Commencing from January 2011, a flat management charge of \$839 will be applied to each fishery held within a Fishing Business.

A new \$500 annual fee will be applied to each Fishing Business, other than Lobster and Abalone only businesses, from 1 January 2011. Funds from the fee will be set aside to facilitate future industry restructuring measures, such as buy outs (again, excluding Lobster and Abalone).

The management charge and restructure fee will be indicated on annual invoices, soon to be mailed to business owners.

Fees will also be charged to fund fishery observer programs required under the Fisheries Management Strategies. The future costs of this program will be covered through a dedicated fee to be introduced shortly.

The introduction of a fee which may be used to fund an Industry Representative body is also being considered. Unlike current MACs and SIAC structures that report to the Minister, the body would be independent of Government and provide a strong, unified voice for industry. Consultants will soon provide advice on possible options for establishment of an Industry body including appropriate funding models. Further advice will be provided once this process is complete.

Cost recovery can be expected to increase in the near future. Fishers, other than those in the Lobster and Abalone fisheries are currently paying low levels of cost recovery. Over the next twelve months the Department, together with SIAC's budget working group will develop a detailed cost recovery proposal. The proposal will be seeking to reduce the significant level of subsidy. A more equitable contribution will be sought from all commercial fisheries.

Other reforms and Port Meetings

Other reforms

Responses from the commercial fishing reform consultation paper sent out in March have now been received. Feedback was sought in relation to a number of Pyrmont Pact regulatory reforms including the fishing closure review, removing current costs through removing redundant regulations (e.g. boat licensing) and streamlining the Department's administrative systems. Responses from this consultation paper are currently being analysed, with a summary to be posted on the Department's website.

Industry development

The Industry Development program will develop options for increasing consumer awareness and promoting wild harvest NSW seafood. The main objective is of course; to increase returns to fishers. The industry can demonstrate excellent sustainability credentials through the Environmental Assessment and Fisheries Management Strategy processes. Yet this fact is not used to any marketing advantage, in what is a very competitive market place.

PORT MEETINGS

	<i>Location</i>	<i>Date and Time</i>	<i>Address</i>
1	Nowra	5 July 2010, 1pm	Nowra Golf and Recreational Club. Fairway Drive, NORTH NOWRA. Ph. 4421 3900
2	Wollongong	6 July 2010, 1pm	State Government Offices. 84 Crown Street, WOLLONGONG.
3	Sydney	8 July 2010, 1pm	Sydney Fish Market. Pyrmont Bridge Rd, PYRMONT. Ph. 9004 1100
4	Gosford	12 July 2010, 1pm	Gosford Primary Industries Institute. Research Rd, NARARA. Ph. 4348 1900
5	Newcastle	13 July 2010, 1pm	Newcastle Co-op. 97 Hannell Street, WICKHAM. Ph. 4965 4221
6	Taree	14 July 2010, 1pm	TAFE, Library Block D. Montgomery Crescent, TAREE. Ph. 6591 3600
7	Port Macquarie	15 July 2010, 1pm	Panthers Sports Club, Renaissance Room. Boundary Road, PORT MACQUARIE. Ph. 6580 2300
8	Ballina	20 July 2010, 1pm	Ballina RSL Club. 240 River Street, BALLINA. Ph. 6686 2544
9	Macleay	21 July 2010, 1pm	Jim Thompson Pavilion Macleay Showground. Cameron St, MACLEAY
10	Coffs Harbour	22 July 2010, 1pm	Coffs Harbour Ex-Services Bowling Club. 1 Vernon Street, COFFS HARBOUR. Ph. 6691 9225
11	Merimbula	29 July 2010, 1pm	Pambula Merimbula Golf Club. Aurthur Kaine Drive, PAMBULA. Ph. 6495 6154
12	Narooma	30 July 2010, 1pm	Narooma Golf Club. 1 Ballingalla Street, NAROOMA. Ph. 4476 2522