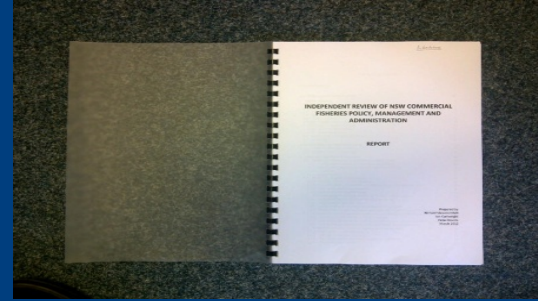


COMMERCIAL FISHERIES REFORM



First meeting of the Share Linkage Working Groups

Background



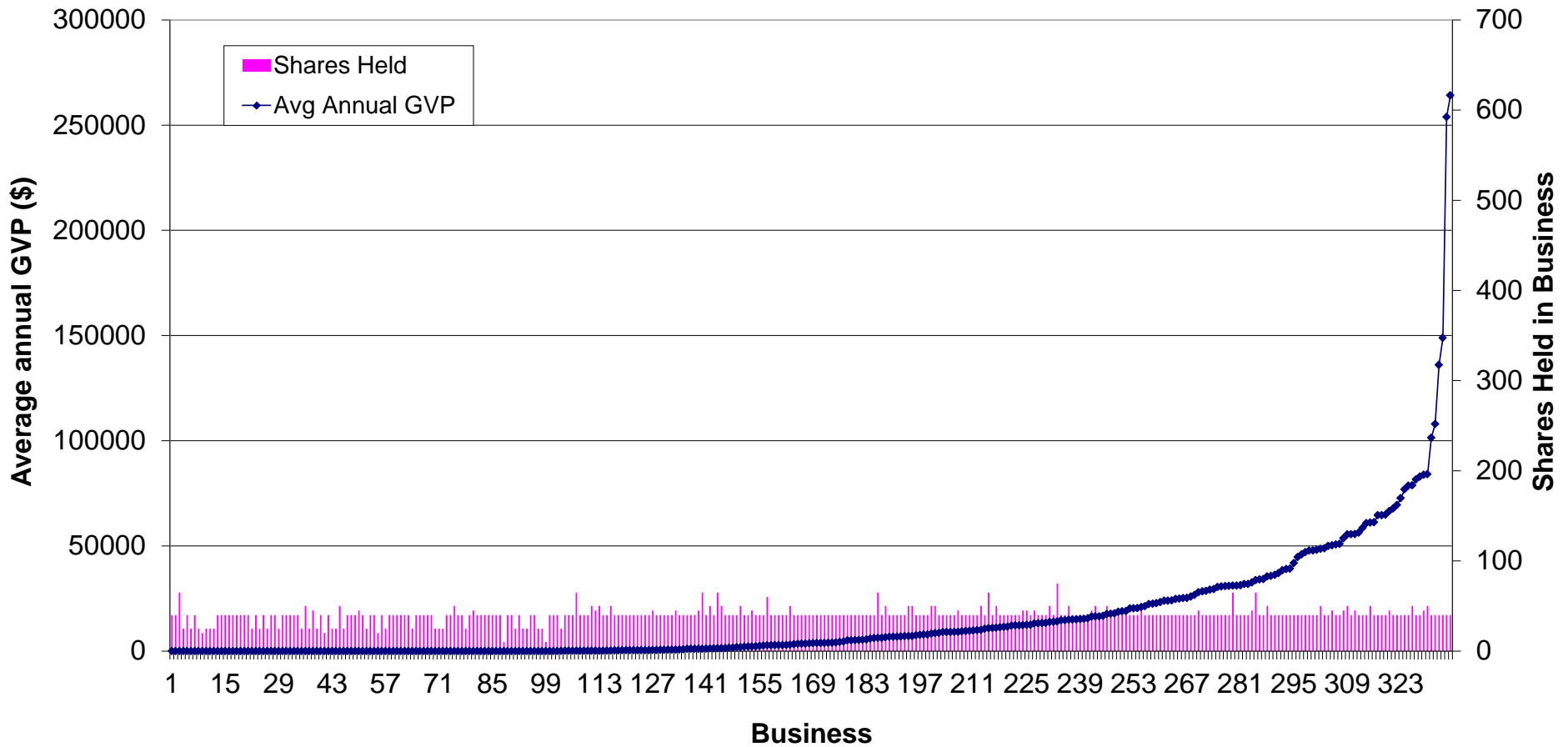
- Liberals and Nationals Government *Fisheries Policy* committed to an independent review, noting industry's concerns about the current situation.
- Independent review report released in May 2012.
- Minister announced Government's response in November 2012.
- Reform Program has three main arms: governance, consultation & structural adjustment

Structural adjustment elements

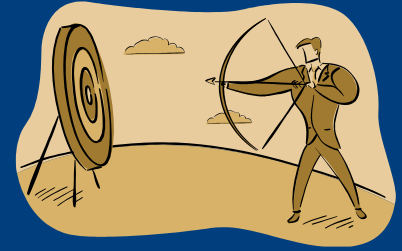


- Shares in each share class will be linked to access (catch or effort) – to commence by end 2014.
- Total catch/effort levels to be set – at around current levels unless there's a clear sustainability need.
- Incentives for fishers to exit and for shares to be consolidated – \$15.5 million available for exit grants, plus fee changes from 2013/14 financial year.
- Remove redundant fishing controls.
- Remove the reliance (limit) on fishing businesses.
- Government's (31 May 2013) 'Statement of Intent'.

Ocean Trap and Line, Line West

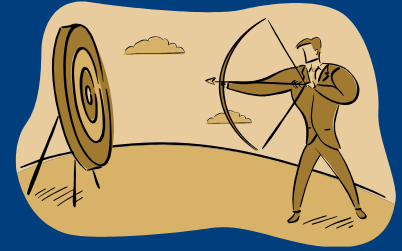


Aims



- To improve industry viability by:
 - building a stronger property right
(give meaning and value to shares)
 - improve security for fishers
(clear slice of the pie and reduced risk of investment being swamped by new competition)
 - being able to adjust access based on needs
(allow fishers to upscale or downscale to suit their needs – the current rules don't allow this)
 - changing mindset from inefficiency to efficiency.

Aims (cont'd)



- To help secure a social licence for the industry:
 - provide added confidence that NSW commercial fisheries are managed and operating at sustainable levels
 - (current perceptions of the industry are poor; industry vulnerable to increasing community pressure)
 - provide certainty for consumers that they can continue to enjoy fresh local seafood
 - we want *professional* fishermen/industry

What affects viability?

- Access (fishing grounds, gear, time)
- Competition with other fishers
- Value of fishing rights
- Fees for fishing access
- How many fish there are to catch
- Price paid for seafood – affected by volume; quality; competition; brand loyalty; accreditation schemes.
- Fishing costs – gear; consumables; market (commissions can be up to 20%); insurance
- Other government fees (maritime, food safety)



What affects viability?

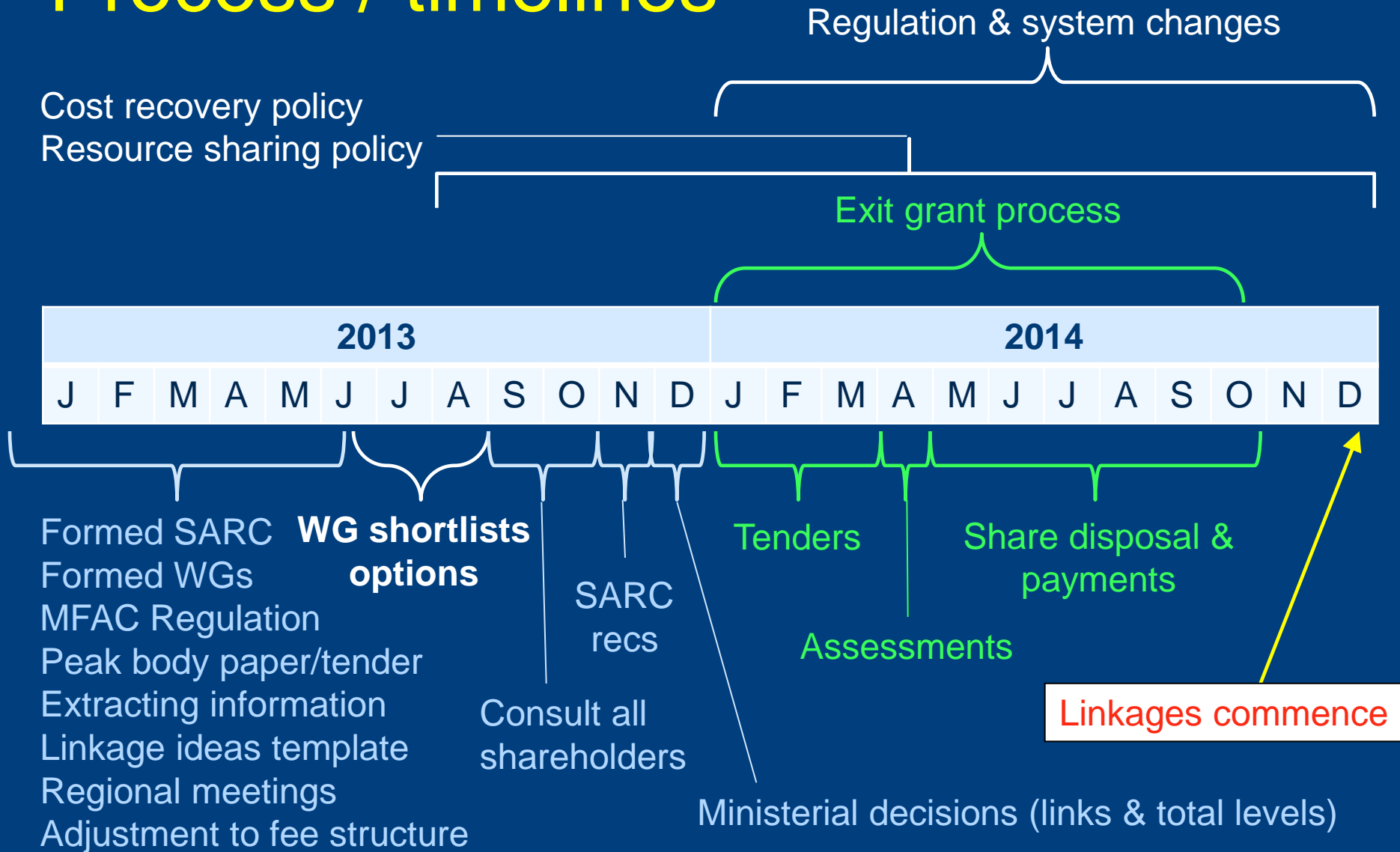
- Key points:



The Reform Program alone will not ensure viability (there is much more to work on), but it is a critical component of the overall picture and moving the industry into a much stronger position.

It is not Government's role to ensure that each individual business is profitable – the focus has to be on viability of the sector as a whole.

Process / timelines



Working Groups – main role/s

- Develop a shortlist of linkage options, including:
 - pros & cons of key options (incl. relative cost)
 - controls that could be removed/modified
- Recommend *Interim Total Commercial Access Levels* using decision rules that will be supplied for the second meeting.
- Not a decision making body
(WGs won't be making final recommendations on linkage)



Steps and meetings

Steps	Meetings
Step 1: Introductory meeting, look at available data & identify shortlist of options for further assessment.	Some groups will address most of this step in the first meeting, but others may take two meetings to finalise.
Step 2: Assessment of shortlisted options – pros/cons & associated policy decisions, plus apply decision rules for setting the Interim Total Commercial Access Levels (ITCALs) using available data & knowledge.	Groups making good progress will address this step in the second meeting, but for other groups a third meeting might be needed.
Step 3: Write up and agree on consultation paper for all shareholders including the assessment of the shortlisted linkage options and, if possible, indicative ITCALs.	This should generally be done out-of-session (noting an extra meeting could be needed if significant issues remain).
Step 4: Review shareholder feedback on options and provide final commentary.	This should generally be done out-of-session (noting an extra meeting could be needed if significant issues remain).

Linkage Hierarchy

1. Catch quota
2. Effort quota
3. Number of endorsements
(using minimum shareholdings)

How do they work?

Resource/stock assessment



Resource sharing policy
(between sectors)



Catch quota

Effort quota

Min shareholdings

(proxy for catch)

(proxy for catch)

Fishery/sector level

TACC = 1,000 t

TACE = 1,000 days

Target = 10 endorsements

Shareholder level

Allocate catch quota
proportional to shares
(10% shares = 10% TACC)

Allocate effort quota
proportional to shares
(10% shares = 10% TACE)

If 1,000 shares = min
shareholding = 100

Comparing linkage options

	Catch quota	Effort quota	Min shares
Level of operation	Species (individual or multiple species)	Share class (individual or multiple classes)	Share class (individual only)
Resource conservation	Direct & very confident	Indirect & less confidence	Indirect & lowest confidence
Secure share of catch	Very secure	Semi-secure	Less secure
Remove input controls	Many	Some	Not as many
Strength/value of rights	Highest	Medium	Lowest
Adjustment	Autonomous (& ongoing)	Autonomous (& ongoing)	Forced (as needed)

Total cost of scheme	Depends on fishery & design of scheme (stock assessments, administration, enforcement)		
Enforcement/monitoring	Log books, real time reporting, market inspections	Log books, real time reporting, on-water surveillance	Log books, more on-water surveillance (reduced cost if real time reporting)
Cost per shareholder	Pay per share (shareholder decision)	Pay per share (shareholder decision)	Flat charge per share class

Some ground rules



- At the end of the day, the options should:
 - avoid creating too many different frameworks and be as simple as possible (complexity = cost)
 - be enforceable and cost effective
 - recognise the capacity of the new FishOnline system
 - be within the scope & powers outlined in the Act
 - be able to respond to any sustainability requirements.

Please remember...

- It's important not to lock in, or be perceived to be locking in, set views at this stage – the options need to go to all relevant shareholders for comment.
- The outcomes will be decided based on the merits of the options and SARC's recommendations (i.e. it will not be a DPI directive nor a shareholder vote).