



COMMERCIAL FISHERIES REFORM

Summary of reform options for the Ocean Trawl Fishery

Reform program

Five of NSW's major commercial fisheries are currently undergoing reform that aims to give greater meaning and value to commercial fishers' shares, by creating a stronger link between the shares and their access to the resource. It also seeks to improve efficiency by streamlining some of the current fishing restrictions, among other things.

The following information summarises the main options for the Ocean Trawl Fishery (OTF). Additional detail on each of the options is included in the full options paper.

Option 1: Linking shares to endorsement numbers

To be eligible to fish in one or more sectors of the OTF a minimum number of shares must be held, which then entitles the holder to an endorsement. There are four classes of shares in the OTF, each with a corresponding endorsement:

- Northern fish trawl shares.
- Inshore prawn trawl shares.
- Offshore prawn trawl shares.
- Deepwater prawn trawl shares.

Option 1 involves managing catch and effort by actively managing the number of endorsements in the fishery. This is achieved by applying *minimum shareholdings*.

The two main steps include identifying a maximum number of endorsements for each share class and then increasing the minimum shareholdings until the maximum number of endorsements is reached.

Managing endorsements numbers is a relatively crude approach to managing catch and effort and does not necessarily deliver shareholders the security of access to certain species that they often seek. It is however, a relatively simple and



inexpensive system for government to implement and administer.

Maximum numbers of endorsements

The maximum number of endorsements proposed for each sector of the OTF are shown in Table 1. They are based on recent (2009/10 to 2011/12) participation levels.

Table 1. Proposed maximum numbers of endorsements

Share class	Current number of shareholders	Current number of endorsements	Proposed maximum number of endorsements
Northern fish	45	38	20
Inshore prawn	194	161	57
Offshore prawn	176	147	69
Deepwater prawn	41	16	15

Minimum shareholding requirements

A two-stage approach is proposed involving an initial increase to the minimum shareholdings followed by a smaller increase approximately 12 months later.

The two-stage process aims to reduce financial burden on shareholders during this period of change. The timing of the initial increase also aims to capitalise on the lower market price for shares expected around the time of the exit grant process.

The minimum shareholdings have been calculated taking account of the maximum numbers of endorsements proposed above and the total number of shares in each share class. A formula has been used to reduce the minimum shareholding slightly while still achieving the same maximum number of endorsements.

Table 2 summarises the proposed minimum shareholding levels and the dates by which they would need to be met.

Table 2. Option 1 proposed minimum shareholding levels

Share class (total no. of shares)	Minimum shareholding to be met by 1 July 2015	Minimum shareholding to be held by 1 July 2016
Northern fish (2,164)	79 shares	104 shares
Inshore prawn (11,035)	132 shares	192 shares
Offshore prawn (9,798)	101 shares	141 shares
Deepwater prawn (656)	34 shares	42 shares

Proposed changes to current restrictions under Option 1

The full list of proposed changes is available in the Ocean Trawl Fishery options paper. Some examples include:

- Increasing the maximum gauge of the chain in the 'ground gear' in the OPT from 12 to 13 mm.
- Formally recognising in the Share Management Plan that fishers may use either square- or diamond-mesh codends in the OTF.
- Removing the industry initiated Foster & Port Stephens Juvenile King Prawn (JKP) Closures
- Removing the engine power restrictions from the offshore prawn trawl sector.
- Rationalising the three sets of net length restrictions applying to the prawn trawl sector by replacing them with a standard maximum net length of 60 m.
- Increasing the maximum diameter of rubber discs for fish trawl ground gear from 100 to 150mm and lift the prohibition applying to waters between Seal Rocks and Smoky Cape.
- Providing for the taking of up to two lobsters per boat per day for personal consumption only.

Main advantages of Option 1

- Simple, and administratively the cheapest.
- A very direct and effective tool for delivering market-based adjustment to an agreed level.

- Reduces (but does not eliminate) the risk of inactive endorsements re-entering the fishery.

Main disadvantages of Option 1

- Little additional security of access to resources within the fishery – current competition between shareholders remains an issue.
- No opportunity for fishers to customise their access or fees.
- Shareholders are forced to invest from time to time, rather than when they choose.
- Total investment can be significant, particularly for those with diverse shareholdings if required to invest in multiple share classes.
- Limited ability to respond to species specific sustainability or resource sharing issues.
- Potential for ongoing difficulty replacing/upgrading boats.
- Optimum asset (share) values are unlikely to be realised.

Relative cost of Option 1

It is expected that the cost of implementing and monitoring this option would be lower than for Option 2.

Option 2: Hull unit day regime

Option 2 involves managing catch and effort by:

1. for the deepwater prawn sector - actively managing the number of endorsements using minimum shareholdings as per Option 1;
2. for the northern fish, inshore prawn and offshore prawn trawl sectors - an increase in minimum shareholdings before transitioning to a delayed (i.e. 2016) 'hull unit day' regime.

Minimum shareholding requirements

The proposed minimum shareholdings are set out in Table 3. They aim to stimulate shareholders, including those who hold the maximum original allocation of 65 shares, to make an initial decision about whether to make a small investment and remain in the fishery or transfer shares to others. It is a transitional step to a more refined effort quota regime.

Table 3. Option 2 proposed minimum shareholding levels

Share class (total no. of shares)	Minimum shareholding to be met by 1 July 2015	Minimum shareholding to be held by 1 July 2016
Northern fish (2,164)	70 shares	n/a
Inshore prawn (11,035)	70 shares	n/a
Offshore prawn (9,798)	70 shares	n/a
Deepwater prawn (656)	34 shares	42 shares

Increasing the minimum shareholdings soon after the exit grant process should capitalise on the lower market price for shares expected around that time.

Hull unit day regime

Similar to the scheme applying to the Queensland trawl fishery, the hull unit day regime would be an effort control that involves fully transferable 'effort shares' that manage the size of boats that may be used and the number of days that may be worked each year.

Under this scheme larger boats would consume their effort quota at a faster rate than smaller boats.

Two separate regimes are proposed: one that applies to the northern fish trawl sector and one that spans the inshore/offshore prawn trawl sectors.

The proposed 'effort shares' would be allocated on taking account of current shareholdings and hull units (Figure 1).

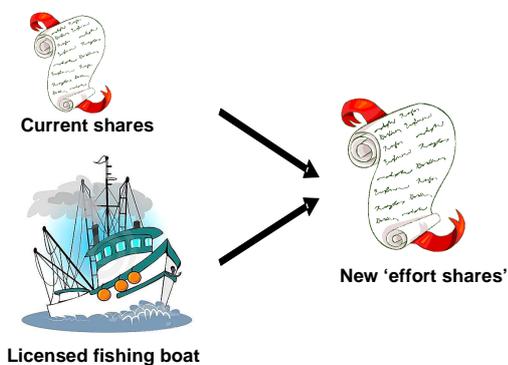


Figure 1. Allocating new classes of 'effort shares'

A 12 month fishing period, commencing 1 July, is proposed. Quota would be allocated to shareholders at the beginning of the fishing period, proportional to the number of effort shares held. They could either be used or transferred to other shareholders to use.

To help shape the hull unit day regime, shareholder views on the relative importance of shares versus hull units is required. One way to think about this issue is to consider:

- the monetary value of one share versus the monetary value of one hull unit; and
- The contribution to 'fishing power' (or catch) arising from one share versus the contribution arising from one hull unit.

It may also help to consider the information in Table 4 which provides an indication of the number of days that shareholders would be eligible for based on current shareholdings. The same quota to share ratio is expected to flow into new 'effort shares' that would need to be issued to implement the scheme.

Table 4. 'Preliminary ITCALs' and days per current share

Share class	Preliminary ITCAL ¹	Days per share
Northern fish	2,318 days	1.07 days per share
Inshore/offshore prawn	14,369 days	0.69 days per share

Ensuring the integrity of the access right

To monitor the usage of effort quota, fishers would need to report their intention to go fishing on the days/nights they fished. This would decrement an appropriate amount of quota. The FishOnline system would provide real-time quota balances and allow online transfers, like when doing internet banking.

Proposed changes to current restrictions under Option 2

The following changes are proposed, in addition to the changes proposed under Option 1:

- The requirement for boats used in the fishery to be licensed could be removed, saving ongoing licence fees.
- The maximum boat length of 20 m would be replaced with a maximum boat length of 24.5 m – the length of the largest boat in the fishery.

Main advantages of Option 2

- A market based approach to current competition for access – focussing on boats and days fishing.
- A new class of fully transferable 'effort share' which, like other shares, may be legally mortgaged.
- Removal of red-tape in the form of boat licences.
- Easier to replace or upgrade boats – with any increase in hull size offset through a commensurate reduction in days and vice versa. This provides scope for value-adding through onboard processing etc.
- Improved control over total fishing effort.
- Shareholders can tailor their shareholdings to suit their preferred access level and fee liability.
- Shares become the primary management tool, as originally intended.
- Improved community confidence that effort can be more effectively managed.

Main disadvantages of Option 2

- Higher costs to implement relative to Option 1.
- Fishers would need to report their intention to go fishing on each fishing day/night.
- Cannot be used to respond to species specific sustainability issues, or support the removal of

¹ An ITCAL (Interim Total Commercial Access Level) is a limit on the total catch or effort available to a fishery or share class.

some of the controls compromising profits, such as some of the limits on catch.

- High effort operators may need to invest in more shares than low effort operators to continue at current levels.

Relative cost of Option 2

It is expected that the cost of implementing and monitoring this option would be higher than for Option 1.

Optional extras: Catch quotas for selected species

Catch quotas (or Individual Transferable Quotas – ITQs) are an option for selected species and could be implemented alongside Option 1 or 2.

Catch quotas are an output control where shareholders are allocated a percentage share of the ITCAL (or total catch allocated to the fishery). Catch quotas allow fishers to concentrate on catching their quota as efficiently as they can and focus on optimising profits by value adding and smart marketing, rather than maintaining a highly competitive ‘race to fish’.

Catch quotas would help address current competition for high profile species such as whiting and flathead and serve as a feasible alternative to some of the controls that are currently resulting in perverse outcomes such as the discarding of otherwise marketable fish.

Candidate species for catch quotas in the OTF include whiting (eastern school & stout), flathead (bluespotted & tiger), silver trevally and gemfish.

Additional proposed changes to current restrictions under catch quotas

- Removal of the restriction on taking flathead in prawn trawl nets south of Smoky Cape.
- The removal or a reduction to the size limit applying to silver trevally (only in sectors where it is quota managed and total mortality is reduced).
- Removal of the daily trip limit applying to gemfish.

Main advantages of catch quotas

- A market based approach to resolving current competition for access to high profile species.
- New classes of fully transferable ‘species shares’, which, like other shares, may be legally mortgaged.

- Removal of some current catch controls, potentially resulting in reduced total discards.
- Highest security of access.
- Improved community confidence that catches can/are being effectively managed.
- Optimum asset (share) values are more likely to be realised.

Main disadvantages of catch quotas

- Increased reporting requirements.
- High catch operators may need to invest – depending on how the quota (or species shares) are allocated.

Relative cost of catch quotas

The costs to implement and monitor a catch quota scheme for one or more species is expected to be considerably more than a minimum shareholding scheme and marginally more than a hull unit days regime, depending on future industry decisions as to how much investment to make in research/monitoring. DPI's new FishOnline system has, however, been built and designed to administer catch quotas in a cost-effective way.

Have your say

Feedback is being sought on the options presented in the OTF options paper.

A submission form is available to assist in providing a submission, however submissions can be provided in any format.

The closing time for submissions is 8am on Monday 19 May, 2014.

Details on how to lodge a submission are included in the full options paper.

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