



Department of
Primary Industries



PUBLIC CONSULTATION PAPER:

Reform options for the NSW Estuary Prawn Trawl Fishery



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Public consultation paper: Reform options for the NSW Estuary Prawn Trawl Fishery

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More information

www.dpi.nsw.gov.au/fisheries/commercial/reform

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Disclaimer: The information contained in this publication is based on knowledge and understanding at the time of writing (March 2014). However, because of advances in knowledge, users are reminded of the need to ensure that information upon which they rely is up to date and to check currency of the information with the appropriate officer of the Department of Primary Industries or the user's independent adviser.

Readers guide

This paper includes reform options for comment that are specific to the NSW Estuary Prawn Trawl Fishery (EPT), including the following share classes:

- EPT Hawkesbury River
- EPT Hunter River
- EPT Clarence River

Anyone with an interest in these share classes should read the options presented in this paper and, where possible, provide feedback.

The following provides an overview of the documents available:

General information paper	Provides general information about the reform program and issues applicable to all reform fisheries. A 'must read' for everyone to understand the background. The paper is titled " <i>General information relating to the reform program and reform options for the NSW commercial fisheries</i> "
Fisheries options papers	These contain information about the options that have been shortlisted for specific fisheries or share classes. They include possible linkages, total catch/effort levels and proposed changes to existing restrictions, along with the advantages and disadvantages of each option. A 'must read' if you hold shares in, or have an interest in, these fisheries.
This paper you are reading	
Technical paper	A separate paper detailing how the proposed total catch/effort levels have been calculated. The paper is titled " <i>Setting the Interim Total Commercial Access Level (ITCALs)</i> ".
Submission forms	Submission forms are available for each of the fisheries options papers. Relevant forms will be mailed to all shareholders and will also be available on the reform webpage: www.dpi.nsw.gov.au/fisheries/commercial/reform

NOTE:

This provides specific issues that DPI is seeking feedback on. These are detailed in red boxes throughout this paper and are included in the Estuary Prawn Trawl Fishery submissions form. It is important to note however, that this should not limit any feedback on the overall options; comments are welcome on all aspects of the reform options.

A short summary document is also available summarising the main points contained in this paper. It is important, however, to include the level of detail in this paper to allow shareholders to understand the rationale behind the various proposals.

Have your say

A key part of the Reform Program is getting valuable feedback and ideas from industry and interested stakeholders. Constructive feedback to help work out the best overall approach will assist in shaping future management arrangements.

The complexity of the options laid out in this paper are acknowledged, as is the difficulty some fishers may have in working through the issues covered. If you require assistance in understanding the options presented or in developing a submission please contact the relevant Fisheries Manager, or the Industry Liaison Manager on the contact details provided below.

DPI staff will be visiting regional ports over the consultation period, during which time commercial fishers will have one-on-one opportunities to discuss questions and issues.

A submission form is available to provide comments. Alternatively, you may submit your comments in another form, such as a letter or summary of your views on each of the reform packages presented in this paper.

Note that submissions may suggest variations to the options presented in the fisheries options papers, provided they are within the broad scope of what the NSW Government approved and announced in November 2012¹ and are consistent with the reform program objectives described below.

However you choose to provide comment, it is important to note that subsequent decisions will be based on merit, rather than numbers for and against particular options.

The closing time for comments is 8am Monday 19th May, 2014.

Send your response to:

Mail: PO Box 4291, Coffs Harbour, NSW, 2450

Fax: (02) 6391 4726

Email: commfish.wg@dpi.nsw.gov.au

Following the closing date, a summary of the submissions will be prepared and made available on the DPI website. In arriving at decisions, the Minister will consider the issues raised in submissions, the views of key stakeholder groups, DPI's advice and final recommendations from the independent Structural Adjustment Review Committee (SARC).

For more information on the NSW Commercial Fisheries Reform Program visit www.dpi.nsw.gov.au/fisheries/commercial/reform

Or contact Commercial Fisheries Management on (02) 6691 9684.

¹ See www.dpi.nsw.gov.au/__data/assets/pdf_file/0005/448187/Govt-response-to-independent-comm-fisheries-review.pdf

Foreword

The reform options presented in this paper focus on two important components of the broader reform program:

1. creating a stronger link to resource access; and
2. adjusting existing restrictions which have built up over many years and constrain efficiency.

The overarching objectives of the reform program are to:

- improve the long-term viability of the NSW commercial fishing industry;
- improve the strength and value of shareholders' access rights (i.e. shares); and
- provide shareholders with improved opportunities and flexibility to tailor their access.

The reform options in this paper have been developed by DPI having regard to:

- the Commercial Fisheries Reform Program as approved by the NSW Government in 2012 (after consideration of the *Independent Review of NSW Commercial Fisheries Policy, Management and Administration*);
- ideas submitted by shareholders in writing and through discussions with fisheries managers;
- views from Estuary Prawn Trawl Share Linkage Working Group (EPTSLWG) put forward at several face-to-face meetings; and
- advice and recommendations of the Structural Adjustment Review Committee (SARC).

The outcomes of meetings of the EPTSLWG and the SARC throughout 2013 and early 2014 provide insight into the many options and issues considered in the lead-up to developing the reform options in this paper and are available on the NSW DPI website at:

EPTSLWG webpage: www.dpi.nsw.gov.au/fisheries/commercial/consultation/commercial-fisheries-working-groups/estuary-prawn-trawl-share-linkage-working-group

SARC webpage: www.dpi.nsw.gov.au/fisheries/commercial/reform/sarc

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Acronyms

DPI	NSW Department of Primary Industries
EPTSLWG	Estuary Prawn Trawl Share Linkage Working Group
GVP	Gross Value of Production ²
ITCAL	Interim Total Commercial Access Level
IVR	Integrated Voice Response system
SARC	Structural Adjustment Review Committee
SLWG	Share Linkage Working Group
TACC	Total Allowable Commercial Catch
TACE	Total Allowable Commercial Effort
VMS	Vessel Monitoring System

² Limited to first point of sale only and calculated using Sydney Fish Market average prices.

Introduction

The NSW Estuary Prawn Trawl Fishery (EPTF) includes three classes of shares, each with a corresponding endorsement:

1. Clarence River prawn trawl shares (Clarence River prawn trawl endorsement).
2. Hunter River prawn trawl shares (Hunter River prawn trawl endorsement).
3. Hawkesbury River prawn trawl shares (Hawkesbury River prawn trawl endorsement).

This paper seeks feedback on two primary reform options for the EPTF. The two primary management options presented for feedback are:

Option 1: a two-stage minimum shareholding program designed to deliver adjustment (i.e. the trading of shares and reductions in endorsement numbers) over the short to medium term.

Option 2: a modest increase to the minimum shareholding level before transitioning to a delayed net length day regime.

Changing existing restrictions to improve business and operational efficiency is a key aspect of the broader reform program. In this document, the proposed changes to current restrictions for each linkage option are also presented for consideration.

The potential changes to current restrictions generally increase with the strength of the linkage option, with minimum shareholdings being the weakest form of linkage and catch quota being the strongest (see the general information paper for further information).

To assist in considering the options and providing feedback, a number of advantages and disadvantages have been identified for each option, and these are contained at the back of this paper.

Please note: It is important that the reform options are considered within the overall structure of the fishery. Those unfamiliar with this fishery, including shareholders unfamiliar with current numbers of shareholders and endorsements and the distribution of shares in each share class, are encouraged to read the 'Overview of the NSW Estuary Prawn Trawl Fishery' in Appendix 1.

Option 1: Managing endorsement numbers (minimum shareholdings)

This option involves actively managing the number of endorsements in each sector of the fishery. The proposal to manage endorsement numbers involves:

1. identifying a **maximum number of endorsements** for each share class, and
2. **increasing the minimum shareholding** requirements in two-stages over the short to medium term to reduce the number of endorsements in each sector.

Managing endorsement numbers is achieved by applying minimum shareholding requirements that must be satisfied if a shareholder is to remain eligible for an endorsement to fish in the relevant sector. To streamline administration and minimise costs, DPI proposes a consistent approach to implementing this option across all fisheries where it is proposed (e.g. aligning the timing). The following approach is proposed for the EPTF:

Maximum numbers of endorsements

The maximum numbers of endorsements proposed for the Hunter and Hawkesbury Rivers are based on the number of endorsement holders that took 95% of the Gross Value of Production (GVP) in each sector, respectively, over the three year period 2009/10 to 2011/12 (Table 1). They are proposed in recognition of:

- some shareholders being multi-endorsed, and diversified in their activities;
- the two-stage process outlined below, which will help reduce any initial investment costs;
- interest in removing some controls expected to result in increased fishing efficiency (e.g. boat licence and some net restrictions).

The maximum number of endorsements proposed for the Clarence River has been determined in a slightly different way given that the catch records support the EPTSLWGs advice that participation rates during the three year period 2009/10 to 2011/12 were adversely affected by flooding, regulatory closures and self imposed quotas due to small prawns and incidences of bycatch. The alternate approach involved assessing the number of endorsement holders that took 95% of the Gross Value of Production (GVP) over a five year period (2007/08 to 2011/12) instead of three.

The maximum numbers of endorsements proposed for each sector of EPTF are presented in Table 1.

Table 1. Current numbers of shareholders and endorsements and proposed maximum numbers of endorsements

Share class	Current number of shareholders	Current number of endorsements	Proposed maximum number of endorsements
Clarence	92	77	52
Hunter	27	27	18
Hawkesbury	56	53	31

For further information on the setting of the ITCALs proposed refer to the separate technical paper "*Setting the Interim Total Commercial Access Levels (ITCALs)*" available on the DPI reform webpage.

Proposed minimum shareholding

A two-stage approach is proposed to reduce the initial financial burden on shareholders with the timing of the initial increase designed to capitalise on the lower market price for shares expected around the time of the exit grant process. These stages include:

1. a larger increase in the minimum shareholdings following the exit grant process (~80%), and

2. a smaller increase in the minimum shareholdings 12 months later (the remaining %).

The following table (Table 2) summarises the proposed minimum shareholding requirements and timeframes.

Table 2. Summary of current and proposed minimum shareholding requirements

Share class (total no. of shares)	Current minimum shareholdings	Minimum shareholdings to be satisfied by 1 July 2015	Minimum shareholdings to be satisfied by 1 July 2016
Clarence (15,430)	150 shares	229 shares	293 shares
Hunter (2,800)	100 shares	130 shares	149 shares
Hawkesbury (8,490)	150 shares	221 shares	267 shares

The proposed minimum shareholding requirements have been calculated by dividing the *total number of shares* by the *maximum number of endorsements* proposed above. However, to minimise the financial burden on active shareholders without compromising the proposed maximum endorsement numbers, the minimum shareholding requirements have been adjusted down slightly, using a standard formula (refer to the “*Setting the Interim Commercial Access Levels (ITCALs)*” technical paper).

Transitional arrangements would also be implemented. Under these arrangements existing shareholders with endorsements would remain eligible for those endorsements until:

- the new minimum shareholdings apply, in which case eligibility for an endorsement would be based on the minimum shareholding requirement and how many shares are held; or
- the shareholder transfers, assigns, forfeits or surrenders one or more shares or one or more shares are cancelled, in which case eligibility for an endorsement would be subject to the upcoming minimum shareholding levels.

Under a stand-alone minimum shareholding program, if viability needed to be improved or if total catch (or effort) were to increase beyond sustainable levels or to a point where resource sharing issues between the fishery and other stakeholder groups become evident, consideration would need to be given to increasing the minimum shareholdings to reduce the number endorsements in relevant sectors of the fishery.

Note: Additional variations to the option presented above, and the other options, were also considered by the EPTSLWG. Details of the variations that have not been included in the options presented are detailed in the working group meeting outcomes on the DPI website.

Option 2: Minimum shareholding and 'net length days'

This reform option involves a small increase to the minimum shareholding requirements before transitioning to a delayed (i.e. 2016) 'net length day' regime.

Minimum shareholdings

It is proposed that the minimum shareholdings for the EPTF be increased slightly (by 10%) shortly around the time of the exit grant program, as a transitional step to a net length day regime.

The following table summarises the proposed minimum shareholding requirements and the date by which it is proposed they would need to be satisfied to remain eligible for endorsements.

Table 3. Summary of current and proposed minimum shareholding requirements (to be satisfied by 1 July 2015)

Share class (total no. of shares)	Current minimum shareholding	Proposed minimum shareholding
Clarence (15,430)	150 shares	165 shares
Hunter (2,800)	100 shares	110 shares
Hawkesbury (8,490)	150 shares	165 shares

The minimum shareholdings aim to stimulate shareholders to make an initial decision about whether to make a small investment and remain in the fishery or transfer shares to others. Increasing the minimum shareholdings soon after the exit grant process seeks to capitalise on the lower market price for shares expected around that time.

Net length day regime

The net length day regime presented in this paper is a form of effort control and is based on days fishing and the length of net (i.e. headline) used – two of the more important factors when managing effort in an estuary-based trawl fishery.

Under a net length day regime shareholders could choose how much net they use (within maximum lengths applying to the estuary), which in turn influences the number of days they may fish. In other words, a shareholder who uses a larger net would consume his or her quota at a faster rate than a shareholder using a smaller net.

Proposed ITCALs

An Interim Total Commercial Access Level (ITCAL) is the maximum amount of effort that may be used by a fleet over a fishing period – very much like a Total Allowable Commercial Catch (TACC) or the concept of Total Allowable Commercial Effort (TACE). For more information on ITCALs and future transitioning to TACCs and TACEs refer to the general information paper.

The following table shows the ITCALs (or net length days) proposed for each sector and the effort quota (net length days) that each share would equate to.

Table 4. 'Proposed ITCALs' (total numbers of net length days) and effort quota per share

Sectors	Proposed ITCALs	Net length days per share
Clarence	88,121	5.71
Hunter	16,089	5.75
Hawkesbury	57,727	6.80

The ITCALs' proposed have been determined in accordance with the methodology set out in the technical paper "*Setting the Interim Commercial Access Levels (ITCALs)*".

If shares are surrendered for cancellation or forfeited because of offences or failure to pay fees prior to the hull unit day regime commencing, the amount of quota per share allocated to shareholders would be greater than the estimates above.

If in future total catch (or effort) in the fishery were to increase beyond sustainable levels, consideration would need to be given to decreasing the ITCAL (or in the future the TACE) to reduce overall effort in the fishery. In the past, this would have been addressed by implementing new fishing restrictions, like fishing closures or more gear controls. Modifying those levels would also be an option for industry to stimulate further adjustment for viability reasons if desired.

Fishing periods and annual quota allocations

At the beginning of each fishing period, quota (i.e. an allocation of net length days) would be issued to each shareholder, based on the number of shares held by each shareholder and the ITCAL (or in the future the TACE).

If the ITCAL/TACE is increased or decreased in the future, the amount of quota allocated to each shareholder at the beginning of each fishing period would increase or decrease accordingly.

A fishing period is the period during which a shareholder may use his or her quota of net length days. The fishing period proposed for the EPTF sectors is a 12 month fishing period commencing 1 July each year.

Note: The EPTSLWG expressed interest in a 2 year (24 month) fishing period, or potentially longer. DPI urges caution with this and suggests that, at least initially, a 12 month fishing period should apply to capitalise on the lower share prices expected around the time of the exit grant process. The concern with an extended fishing period is that fishers who need or want additional shares in the medium-term may tend to delay decisions to acquire additional shares and potentially be subject to higher market prices the further away from the exit grant process it gets and the closer to the end of the extended fishing period it becomes.

How shareholders could use their quota and acquire additional quota

Information on the use of quota and how to acquire additional quota, along with how quota use will be monitored is provided in the general information paper "*General information relating to the reform program and reform options for the NSW commercial fisheries*".

Examples of how it would work

Assume there are two shareholders operating in the Hunter River, each holding 200 Hunter River prawn trawl shares, and a 12 month fishing period applies. Based on the ITCAL above (i.e. 16,089) and there being 2,800 shares in the Hunter fishery, both shareholders would be eligible for 1,360 net length days (or units of quota).

Scenario 1: Shareholder A chooses to use 11 metres of headline for the entire fishing period, in which case he would be entitled to work a total of 123 days over the course of the fishing period (i.e. $1,360 \text{ quota units} \div 11\text{m} = 123 \text{ days}$).

Scenario 2: Shareholder B chooses to use a 16.5 metre of headline for the entire fishing period, in which case he would be entitled to work a total of 82 days over the course of the fishing period (i.e. $1,360 \text{ quota units} \div 16.5 \text{ m} = 82 \text{ days}$). In other words Shareholder B consumes his net length days 1.5 times the rate of Shareholder A because he is using a net with a headline length 1.5 times longer.

Shareholders may change their headline length at any time, however, the new headline length would need to be registered with DPI so that an appropriate amount of effort quota can be deducted from the shareholder's quota each time the boat is used. Shareholders who use the same headline length and one business would only need to do this once.

DPI has noted advice from the EPTSLWG that some fishers change to smaller or larger nets over the course of a day. In such cases, the larger of the two headline length would need to be reported.

Defining a 'day'

It is proposed that a day be defined as a 24 hour period from the time the fisher makes a pre-fishing report. Shorter periods (e.g. 8 and 12 hours) were discussed by the working groups, however, the 24 hour period is recommended so as to not add complexity, excessive burden and cost for fishers or compliance officers in terms of reporting and enforcement.

Potential changes to current restrictions

Each of the options presented above is coupled with potential changes to current restrictions or controls, forming overall reform packages for consideration. Once linkages are in place, a number of controls can be removed to improve operational efficiency and profitability, and to reduce red tape and associated costs.

Table 6 identifies the potential changes and the reform options that each is associated with (indicated by ticks). While it is generally the case that stronger linkage options include more opportunity to remove controls than for weaker linkage options, in the case of the EPTF, both options provide potential to modify the full range of proposals described to date.

Table 6. Potential changes to current management arrangements

Potential changes to current management arrangements for consideration with relevant Reform Options	Reform Option 1	Reform Option 2
Maximum shareholdings: The current default maximum shareholding of 40% of the shares in the fishery is ineffective and proposed to be removed on the basis that there is negligible to nil risk of a monopoly in the relatively small scale fisheries in NSW.	✓	✓
Foreign ownership restrictions: Remove the restrictions on foreign ownership of shares on the basis that there is negligible to nil risk of significant foreign ownership of the relatively small scale fisheries in NSW.	✓	✓
Nomination process: Two changes are proposed to streamline the nomination process: <ul style="list-style-type: none"> <i>Registering 'eligible fishers':</i> Remove the requirement to register 'eligible fishers' against fishing a business (FishOnline will automatically check that proposed nominated fishers are already licensed). <i>48 hour restriction:</i> remove the rule preventing subsequent nominations within a 48 hour period. 	✓	✓
Fishing businesses and share transfer rules: Remove fishing businesses as a management tool (but use them for administrative purposes only) and relax, if not remove, the fishing businesses transfer rules (aka. share transfer rules) once the maximum target numbers of endorsements are met.	✓	✓
Boat licences: Removal of the requirement for boats under 10 metres in length to be licensed when used in the EPTF, saving ongoing licence fees. Fishers with boat licenses that have an "EPT exemption code" (allowing the use of boats over 10 metres in length) may retain those licences and the privileged access associated with those licences.	✓	✓
OG1 notations: Subject to what transpires in other fisheries, consideration would be given to removing OG1 notations from boat licences given they serve no purpose in the EPTF.	✓	✓
Throsby Basin, Hunter River: Shareholders seek to be allowed back into that part of Throsby Basin from a line drawn south from the eastern extremity of the State Dockyard (Dyke Point) to the western end of Queens Wharf, upstream to a line drawn west from the southern extremity of Forgacs Dockyard, excluding the yacht club marina. To alleviate the need for 'closed water permits' DPI would also consider adjusting the downstream boundary of the Hunter River EPT fishery such that it extends from the boat ramp adjacent to Punt Road, Stockton, (where it currently extends from) to the western end of Queens Wharf.	✓	✓
Broken Bay at night: Shareholders seek to be allowed to back into Broken Bay on weekends, but only at night (sunset to sunrise) to minimise the risk of direct interaction with other users of the waterway.	✓	✓
Net restrictions: A number of changes are proposed to provide for the voluntary adoption of modifications demonstrated through recent research to improve catching efficiency, reduce drag (and fuel consumption) and reduce bycatch. The changes include: <ul style="list-style-type: none"> Allowing for the use of single, double, triple, and quad gear. Allowing for each net to have a different headline length determined by the shareholders to suite his or her needs, up to the maximum combined headline length relevant to estuary concerned and, if a net length day regime if pursued the headline length 	✓	✓

Potential changes to current management arrangements for consideration with relevant Reform Options	Reform Option 1	Reform Option 2
<p>applicable to the shareholder/fishing business concerned.</p> <ul style="list-style-type: none"> Increasing the maximum headline lengths applying to each estuary. The following maximum headline lengths are suggested to stimulate industry discussion and feedback. <ul style="list-style-type: none"> Clarence: 20 m. Hunter: 15 m. Hawkesbury: 22 m all waters. Allowing for the use of smaller mesh sizes to the body of the net (actual size yet to be decided), but only when using a 'short net with a steeper side taper (i.e. 1P5B)', which might be defined as a net with a body length (from mid headline)-to-headline length ratio not exceeding ~0.5. For example, a Clarence River trawl with a headline length of 7.35 m would need to be less than 3.7 m long from the mid headline to the end of the body. It is also proposed that the 'Juno Point closure line' be removed such that the rules relating to the use of nets are consistent throughout the Hawkesbury River system. <p>For further information on the research behind these changes refer to the paper "Agenda Item 7 – Background Paper changes to EPT trawl gear" on the OTSLWG reform homepage on the DPI website (Meeting 2 – 21and 22 November 2013).</p>		
<p>Clarence by-product list: Shareholders seek a mixed bag of up to 15 kg of the following species to be added to the Clarence River prawn trawl byproduct list so that they may be landed if taken incidentally while targeting prawns, instead of being discarded: bream, flathead, whiting and luderick. The limit is proposed in recognition of these species being of interest to other stakeholder groups. Prior to 2002 these species could lawfully be taken in the Clarence River EPT Fishery. Annual monitoring of total catches would continue to apply.</p>	✓	✓
<p>Hunter by-product list: Shareholders seek the following species to be added to the Hunter River prawn trawl byproduct list so that they may be landed if taken incidentally while targeting prawns, instead of being discarded: silver biddies, carp and herring. No daily limits are proposed, as per the standard arrangements applying to byproduct species in the Estuary Prawn Trawl Fishery. Annual monitoring of total catches would continue to apply.</p>	✓	✓
<p>Hawkesbury by-product list: Shareholders seek the following species to be added to the Hawkesbury River prawn trawl byproduct list so that they may be landed if taken incidentally while targeting prawns or squid, instead of being discarded. No daily limits are proposed, as per the standard arrangements applying to byproduct species in the Estuary Prawn Trawl Fishery. Annual monitoring of total catches would continue to apply.</p> <p>Common pike eel (<i>Muraenesox bagio</i>) Silver trevally (<i>Pseudocaranx georgianus</i>) Cuttlefish (<i>Sepia</i> spp.) Southern Calamari (<i>Sepioteuthis australis</i>) John dory (<i>Zeus faber</i>) Giant boarfish (<i>Paristioperus labiosus</i>) Striped scat (<i>Selenotoca multifasciata</i>): also commonly known as old maid or butterfish Diamond fish (<i>Monodactylus argenteus</i>) Tripletail (<i>Lobotes surinamensis</i>) Fantail Mullet (<i>Paramugil georgii</i>): Stingrays, various (<i>Dasyatis</i> sp.) Bull shark (<i>Carcharhinus leucas</i>) Eastern fiddler ray (<i>Trygonorrhina fasciata</i>) Eastern shovelnose ray (<i>Aptychotrema rostrata</i>) Eastern school whiting (<i>Sillago flindersi</i>) Stout whiting (<i>Sillago robusta</i>) Herring (all local species) Catfish (all local species)</p>	✓	✓

Additional issues

Feedback requested (in addition to the potential changes identified above)

Hunter River prawn count: In addition to the changes above, feedback is sought on a proposal to change the school prawn count applying to the Hunter River from 180 school prawns per ½ kilogram back to 150 per ½ kilogram to enhance yield and economic returns. If modified, the count would be applied as a 'possession count' (i.e. like a size limit) and also used to guide the adaptively manage access using closures to optimise yield.

Comparison of reform options presented

To assist in considering the options and providing feedback, a number of advantages and disadvantages associated with the various forms of linkage have been identified by DPI and the SLWGs.

Managing endorsement numbers (minimum shareholdings)

Table 7. Advantages and disadvantages associated with managing endorsement numbers using minimum shareholdings

Advantages	Disadvantages
Simple and therefore administratively the cheapest way for the government to link shares to resource access.	Shareholders are forced to invest from time to time, rather than when they like.
A very direct and effective tool for delivering market-based adjustment to an agreed level.	Total investment can be significant, particularly for those with diverse shareholdings if required to invest in multiple share classes.
Reduces (but does not eliminate) the risk of inactive endorsements re-entering the fishery.	Does not guarantee security of investment in a fisher's share within the fishery – endorsement holders continue to compete for their share.
Opportunity to remove a range of controls that inhibit fishers' profitability and government efficiency.	<p>No opportunity to tailor shareholdings to suit preferred access levels and fee liability.</p> <p>Little additional security of access within the fishery and cannot be used to respond to species-specific sustainability or resource sharing issues:</p> <ul style="list-style-type: none"> • Competition within the fishery for high profile species will continue. • Opposition from other sectors to changes that would benefit the fishery will likely continue. • Government may be required to default to crude controls (e.g. closures, size limits, trip limits etc.) that sometimes deliver perverse outcomes such as loss of access or discarding etc. <p>If total effort needs to be reduced for viability, sustainability or resource sharing reasons, increasing the minimum shareholding requirements would be one of the few options available to the fishery, noting:</p> <ul style="list-style-type: none"> • The minimum shareholding requirements may need to be increased significantly to remove all latent effort and then some active effort. • Overall industry disruption would be greater than under a catch or effort quota, because under a quota, catch and effort is addressed directly and each and every shareholder incurs a proportional reduction in quota (and has the option to re-invest or not). <p>Optimum asset (i.e. share) values are unlikely to be realised, because of the above disadvantages.</p>

Minimum shareholdings and net length days

Table 8. Advantages and disadvantages associated with linking shares to net length days

Advantages	Disadvantages
Opportunity for shareholders to choose the amount of headline that they use (i.e. the current maximum headline limit could be increased or removed all together).	Expected to cost more to implement than a minimum shareholding scheme – because of the need to allocate quota each fishing period and monitor quota usage throughout the period.
Opportunity to remove a range of controls that inhibit fishers' profitability and government efficiency.	Does not offer security of investment/access like catch quota linkages, but offers more security of shares than for Option 1.
Provides for upscaling and downscaling of shares as required by the shareholder.	A net length day regime is an indirect way of managing catch and as such does not offer the higher levels of control over total catches or catches of a particular species in the fishery associated with catch quotas.
Improved control over total school prawn catches from the fishery, which can be beneficial from a range of perspectives including capacity to deliver sustainability and resources sharing objectives within the fishery and between the fishery and other sectors – relevant to some sectors more than others.	Cannot be used to respond to species-specific sustainability or resource sharing issues.
Improved community confidence that the fishery is operating at sustainable levels and that total effort can be managed if a sustainability issue were to arise. This may lead to greater community and government support for proposed changes/streamlining to benefit fishers.	

Management costs

The costs associated with each of the options are difficult to determine given that a large number of factors will influence them. An indication has been provided of the relative costs of the options in the advantages and disadvantages tables above. Refer to the general information paper for further information about estimating management costs.

Appendix 1: Overview of the NSW Estuary Prawn Trawl Fishery

The EPTF operates for defined seasons (with the exception of the Hawkesbury River) in three of the 130 of the major estuaries in NSW: Clarence River, Hunter River and Hawkesbury River. Within each of these three estuaries the fishery is restricted to around 50% of the waters available.

The EPTF produces around 400 tonnes of locally caught seafood annually valued at around \$3M at the point of first sale and is a component of a dynamic network of producers, wholesalers, processors and retailers that deliver high quality, fresh seafood to local, interstate and international consumers.

The fishery uses prawn trawl nets to target prawns and in the case of the Hawkesbury River, squid. School prawns constitute around 75% of the total catch and are sold for human consumption and for use as bait. Some species taken as incidental catch may also be landed for sale – these are known as ‘byproduct’.

The EPTF has suffered from increasing input costs (e.g. fuel) and global market competition and has struggled to keep pace with the ever-changing global environment around it. This has resulted in more shareholders exiting or trying to exit the industry than ever before and has limited succession. For those still operating in the fishery, financial security is tenuous and capacity to respond to sustainability or resource sharing issues is somewhat limited.

The table below shows the current number of shareholders, endorsements and an estimate of the number of active endorsements in each share class (i.e. the number of endorsement holders that took at least 1 kg of product averaged over the three year period 2009/10 to 2011/12).

Table 9 Current numbers of shareholders and endorsements and an estimate of active endorsements

Share class	Number of shareholders	Number of endorsements	Active endorsements
Clarence River prawn trawl	92	77	52
Hunter River prawn trawl	27	27	23
Hawkesbury River prawn trawl	56	53	41

The following figures show the numbers of shares held by shareholders in each share class and the current minimum shareholding requirements – which must be satisfied for the shareholder to be eligible for an endorsement to participate in the relevant sector.

NB. The shareholding data below was extracted late 2013, since which time there has been additional trading and consolidation of shares. Some shareholders also own multiple fishing businesses with EPTF shares.

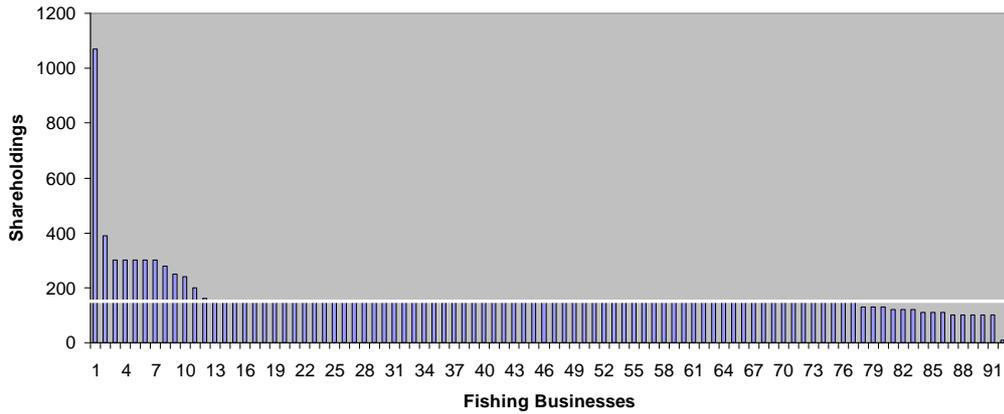


Figure 1. Clarence prawn trawl shareholdings and current minimum shareholding requirement (white line)

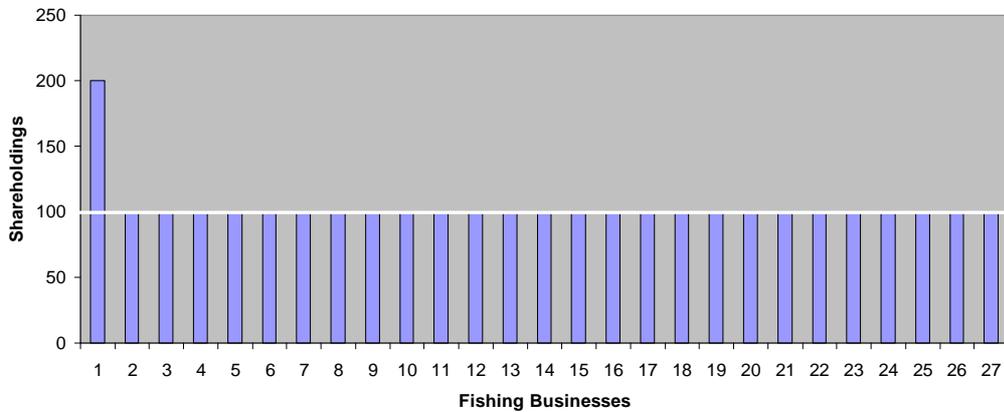


Figure 2. Hunter prawn trawl shareholdings and current minimum shareholding requirement (white line)

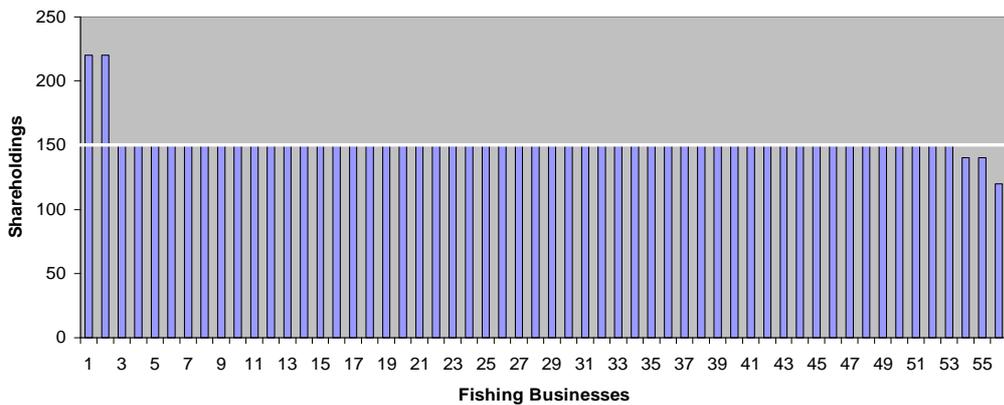


Figure 3. Hawkesbury prawn trawl shareholdings and current minimum shareholding requirement (white line)

Some of the major issues facing the NSW EPTF that can be addressed through the reform program (and the linking of shares to resource access) include:

All sectors:

- Surplus fishing capacity that can be activated at any time and that poses a risk to the viability of active participants in the fishery. There is significant surplus capacity in the fishery, but less so in the Hunter River.

- Limited opportunity to improve operational efficiency through, for example, the use of larger nets and more efficient trawl configurations.

Clarence River prawn trawl fishery:

- Competition for access to school prawns (and market access) within the fishery, sometimes culminating in representation to DPI.
- Competition for access to school prawns and market access between the fishery and other sectors including the Clarence River prawn set pocket net and inshore ocean prawn trawl fisheries.
- The impact of temporary closures introduced in response to the harvesting (and mortality) of small school prawns by some fishers. The resources/cost of implementing these closures is also an issue.
- The uncertainty and cost associated with extending the season by up to 15 working days.

Hunter River prawn trawl fishery:

- Competition for access to school prawns within the fishery, culminating in ongoing debate between fishers from the upper and lower reaches over appropriate seasonal arrangements.
- Competition for access to school prawns (and market access) between the fishery and other sectors including the inshore ocean prawn trawl fishery.
- The seasonal arrangements sometimes impacting opportunities to capitalise on high market prices – before the standard season commences and after that season finishes.

Hawkesbury River prawn trawl fishery:

- Competition for access to school prawns within the fishery, sometimes culminating in representations to DPI.
- Risk of increased fishing pressure on squid and lack of information on the resilience of the various species of squid that are taken in the Hawkesbury River.
- A range of other public perception issues, including lack of public confidence that catches can be actively managed in such a way that they do not exceed sustainable levels and ongoing public concerns over bycatch levels.

Appendix 2: Variations considered

While developing the Reform Options presented in this paper, a number of were considered. With regard to Option 1, the following variations were considered:

Extended adjustment time-lines: The working group considered extended timelines for adjustment (e.g. 3 or 5 years), but noted that this was contrary to advice provided by the SARC and that financial assistance, via exit grants, will only be available in the short-term and that if the reforms deliver the outcomes expected shares may cost significantly more to buy in the future.

A three-stage approach: DPI has also considered a suggestion by the working group for a possible three-stage approach, however, is of the view at this point that the same issues above relating to extended adjustment timelines would arise.

A number of other options were also considered by DPI and working groups. For details on these other options, variations and an indication of why they did not go forward please refer to the outcomes of the SLWG meetings on the DPI website:

www.dpi.nsw.gov.au/fisheries/commercial/consultation/commercial-fisheries-working-groups/estuary-prawn-trawl-share-linkage-working-group