

## OCEAN HAUL GARFISH SHARE LINKAGE WORKING GROUP

# Draft outcomes meeting 1, South Coast Fisheries Office, Nowra

10 July 2013

### Attendees

Andrew Bosworth (Chairperson), Denis Brown, John Breirley, Phil Zaccagnini, Ross Fidden, Tony Forster, Zoran Praja, Andrew Nye, Doug Ferrell (DPI), Mathew Richardson (DPI), Joshua Foster (DPI), Miriam Vandenberg (DPI).

### Apologies

Vince Jordan Jnr.

### Purpose of meeting

Introduction to the 'share linkage' component of the industry reform program, including the identification of current controls for review and discussion on linkage options for further consideration by the working group and, ultimately, shareholders, the Structural Adjustment Review Committee (SARC) and the government. This group will consider linkage options for Ocean Haul Garfish Net and Ocean Haul General (crewing).

### General discussion

The introductory presentation resulted in a number of discussions including the exit grant program, the importance of diversity in fishing business operations generally, the role of the working group, clarification that the working group is not a decision making body, the \$15.5 million dollars in adjustment contribution from the government, problems with past and present fisheries management generally, the impact of closures, availability of shares, discussion about industry viability and the importance of strengthening the existing property rights in the fishery, increasing cost recovery of management costs, and the possible impacts of reform on commercial fishing infrastructure such as co-ops, local markets and transport infrastructure.

The working group noted that each region has significant structural differences in the distribution of shares and other regional specific issues. The proposed management frameworks need to be able to accommodate for these regional differences while maintaining equity across regions. The group noted that the original distribution of shares across this fishery was proportional to the catch history at the time and that generally there are no issues regarding inter regional equity. I.e: a share in one region has the same value as a share in any other region.

Aboriginal participation in this fishery is significant and the importance of this fishery to aboriginal culture must be recognised.

Diversity in available fishing activities within a fishing operation is important to spread risk in a fishing environment that is variable and opportunistic.

What makes up the 'value' of a fishing business under the current management arrangements and how this value may be retained under future management arrangements. This was noted as important when

considering removing some management controls and how these changes translate to fishing businesses value for an operator. ie: fishing boat licenses, net registrations.

The working group discussed how access to finance could be significantly affected by the timing of reform events. The group noted that the timing of the exit grant scheme and of the introduction of share linkage can be a source of uncertainty to fishing businesses owners and financiers.

The group noted that more information regarding how the increased recovery of management costs is to be levied is crucial for business owners. Operators need this information to ensure they can afford the fees on the structure of their future businesses.

The group discussed the uncertainty regarding the development of the resource sharing framework and cost recovery policy. The group noted there is some risk in implementing share linkage without knowing the final costs and resource share. The Department noted the difficulty with aligning the restructuring program with the policy development and pointed out the likelihood of strong industry involvement in developing sharing and cost recovery policies.

Changes to crewing management arrangements should be considered to provide greater flexibility for all shareholders while maintaining existing property rights of crew shareholders.

How changes to management fee cost recovery translates to ocean haul crewing shares, where the entitlement is an assistance right only.

Inconsistency in Marine Park zoning must be considered when considering future management structures.

Product quality greatly influences market price for garfish. Ie: size and delivered quality. Some existing management arrangements such as weekend closures indirectly affect quality as it impacts available transport options to markets in Sydney. When considering the benefits of different management regimes it is important to consider the flow on effects both positive and negative. All possible measures to improve delivered product quality should be considered to ensure maximum profitability from harvested resource.

Garfish is still currently considered overfished and future management regimes must be able to respond to sustainability issues.

There must be equity and consistency in management arrangements between ocean haul and estuary general component of the fisheries.

It was noted during the introduction that the reference to quota in these discussions does not solely refer to catch kilograms. Quota can also refer to other disposable units such as days, gear and other effort units. The group noted it was important to ensure this was clearly understood during these discussions.

It was also noted that the structural adjustment review committee (SARC) is independent of DPI and will be making final recommendations based on the merit of the proposed options and with regard to the objectives of the reform program.

### Input controls that affect viability:

The working group identified a number of controls that it thought should be reviewed as part of the reform program, acknowledging that opportunity to remove or rationalise these controls will in some cases be dependent on the form and strength of the linkage pursued.

- Closures
- Crewing restrictions
- Boat based hauling in some estuaries

### Linkage options for further investigation:

The working group worked through the linkage hierarchy recommended in the Independent Review Report (i.e. catch quota followed by effort quota followed by endorsement numbers) and identified various options to model for further consideration along with a range of pros and cons likely to be associated with each.

**NOTE:** Please note that the proposed modelling of the various approaches below is 'work-in-progress' and that the list of advantages and disadvantages will grow as a result of further consideration by the working group, fishers and DPI etc.

Model	Pros	Cons
Model a catch quota scenario.	<p>Increased scope to remove input controls that may be inhibiting efficiency or resulting in lost fishing opportunities.</p> <p>Shareholder can choose to upscale/downscale dependant on need either through purchasing shares or leasing quota.</p> <p>Resulting security of access.</p> <p>Most effective option in managing catch in response to overfished species status.</p>	<p>High catch operators will probably need to acquire shares or purchase quota.</p> <p>Highly responsive TACCs that closely follow stock abundance can be expensive.</p> <p>If leasing of quota is permitted, there may be risk of “quota barons” ie: businesses that dominate quota market.</p> <p>Potentially high implementation &amp; ongoing costs – including ongoing stock assessments.</p> <p>Risk of increased discarding (including as a result of high-grading).</p>
Model the following effort quota scenarios: Days	<p>Increased scope to remove input controls that may be inhibiting efficiency.</p> <p>Shareholder can choose to upscale/downscale.</p> <p>Resulting security of access.</p> <p>Less discarding than catch quota.</p>	<p>High effort operators will probably need to acquire shares.</p> <p>Some fishers will be forced to change the way they work – so they don't waste their days – or to maximise their fishing time from their allocated days.</p> <p>Potentially higher implementation &amp; ongoing costs.</p> <p>Cross fishery equity across ocean haul and estuary general sectors of the fishery.</p>
Model a minimum share holding scheme (No. of endorsements) for each share class.	<p>Less discarding than catch quota.</p> <p>Less scope to remove other input controls such as closures.</p> <p>Simplicity</p>	<p>Shareholders forced to invest from time to time.</p> <p>Minimum shareholding apply to all operators – no scope to upscale/downscale.</p> <p>Complexity due to regionalisation</p> <p>Latent effort may be activated due to need to pay for investment in shares. Could put further pressure on overfished resource.</p> <p>Not able to respond to sustainability issues directly. Other measures would have to be considered.</p>
Model the linking crew shares to block entitlements.	<p>Increase flexibility for net shareholders to obtain crew.</p> <p>Possibly reduce administrative costs for fishing businesses.</p>	<p>Cross fishery considerations ie: crewing interactions between ocean haul hauling net, PAB net and garfish.</p> <p>Must ensure crew shares are not devalued in process.</p> <p>Needs to be tailored to each region.</p>

NB. Need to work out some of the detail of how the options would be implemented and monitored (e.g. the details of the last linkage approach above, how would a ‘day’ be defined, pre-fish reporting requirements, how minimum shareholding would be determined, maximum shareholdings etc).

## Information/data requirements for next meeting

**Action 3:** Where relevant to the linkage options to be modelled (or otherwise of particular importance), DPI to bring the following to the next meeting:

- Relative costs of the various options including relative to current management arrangements.
- Information regarding departmental discussions with financial institutions.

End.

### More information

Joshua Foster – Ocean Haul Fisheries Manager [joshua.foster@dpi.nsw.gov.au](mailto:joshua.foster@dpi.nsw.gov.au) – (02) 6691 9674

For updates go to: [www.dpi.nsw.gov.au/fisheries/commercial/consultation](http://www.dpi.nsw.gov.au/fisheries/commercial/consultation)

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