

ESTUARY PRAWN TRAWL SHARE LINKAGE WORKING GROUP

Draft outcomes meeting 2, Newcastle Fishermen's Cooperative

21st and 22nd November 2013

Chair's summary

- Significant angst amongst industry noted: in particular the level of financial impact of any share linkage system on those active and financially dependant on the fishery; uncertainty as to how effective the Exit Grant Program is going to be in encouraging small share holders to sell and exit the fishery to offset the costs of those fishers needing to rebuild access entitlements to continue their current levels of fishing effort.
- Important to convey message that reform program is about providing the environment for “growing investment in the Industry” rather than current fishers merely “buying current jobs back”.
- Important that a revised timeline for the reform program be published as soon as possible.
- Important to protect working group – they are not a decision making body, no decisions have been made; the linkage options posted on the web are a work in progress.
- Industry members grateful for DPIs demonstrated willingness to work on the linkage options and help build a balanced package that delivers shareholders future security/flexibility without ‘crippling’ industry in the short term.
- Working group took onboard SARCs advice and support for a staged approach and deferred commencement to ease the financial burden on those intending to stay.
- Working group provided justification for not pursuing options involving catch quotas in the EPTF, linking shares to net length only and linking shares to days only.
- Working group supported putting two potential approaches to shareholders for comment:
 - A two-staged minimum shareholding program;
 - A two-staged program involving a small to modest increase in minimum shareholdings before transitioning to a net length-day regime.
- Included in both approaches is a proposal to provide for the voluntary adoption of more efficient trawl systems (e.g. multiple smaller nets etc.) and a range of changes to current management arrangements to promote improved operational, business and administrative efficiencies. Note that the results of research project re. Improving Efficiency of Trawl Gear was well received.
- Regrettably a member from the Hawkesbury resigned from the working group the day before the meeting. The letter of resignation was tabled in the minutes. This highlights the need for increased DPI / shareholder engagement leading up to and during the public consultation phase (noting of course resource / timing constraints). There appears less integration between operators throughout the Hawkesbury compared to the Clarence and the Hunter; it is important that operators in the lower Hawkesbury be engaged directly by the DPI now that there is no membership on the working group from that area.

Attendees

Brigid Kerrigan (Chairperson), Donald Johnson, Bruce Knevet, Jim Drinkwater, Charles Hutchen, Gary Howard, Darren Hale (DPI), Andrew Goulstone (DPI observer) and Tricia Beatty (PFA observer).

Welcome and apologies

The chair tabled a letter from Mr Dane Van Der Neut sent to DPI the day before advising that he will not be attending the meeting and is formally withdrawing from the working group. The chair noted Mr Van Der Neut's resignation and concerns.

The chair confirmed that observers are permitted to attend working group meetings and the new process/guidelines that apply.

<p>Action 1: DPI to consider seeking a new industry member from the lower Hawkesbury River.</p>

Confirmation of previous meeting outcomes

The outcomes from the first meeting of the working group were accepted without change.

Review of action items

DPI made a presentation and the chair led discussion on the action items arising from the first meeting.

Action 1 (DPI): Complete. DPI inserted a new link under the 'Commercial fishing homepage' on the DPI website to make it easier for shareholders to locate the data relating to each fishery.

Action 2 (DPI): Complete. DPI extracted and presented to the working group information at the meeting (available on the DPI website) demonstrating:

- Prawn trawling in the Hawkesbury is more of a 'specialist activity' than many other commercial fishing activities including prawn trawling in the Hunter and the Clarence.
- Some fishing businesses with Hawkesbury, Hunter and Clarence River estuary prawn trawl shares are not active in the industry at all, some focus all of their effort in other fisheries and of those that are active in the estuary prawn trawl fishery some work in the estuary prawn trawl fishery only whereas others work in other fisheries also. The number of businesses in each of these categories differs between estuaries.

Action 3 (Industry members): Part pending. During later discussion on "Refining the current management arrangements":

- Clarence members advised their interest in being able to take as byproduct a mixed bag of up to 15 kg of bream, flathead, whiting and luderick. The limit is proposed because these species are important to some other sectors/stakeholder groups.
- Hunter members advised their interest in being able to take silver biddies, carp and herring as byproduct. No daily limits are proposed – as per the standard arrangements applying to byproduct species in the Estuary Prawn Trawl Fishery.
- Interim advice is that Hawkesbury fishers seek to pursue the list of byproduct species as set out in the share linkage options paper and confirmed that the species of herring includes the "greenback (normal) herring" and the "freshwater herring".

Action 4 (Hawkesbury members): Pending. No specific closures for review have been identified to date.

Action 5 (DPI): Complete. The linkage options modelled by DPI are available on the DPI website and were the subject of detailed discussions later in the meeting.

<p>Action 2: Hawkesbury members to pursue those aspects of Action Items 3 and 4 from the first meeting that remain outstanding, as follows:</p>

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| <ul style="list-style-type: none"> • Confirm the species of catfish and whiting for addition to the Hawkesbury byproduct lists or that no further species are sought. • Identify specific closures for review and justify the benefits and consider the likely issues. |
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Opportunity for members to raise issues/thoughts since first meeting

Industry members advised the angst amongst industry and their families due to the current uncertainty, the need to invest in shares should the figures in the options paper be implemented and scepticism over whether the reform program will deliver any positive long term outcomes for industry.

It was noted that some fishers understand the process reasonably well and the benefits of linking shares to resource access whereas others do not. It was also noted that some fishers will never change their views and that others are seeking more information so that they can make an informed view.

Industry members also advised the pressure upon them and sought assistance promoting that the working group was set up to help shortlist a range of linkage options (including catch quotas); it is not a decision making body and is not responsible for making final recommendations.

Industry members re-iterated Mr Van Der Neuts views that some fishers think decisions on share linkage have already been made – which is not true – and questioned the flexibility afforded fisheries managers. DPI responded by confirming that all options are on the table (except doing nothing) and that there is significant scope to tailor a package of reforms to suite the future needs of the Estuary Prawn Trawl Fishery as a whole.

Additional advice from members included:

- Many fishers don't grasp it.
- Shareholders need to know the number of shares that they will need and the ongoing implementation costs to be borne by industry.
- There is significant apathy in some sectors, particularly amongst those that don't want change.
- Issues coming through the Professional Fishermen's Association include:
 - Many can't afford to invest in additional shares and finance is likely to be an issue for some;
 - Many don't see any value in the reform program;
 - Some don't see latency as a risk;
 - Some have expressed that the share linkage documents are difficult to understand for the lay person – but there also seems to be acknowledgment that they will be rewritten and simplified for the next phase of the process.
 - Some fishers want further clarity on the process, including any changes to the timeline.
- Many don't see sense in buying shares if it does not provide for extra access or the ability to earn more money – noting the views of one member that "...we're on the right track..." with the concept of providing for more efficient net configurations and the linking of shares to headline length.

Further shareholder submissions: share linkage and current controls

DPI advised that it has not received any submissions or new ideas on share linkage or reforming the current management controls via the standard submission template available on the DPI website.

SARC feedback

DPI led discussion on feedback from the SARC¹ relevant to the Estuary Prawn Trawl Fishery, including:

- The reform timeline.
- Diversification.
- Staged approach to implementation of share linkages.
- New classes of shares for some fisheries.
- Use of recent participation in the development of share linkages.
- Approaches to allocation for any new class of share.
- Facilitating share trading.
- Deferring the commencement of ITCALS.

(a) The reform timeline

The working group noted advice that the process has slipped (by around six months) and that a revised schedule is being developed and will be circulated to industry ASAP.

¹ Refer to the Reform Homepage on the DPI website for a full record of the feedback received from the SARC.

(b) Exit grant program (additional issue)

The working group noted that many fishers do not understand the basics of the exit grant program and supported DPI's intention to put out a high-level information paper on how the exit grant program will work.

In response to advice that some shareholders would like to see the exit grant process expedited, DPI clarified that the exit grant program is designed to help those remaining in the industry acquire shares at a subsidised rate and cannot be rolled-out until the Minister has approved and DPI has announced the final package of reforms for each sector.

(c) Staged approach

The working group agreed to explore a staged approach to share linkage and noted that such an approach would need to be justified.

Note: the two share linkage approaches recommended by the working group for consideration by shareholders both involve a staged approach – more on this below.

(d) Fisher's not reporting catch (additional issue)

It was questioned whether there is opportunity to factor in anecdotal information to account for or offset fishers' not reporting their catches or effort.

Note: this issue was also raised during discussions on setting the ITCALs as outlined below.

(e) Resource sharing between commercial and other sectors (additional issue)

Discussion turned to resource sharing, with industry members expressing the view that the recreational prawn harvest in at least two of the regions where prawn trawling occurs (Clarence and the Hunter) is greater than perceived, but that there are no major resource sharing issues between the two sectors in relation to prawns.

It was also noted that the reform process involves setting the size of the 'commercial pie' – to address competition between shareholders and for adjustment within the industry – and that the size of the 'commercial pie' may change over time based on stock sustainability, economics and any future resource sharing arrangements that may be negotiated.

(f) Deferring the commencement of ITCALs

The working group agreed to explore deferring the commencement of ITCALs (which relate to catch and effort quotas only) and identified a range of pros, cons and issues:

- Consideration needs to be given to the exit grant funding being available for a short period only – most likely during late 2014.
- Discussion moved onto the risk of market prices for shares artificially inflating (and apparent evidence of it) and the difficulty that this may create for those who want to remain in the industry. DPI noted that increased asset value (i.e. share value) is a long term objective of the reform program and reminded the working group of the strategies in place or proposed to reduce the risk of share prices artificially inflating in the lead up to linking shares to resource access, including:
 - The recent change to the fee structure (and amount) has already had the effect of stimulating the trading of shares, with anecdotal information indicating that many of those shares have been sold at a relatively low price.
 - Various elements of the exit grant program have also been designed (or are being considered) to minimise the risk of share prices over-inflating, including:
 - DPI is also investigating an 'online brokerage system' which involves openly advertising sale prices – to help inform the 'real' market price of shares.
 - Announcing the reform packages for each fishery, including the form of share linkage, is also expected to stimulate some fishers' to exit the industry or some of the fisheries that they hold shares in – and in many cases submit tenders to the exit grant program.
 - Tenders for an exit grant will only be accepted if deemed 'value for money' – which will help minimise the risk of shareholders over-valuing their shares, including on the open market.
 - Giving the exit grant money to the seller once the seller transfers his or her shares aims to do two things; (i) encourage the seller to sell his or her shares at a reduced price – otherwise he

or she may miss out on an exit grant payment – and the buyer to acquire those shares at a subsidised price.

- It was noted that DPI and the SARC do not support extended (e.g. 5 to 10 year) implementation timeframes.
- The working group acknowledged that deferring the commencement of an ITCAL would need to be justified and identified the following reasons why deferment would be desirable (subject to the form of linkage and the quota available to shareholders upon implementation etc.):
 - Many fishers in the estuary prawn trawl fishery also operate in other fisheries (i.e. they are diversified fishers) and as such may want to make multiple investments.
 - Opportunity to defer commencement of an ITCAL will facilitate transitioning to a stronger form of linkage – rather than defaulting to a weaker form of linkage such as minimum shareholdings.
 - Providing additional time to invest in shares will ease the financial burden on shareholders and may help minimise the risk of short-term declines in production as the fishery transitions to a new management regime.

Note: one of the two potential share linkage approaches suggested by the working group involves deferring commencement of the ITCAL – more on this below.

Providing for the use of more efficient trawl systems

The working group worked through the lay summaries for each of the research projects recently completed by scientists from NSW and other states – for further information refer to the working group background papers available on the DPI website.

The results of the research indicate that much can be done to enhance the fishing efficiency (and fuel efficiency) of the gear currently used in the fishery – which is important from an industry viability perspective and directly relevant to the reform program. The results also demonstrate significant reductions in bycatch of some species.

The working group strongly supported amending current regulations – as part of the reform program – so that fishers have the option to adopt any new gear technology that improves their fishing efficiency, reduces fuel consumption and or reduces bycatch. The working group noted that some fishers will not change their gear but agreed that that is a matter for those fishers.

Action 3: DPI to include in all linkage/reform packages for the Estuary Prawn Trawl a proposal to amend the regulations to provide for the voluntary adoption of the gear technology arising from this research.

Action 4: DPI managers to see if Matt Broadhurst can offer extension work to inform Clarence, Hunter and Hawkesbury fishers the results of this work, preferably early next year for consideration during the consultation phase of the reform program and also after the full research project is complete.

Action 5: Working group members to provide detailed feedback on the draft recommendations in the background paper – available on the DPI website – over the coming 6 weeks (i.e. by 15 January 2014).

Review of methodology and data for setting the ITCALs

DPI briefed the working group on the standard methodology and data used to calculate the ITCALs for the catch quota scheme and two of the effort quota schemes set out on the share linkage options paper (i.e. the day scheme and the net length day scheme).

Note: the methodology and data discussed is available on the DPI website in the presentation titled “Agenda Item 8 – Setting the ITCALs – presentation”.

The working group immediately noted that the three years of data used (i.e. 2009/10 to 2011/12) to apportion the industry-wide school prawn ITCAL between sectors and set the effort quota ITCALs, where not member of typical catch or effort levels in the fishery or relative catches between fisheries – and is the reason for the relatively low ITCALs stated in the meeting background papers. It was noted that during these three years estuaries such as the Clarence were subject to significant flooding, self imposed catch

quotas and closures because of small prawns – and that at the same time state-wide catches of school prawns in the Estuary General and Ocean Trawl Fisheries were relatively high.

The working group also discussed the following statement from the 'Independent Review of NSW Commercial Fisheries Policy, Management and Administration Report' and noted that the phrase "...current levels..." has not yet been defined – other than by DPI during its initial modelling.

“Catch and effort limits [i.e. the ITCALs] are likely to be set, at least initially, at levels commensurate with current levels.”

With respect to transitioning to any new catch or effort quota the working group adopted the position that there needs to be sufficient flexibility such that the methodology for setting the ITCAL suits the form of linkage being considered and does not result in initial quota allocations that unduly impact high catch/effort operators – i.e. it is unacceptable that someone be forced to buy many times their current shareholding (e.g. many full packages of shares) just to get the catch or effort level that they work now.

The working group then suggested a number of alternate approaches for setting the ITCALs for investigation by DPI – including some which were modelled by DPI overnight (between day 1 and 2) – as outlined below.

(a) Alternate approaches for setting the ITCALs

The working group resolved that the following justification be used to support a new approach that results in more appropriate catch and effort ITCALs.

- The three years used (i.e. 2009/10 to 2011/12) to determine the draft ITCALs are not member of the catch or effort levels in the Estuary Prawn Trawl Fishery (particularly the Clarence).
- School prawn abundance/catchability is heavily influenced by river discharge and fluctuates significantly from year to year, which supports using a longer time period for setting any catch or effort ITCALs relating to school prawns.
- There are no sustainability issues with school prawn, which also supports using a longer time period and something other than the average annual catch or effort levels over that period.
- DPI has stated that the reform process is not about reducing total commercial production levels – yet there is risk of this if the ITCALs are set at levels that prevent the fishery capitalising on the 'good years'.

The alternate approaches suggested by members of the working group for consideration by DPI included:

- Using longer time periods – 10, 15 or 20 years – noting the advice of DPI that it will be difficult to justify a 20 year time period.
- Using the maximum annual catch/effort level from the period concerned.
- Using the average annual catch/effort level of the 'best years' in the period concerned.
- Using the median or for example the 80th or 90th percentile from the period concerned.
- Imputing catch/effort to account for reduced catches and effort as a result of extenuating circumstances such as natural disasters (e.g. floods) and closures etc.
- Imputing catch/effort to account for fishers who have not submitted catch records – i.e. a standard percentage based on the percentage of missing catch records.
- If the Estuary Prawn Trawl Fishery was to consider the catch quota path, the methodology for apportioning the industry-wide school prawn ITCAL to individual sectors could be improved by:
 - Using 15 year data to determine the industry-wide ITCAL;
 - Using 15 year data to apportion the industry-wide ITCAL between fisheries; then,
 - Using 15 year data to apportion the Estuary Prawn Trawl Fishery ITCAL between the three relevant share classes (i.e. the Clarence, Hunter and Hawkesbury).

Note: the Estuary Prawn Trawl Fishery is one of the few fisheries where long term data may be able to be used to apportion catch quota/ITCALs at the share class level due to the way the methods were reported on the pre-2009 catch records – this will be checked by DPI.

(b) Adjusted modelling by DPI

Overnight (between day 1 and 2) DPI modelled a range of alternate ITCALs based on the alternate approaches identified by the working group on the first day. The modelling involved the following, for the purpose of the 'day' and 'net length day' regimes:

- Data over 10 and 15 year periods; and,
- Annual averages, maximums, medians, 80th percentiles and 90th percentiles.

The modelling demonstrated the significant change that the ITCAL levels can have on the quota allocated to shareholders – with some resulting in quota allocations two to three times greater than set out in the share linkage options paper prepared by DPI prior to the meeting.

Action 6: DPI to consider (and discuss with the SARC) the issues raised and alternate approaches suggested by the working group for setting catch and effort ITCALs in the Estuary Prawn Trawl Fishery.

Review of the share linkage options paper

The working group worked through the share linkage options paper. The major points discussed include.

(a) General issues

- The “Major issues facing the Estuary Prawn Trawl Fishery” set out on page 3 of the share linkage options paper were confirmed, with industry members adding that market competition with imported prawns remains an issue in the fishery.
- It was noted that if shares are surrendered through the exit grant process, as a result of compliance action or for other reasons all remaining shareholders would automatically receive a larger portion of any ITCALs.
- The share linkage options set out in the options paper prepared by DPI can be implemented at the share class level. In other words, each estuary can pursue a different linkage approaches (subject to costs etc.) or if all three estuaries pursued the same linkage approach, separate schemes and ITCALs etc. would apply to each.
- With respect to doing online transactions using FishOnline, it was noted that some fishers have had issues logging-on (due to the tight security settings) but that the system is otherwise good.
- Industry members were pleased to see that DPI is willing to be flexible with respect to the way the ITCALs are calculated.

(b) Option 1: Minimum shareholdings

- The working group preferred the less conservative adjustment targets (i.e. the targets based on 95 to 99% GVP) for the following reasons:
 - Information tabled by DPI demonstrating that a reasonable proportion of estuary prawn trawl shareholders are also active in other fisheries – in the Clarence and Hunter regions in particular.
 - The working groups view that estuary prawn trawling will continue to be a part time activity for many fishers – particularly in the Clarence and Hunter given the seasonal nature of those fisheries.
- The working group asked that when determining the minimum shareholding requirements DPI take into account that some shareholders will likely acquire/hold/retain more shares than they require – just in case they need them in the future – and that this may affect the availability of shares for others who require them and result in fewer endorsements each sector than expected.
- With respect to the period during which the minimum shareholdings must be satisfied, discussion centred on a staged approach with two (or potentially three) separate increases. There was discussion but no resolution on the timing or level of each increase – noting the latter is dependent on the adjustment targets adopted. Some members spoke in favour of a small increase or two whereas others acknowledged the benefits of a reasonable increase around the time of the exit grant process following by a smaller increase some time soon after. It was acknowledged that the SARC is not supportive of extended, for example 10 year, programs.

(c) Option 2: Net length

- The working group was unable to advise the number of fishers that use twin gear (or more than 11 m of headline) in the lower reaches of the Hawkesbury River (i.e. Broken Bay) for the purpose of re-calculating the ITCALs relating to the 'net length' and 'net length day' linkage schemes set out in the options paper.
- The working group supported DPI's position that there would be little benefit providing for the transfer of net length quota. In deciding this, the working group noted that FishOnline has not been designed to allocate, track or transfer 'non-consumable quotas' and fishers wanting more net could simply acquire more shares.
- The working group agreed that the best way to proceed, for enforcement purposes, would be for each fisher's allowable headline length to be recorded in FishOnline for easy access by compliance officers. Consideration was given to recording headline lengths on the wheelhouse of each boat, but it was resolved that this is not feasible because boats are not (and should not be) linked to particular fishing businesses.

(d) Option 3: Days

- With respect to setting a 'fishing period' (i.e. the period the quota applies to), the working group preferred a two year fishing period, if not longer (e.g. 3 to 5 years) to minimise administration costs and give fishers greater flexibility. It was also noted that September through to May each succeeding year is the prime time for production and resolved that the fishing period should be built around this. For example, the fishing period could line up with the start of the financial year or soon after. This advice also applies to the following 'net length day' and 'catch quota' linkage options.
- The working group agreed that the Integrated Voice Response (IVR) system (or phone app) would be the preferred technology to use to monitoring quota usage and that a day be defined as a 24 hour period from the time the fisher makes a pre-fishing report. The working group did, however, raise the issue of 'mobile black spots', and asked that DPI check whether there is capacity for a SMS to be sent to shareholders half an hour before each 24 hour period is due to expire. This advice also applies, where relevant, to the 'net length day' and 'catch quota' linkage options.
- There were different views about transferring quota (aka. leasing) with no resolution at this stage – the same applies to leasing 'net length day quota' and 'catch quota'.
- With respect to the 'day' and 'net length day' options it was noted that fishers – including in the Hawkesbury – sometimes undertake 'test shots' to check if there are commercial quantities of prawn or squid available and that in some cases these that place multiple times over the course of a day/night or multiple days/nights. Industry representatives seek consideration of this issue and encourage discussion with fishers from the lower reaches of the Hawkesbury River in particular on this issue.

(e) Option 4: net length days

- An issue with this option is that some fishers swap nets when changing target species or fishing grounds and in some cases the headline length of the replacement net will be different – which would impact the rate at which the quota is consumed. A number of potential solutions were suggested for investigation by DPI:
 - The first involved setting up and maintaining two separate regimes: one to govern the amount of net that may be used and another to govern the number of days that may be worked. It was noted that this option would require an additional class of share to be created for each estuary.
 - The second involved a direct link between shares and the number of days that may be fished and an indirect (or crude) link to the amount of net that may be used. For example: 150 shares may provide for X days and Y metres of net and for every additional 50 shares the shareholder could be allocated additional net.
- It was suggested that one way to simplify the net length day regime would be to remove the 'Juno Point line' (Hawkesbury) – so that the same net length rules can be applied to waters upstream and downstream of that line.

(f) Option 5: School prawn quota

Given significant reservations over the feasibility of a catch quota scheme applying to school prawns, the working group did not go through the school prawn catch quota option in detail. The main reasons why the working group is uncomfortable with catch quotas for school prawns include:

- Getting the ITCAL right may be very difficult (and potentially costly) given fluctuating abundance.
- If school prawns were to be quota managed in the Estuary Prawn Trawl Fishery they would also need to be quota managed in other prawn fisheries, particularly those operating in the same estuaries or in nearby ocean waters.
- Cross sector transferability of shares/quota would also then be essential given the ever-changing movement of prawns between sectors. It was noted that this would add to shareholder transaction costs (or DPI administration costs) unless it can be done online at no cost.
- Enforcement would be difficult (and potentially costly) given so many landing points in each estuary.
- No other working groups have proposed quota for school prawns and setting up a system for the Estuary Prawn Trawl Fishery alone is unlikely to be cost effective.
- The alternate linkage options are likely to be cheaper to implement and as effective in terms of delivering a market-based system that delivers a scaled access and autonomous adjustment system.

(g) Option 6: Incorporating recent participation

Factoring in recent participation to minimise the impact of the initial allocation process on high catch/effort operators was not included in the share linkage options paper but warranted investigation given it has been raised on a number of occasions in recent years – particularly in the Clarence.

DPI raised the following preliminary points for consideration by the working group when discussing the concept:

- The concept would require three new classes of shares to be issued (one class for each sector).
- The Independent Review Team considered the concept and concluded it to be problematic – for further information refer to page 79 of the Independent Review Report.
- If recent catch records were used such that the disparity between fishers' shareholdings and effort/catch levels was adequately dealt with, the fishery could legitimately be excluded from the exit grant process.

The working group proceeded to identify the pros and cons, as detailed below, before agreeing to set the concept aside and focus on the linkages set out in the share linkage options paper and alternate ITCALS to minimise the impact of the initial allocation process on high catch/effort operators. The main concerns identified with the approach were the potentially expensive and lengthy allocation process, the potential effects on recent investors and to a lesser extent the risk of litigation.

Pros	Cons
<p>Helps transition to a stronger form of linkage – potentially leading to increased longer term share values & security.</p> <p>Active fishers not forced to invest – at all or as much as they would under most other approaches.</p>	<p>Risk of litigation (changing distribution of wealth).</p> <p>Recent investors adversely affected.</p> <p>Late catch records (and risk of fraudulent records).</p> <p>Lengthy & expensive allocation process:</p> <ul style="list-style-type: none"> • Consultation over criteria • Insert criteria into the EPT share management plan • Call for applications (with application fee) • Process applications against the criteria • Administer the Share Appeals Process <p>May prolong industry uncertainty.</p>

(h) Costs

DPI outlined and the working group acknowledged the difficulties that DPI is having estimating the cost (or relative costs) of the various linkage options particularly while they are in early draft form, and that DPI would continue to work on the issue.

(i) Refining the current management arrangements

The working group noted and agreed to DPI pursuing the following reforms for the purpose of the shareholder consultation phase. The working group noted that the extent to which some of the current rules can be reformed will be dependent on the form of linkage pursued.

- Removal of all maximum shareholdings.
- Removal of the foreign ownership restrictions.
- Removal of the requirement to register 'eligible fishers' (i.e. part of the current nomination process).
- Removal of the 48 hour limit on nominations.
- Removal of fishing businesses as an effort control (i.e. once the linkages are in place/satisfied).
- Relaxation of the share transfer rules – subject to the form and timing of the linkage pursued.
- Removal of the restrictions on the number of nets that may be used.

Note: For further information on these proposals refer to the share linkage options paper on the DPI website.

Specific comments, observations and/or outcomes were also noted in respect of the following:

- The working group noted that the prawn count/closure provisions cannot be removed unless alternate means are adopted to address the discarding of small prawns – for example the use of larger mesh sizes or a catch quota scheme that includes the recording and deduction of discards from the Estuary Prawn Trawl ITCALs.
- With respect to the removal or relaxation of the headline length restrictions, Action Item 5 above requires industry working group members to provide feedback on a range of changes to current regulation, including the regulations relating to headline lengths.
- The working group agreed that regardless of the form of linkage pursued, minimum shareholdings should be retained as an optional tool for stimulating adjustment – at the share class level – on an as needs basis.
- The working group noted scope to adjust the seasonal arrangements in place in each estuary, but did not make any specific recommendations.
- With respect to the requirement to use licensed commercial fishing boats in the Estuary Prawn Trawl Fishery the working group agreed that:
 - Boats under 10 metres in length should not need to be licensed – in which case all fishers would be able to upgrade to 10 metres as per recent recommendations by fishers in the Hawkesbury.
 - Fishers with boat licences that have an "EPT exemption code" – which allow the use of a boat that is over 10 m in length in the fishery – may retain those licences and the privileged access associated with them. Industry members did, however, suggest that DPI consider whether it would be feasible and cheaper if those boats were included in some sort of register maintained by DPI.
 - Members agreed that OG1s are irrelevant to management of the Estuary Prawn Trawl Fishery.

Consultation with shareholders – reforms to release

The working group recommended that DPI prepare two discrete packages for consideration by shareholders.

(a) Package 1: Minimum shareholdings only

The minimum shareholding reform package that includes:

- All regulatory reform proposals supported by the working group (as immediately above).
- The voluntarily adoption of gear technology arising from DPI's recent research.

- A two-stage minimum shareholding program.

(b) Package 2: Net length days + minimum shareholdings

The net length days + minimum shareholding reform package that includes:

- All regulatory reform proposals supported by the working group.
- The voluntarily adoption of gear technology arising from DPI's recent research.
- A one-stage minimum shareholding program around the time of the exit grant program followed by a deferred net length day regime (i.e. implemented on 1 Jan 2016 instead of 1 Jan 2015).

Action 7: DPI to prepare a draft consultation paper – having regard to the discussions of the working group – for consideration by the working group and the SARC.

Consultation with other stakeholder groups

DPI advised that due to interest from other sectors and the community owned nature of the fisheries resources of NSW it is DPI's intention to invite submissions from other stakeholder groups on the reforms proposed.

Reforms being considered by other working groups

DPI advised that there were no share linkage options being pursued by other groups at this stage that could be expected to impact or be of importance to the Estuary Prawn Trawl Fishery or the deliberations of the working group.

Next meeting

DPI advised its preference to refer draft consultation papers to working group members out-of-session and to hold further meetings only if necessary. The group agreed to proceed along these lines.

More information

Darren Hale, Senior Fisheries Manager (02) 66 450 503 or go to <http://www.dpi.nsw.gov.au/fisheries/commercial/consultation/commercial-fisheries-working-groups/estuary-prawn-trawl-share-linkage-working-group>

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