

OCEAN HAULING PURSE SEINE

Draft outcomes meeting 2, Sydney Fish Market

5 February 2014

Purpose of Meeting

This meeting was an open invitation to all ocean haul purse seine shareholders to provide feedback on the draft share linkage options paper. These outcomes should be read in conjunction with the draft options paper as the comments and discussion points refer directly to this document.

Items of significance noted by the Chair - Veronica Silberschneider

It is noted that there are two main issues that dominated discussions and contributed to the uncertainties around quota allocations for selected species:

1. outstanding issues between some shareholders and NSW DPI relating to the issue of rights in the purse seine fishery; and
2. resource allocation issues between NSW, other states & the Commonwealth for some of the species nominated for quota.

It was proposed to expedite discussions between shareholders and NSW DPI in an attempt to resolve the issues pertaining to (1) above prior to the public consultation phase of the commercial fishing reforms. This would provide a greater level of certainty to shareholders in any species quota allocation process.

With regard to (2) above, the shareholders present recognised that implementing a quota system for some species now, would mean that there was more opportunity to discuss resource allocations with other states and the Commonwealth into the future. However, NSW DPI does not need to take these into account now when setting ITCALs since no formal resource sharing agreements are in place.

Attendees

Bill Innes, Tony Virtu, Frank Raschilla, Joe Raschilla, Wayne Kerr, Stephen Kerr, Rocco Ianni, John Matheos, Ian Loughnan, Garry Warren, Denis Brown, Doug Ferrell (DPI), Veronica Silberschneider (DPI – Chair) Joshua Foster (DPI).

Welcome and apologies

The chair confirmed that observers are permitted to attend this meeting subject to the conditions outlined under departmental observer requirements. The observers present agreed to abide by the terms. These terms can be found online at:

<http://www.dpi.nsw.gov.au/fisheries/commercial/consultation/commercial-fisheries-working-groups>

Confirmation of previous meeting outcomes

The outcomes of meeting 1 of the ocean hauling purse seine shareholders meeting were confirmed without alteration.

Opportunity for members to raise issues/thoughts since first meeting

- The lack of information regarding ongoing management costs for the proposed linkage options is a major concern. The cost component is a vital consideration when assessing the feasibility of an option for implementation and assessment of cost/benefit between options.
- The need for accurate costing information is recognised, however this information will not be available prior to options papers finalisation due to resource/cost sharing framework and cost recovery not being established as yet. While specific dollar costings will not be able to be provided, the relative costing between options will be able to be provided based on best available information at the time. It was noted that the largest variable cost component will most likely be the research / species assessment costs.
- The original share allocation equity issue, as highlighted by the Independent Review Report, has not been resolved to date. The independent review report suggested that it may be possible to address this issue through the development of the share linkage options. This suggestion has been investigated and to date there is no clear process available that can address this issue without undermining the share value of other fishers in the fishery and possibly triggering possible litigation from affected fishers. It was noted the risk this issue presents to all shareholders in the fishery and the department. The industry members requested that the department confirm its position with a view to progressing and finalising the issue ASAP.
- The group identified that future resource sharing negotiations with the commonwealth and other state stakeholders will have implications for the setting of total catch and effort limits and cost sharing implications in this fishery in the near future.

Action 1: DPI to provide advice on its position regarding the original share allocation issue.

Action 2: DPI to include a paragraph in the options paper regarding upcoming resource sharing negotiations and the possible implications as currently known.

SARC feedback

DPI outlined a brief summary of the SARC¹ advice arising from its last meeting, including the legal rights of shareholders, the use of new classes where appropriate, the most recent advice on setting ITCALS, costs and moving from ITCALS to TACEs and TACCs.

Review of the share linkage options paper

Option 1: Effort quota (days regime)

Determining day (effort) ITCAL

The model presented used the average number of days reported over the last 15 financial years. Some fishing businesses would receive significantly fewer days than they would need to continue at current fishing activity levels. There are little latent or excess shares currently available in the fishery to facilitate adjustment. The industry members advised that the models should be adjusted using the best effort year from this data series. Using this data would provide some additional days, however some fishers would still not receive enough days to meet their business requirements. The department advised it would remodel the data on this advice and assess whether this modelling meets the objectives of the reform program. The group recognised that the available day's quota may be reduced in the future if nominal species specific ITCALS were exceeded.

Post Meeting Comment: The department undertook remodelling of this option on the basis of the above advice. The best financial effort year has a total number of reported days of 2644 days. This results in 1.33 days per share which leads to an increase of 43% in the days per share.

Fishing Period

A quota fishing period of 12 months was determined as appropriate. The determination of the effort ITCAL could be undertaken on a biannual basis. i.e: quota period determination 2 years in advance to reduce quota determination costs.

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

Defining a Day

The group advised a day should be a calendar day from midnight to midnight.

Monitoring Quota Usage

It was acknowledged that the IVR / smart phone based application was the best available system for implementing / monitoring day's quota scheme. The group advised that the prefishing report was all that was required for quota management purposes.

Additional flexibility in allowing fishers to reclaim reported but unused days was requested as an addition to this option. This additional flexibility must be robust and ensure the integrity of the quota monitoring and linkage program. It was advised that this would be investigated further.

Allocation options

The allocation framework and model presented was advised as generally feasible. The group noted that the linking of day's effort will require some fishing businesses to acquire additional days to meet their current activity levels.

The linkage model may unfairly disadvantage some operators due to the historical makeup of their catch. The original allocation of shares was done using kilos of catch and so a subsequent allocation of days may favour those fishers that caught high volume species such as Australian Salmon caught on fewer days, as apposed to operators who catch smaller volumes of other species over multiple days.

Acquiring Additional Quota

Industry preference to not restrict trade in quota as it is thought that this will most likely not drive any adjustment in the fishery due to the high cost of acquiring shares and the relatively small market from which shares are available.

Attributing Management Charges to shareholders

The working group agreed the proposed framework for charging fees to shareholders on the basis of proportional shareholding was sound.

Minimum shareholding

All shareholders currently meet the minimum shareholding requirement.

There is no proposal to change the minimum shareholding requirements in this fishery.

The fishing business transfer rules are proposed to be maintained to ensure no new endorsements are created consistent with industry advice that the number of operators currently operating is near optimum.

Additional Discussion and Advice

- Generally the group noted that this option allows fishers some flexibility in determining what species they wish to expend their days quota targeting.
- Day's regime could lead to a shift in fishing pressure to more valuable species as fishers seek to maximise their return on their quota days. This could lead to increased competition for these species and lead to conflict between fishers.
- Days regime could lead to a race to fish for some species where purse seine share of the species overall is set at relatively modest levels.
- Day's effort quota regime provides some flexibility for fishers, however this flexibility is offset by the potential risk that if nominal ITCALS are exceeded, additional work to determine what management actions will be needed in the form of reduction in available days, or species based closures / trip limits. These measures may unfairly impose restrictions on some businesses. These measures may be less efficient and more costly to implement when compared to other options being presented.
- Provision of overs / unders rules should be considered, similar to commonwealth fisheries rules. The department advised it would investigate this proposal and provide advice.

- Action 3:** DPI to remodel day's effort ITCALS based on best financial year.
- Action 4:** DPI to assess whether using the best financial effort year as the basis for setting ITCAL is consistent with reform program objectives.
- Action 5:** DPI to investigate provision for reclaiming days used where fishing activity does not occur. i.e: Fishing is pre-reported and day deducted from quota, but fishing does not occur. Fishing activity is defined as shooting net.
- Action 6:** Where requested provide shareholders in purse seine fishery personalised reports of outcomes of the linkage options proposed to inform them at a business level how each linkage regime would work and the impact of implementing different linkage regimes on their fishing businesses.
- Action 7:** Investigate practicality of over / unders provisions.
- Post Meeting Comment:** Over and under would provisions would require the development of administrative and/or computerised systems at additional cost.

Option 2: Species Catch quota regime

The group noted the 4 species that had been modelled catch kg quota to date. These species were modelled on the basis of industry request. The group noted the logic that species managed via catch quota in the commonwealth should also be managed via catch quota in NSW waters. There would be significant benefits to implementing complementary arrangements, mainly being possibility of being able to transfer quota to and from the adjacent jurisdiction.

Models for linking current shareholdings to species specific catch quota regimes.

The working group discussed the direct and indirect linkage options proposed and provided the following advice.

Direct Linkage

The working group noted the 2 direct linkage proposals for linking existing shares to species catch quota.

Option 1: Species catch quota issued directly proportional to existing shareholdings.

Option 2: New classes of species shares issued directly proportional to existing shareholdings, to which then species catch quota would be issued.

Both options fully recognise existing shareholding rights but the group noted the additional flexibility provided by option 2 as outlined in the draft options paper.

The group also noted that some individual fishing businesses could be impacted by the implementation of this linkage option dependant on the final amount of ITCAL issued.

Indirect Link to Existing Shares

This option cannot be modelled with any certainty and such a scheme carries inherent risk of unpredictable outcomes. These difficulties were noted by the group and the group agreed that such a scheme is not a viable option to be pursued for further development. The group noted that further development of this option would most likely require the development of additional rules and criteria to minimise the inherent risks, and such rules would directly impact on existing shareholders rights.

Determining the ITCALS

The group agreed the framework and methodology used to determine and distribute the ITCALS is fundamentally sound. Some issues that were noted were:

- Better description of the 'bait for own use' fishing undertaken under section 37 *Fisheries Management Act* 1994.
- Concerns that the development of these ITCALS could prejudice future resource sharing negotiations.
- Comment that the Blue Mackerel ITCAL should be set higher ~120% of maximum value to provide a basis for negotiating more favourable resource sharing outcomes with other jurisdictions.

Post Meeting Comment: The setting of ITCALS at this proposed level are aimed at influencing

future resource sharing negotiations. DPI believes this is not necessarily or productive and may carry an element of risk.

Other Issues to consider

Consistent advice was provided for the following discussion points.

- Defining the fishing period commentary the same as option 1.
- Acquiring additional quota commentary the same as option 1.
- Attributing management charges commentary the same as option 1.
- Minimum shareholding requirements commentary the same as option 1.

Monitoring Quota Usage

The group advised that the proposed quota usage monitoring regime and systems should provide the security needed to maintain the integrity of the management system. The group advised that the pre fishing and post landing reporting regime would adequately manage the risk of quota offences while not imposing too greater impost on industry. The requirement for a pre landing report was discussed; however it was advised that a pre landing report was not required due to the low risk of black market activity in this fishery.

Additional issues to note

The group noted that shared multi fishery species will require measures to ensure the resource share of each fishery does not shift with the implementation of quota in some sectors but not in others.

Complementary supportive management arrangements may be required in other sectors to ensure the integrity of the quota management system is not undermined.

Resource Sharing Considerations

The group noted the implications of the development of future resource sharing arrangements as noted in the options paper. Further to this the group noted that the options developed and implemented during this process should not prejudice any future negotiations with other sectors or resource users.

Some industry members suggested setting ITCALs for some species considerably higher than proposed in the paper on the basis of using the ITCAL as a negotiation tool in resource sharing discussions with other sectors. While such high ITCAL settings would likely sit within sustainable harvest limits, such claims are not consistent with the advice that ITCALs should not prejudice resource sharing negotiations in the future. There is a risk that setting ITCALS higher than historical harvest levels may attract unwarranted criticism.

Further to this discussion it should be noted that ITCALs are only a temporary measure designed to facilitate the industry reform objectives. In the future species TAC's will be set on the basis of substantially different criteria, including a future resource sharing framework yet to be developed.

Other discussion and advice

Some industry members suggested that fishing businesses should be able to create additional operational endorsements by splitting share parcels, but maintaining single business ownership.

Post Meeting Comment: This suggestion is contrary to the already established position that there should be no changes to the fishing business transfer rules. These rules prevent the creation of any additional endorsements in this fishery.

Action Items

- Action 9:** DPI to remove indirect share linkage proposal from options paper.
- Action 10:** DPI to add a statement to the options paper that the ITCALs developed and/or implemented during the reform process do not prejudice any future resource sharing discussions with any other resource users either internally or externally.
- Action 11:** DPI to include a description of 'bait for own use' sector as an appendix to the public consultation paper, outlining the current management arrangements and the resource sharing considerations with this sector.

Option 3: Basket Quota

Determining the ITCAL

The framework and methodology was advised to be fundamentally sound and would appear to be feasible, though some fishing business operators would be required to acquire more shares to continue fishing at their current activity levels. This may cause significant hardship for those fishers due to the lack of shares being available for purchase, and the cost of acquiring these shares.

Some fishing businesses may not receive the quota needed for them to continue to fish at current levels. The ability for fishers to adjust in this fishery is limited and this could cause significant hardship for those fishing businesses owners.

Other Issues to consider

Consistent advice was provided for the following discussion points.

- Defining the fishing period commentary the same as option 1.
- Acquiring additional quota commentary the same as option 1.
- Attributing management charges commentary the same as option 1.
- Minimum shareholding requirements commentary the same as option 1.

Monitoring Quota Usage

The proposed reporting requirements requiring pre-fishing and post-landing reports were considered appropriate for balancing the compliance risk present verses the administrative burden.

Additional Issues to note

- Basket quota regime could lead to a shift in fishing pressure to more valuable species as fishers seek to maximise their return on their basket kg's.
- It was noted that transfer of quota between the Commonwealth and NSW was not possible under this regime.
- The potential of multiple basket quotas being established.

Action Items

4.1 Investigate what species should be included in basket quota regime.

4.2 DPI to investigate the feasibility of multiple baskets quota regimes.

Post Meeting Comment: Multiple Basket quotas could be established could be established, though shareholders should be aware that the potential costs of implementing multiple basket quotas could result in such a scheme being as expensive as a single species quota regime for each species in the baskets.

Comparison of Share Linkage Options

In table 8 appendix 2 the group members requested that the supplementary information symbolised by the eye symbols be explicitly stated. While the eye symbols do communicate there are qualifiers on the simple advice provided in the table, these qualifiers are important for shareholders to understand.

Refining Current Management Arrangements

There was discussion regarding the already included arrangements included for consideration in the options paper.

There were no proposed changes to the information provided in the paper.

Action Items

Action 12: DPI to provide more information on the qualifiers included in the table. i.e: replace eyes with actual information.

Consultation with shareholders – deciding the linkage options and other reforms to release

The revised options paper arising from the most recent advice included in this paper should result in an options paper that can be finalised for consideration by all shareholders. A final draft will be distributed to all shareholders for comment and final input.

Reforms being considered by other working groups that may affect the OH netting fishery

There are reforms in several other fisheries that shareholders should be aware of. Reforms in the ocean hauling general purpose hauling net and pilchard, anchovy and bait net fishery will apply to several shared species. Dependant on the final linkages recommended by each fishery, complementary arrangements could be developed. The option with the most potential could be species catch quota, as complementary species catch quota kg could be transferred between fisheries.

Reform of the management arrangements for the bait for own use sector will be of significant interest to shareholders in this fishery, in terms of establishing the resource share and permanent ongoing management arrangements in this fishery.

Consultation with other stakeholders

Consultation with other stakeholders will primarily take place during the public consultation phase.

Next meeting

Another meeting will be scheduled if required.

More information

Josh Foster, Fisheries Manager (02) 6691 9674 or go to

<http://www.dpi.nsw.gov.au/fisheries/commercial/consultation/commercial-fisheries-working-groups/purse-seine-share-linkage>

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