

OCEAN TRAP AND LINE SHARE LINKAGE WORKING GROUP

Final outcomes meeting 1, St George Rowing Club, Sydney

26 June 2013

Attendees

Brigid Kerrigan (Chairperson), Bill Innes, Matt Creek, Noel Gogerly, Reala Brislane, Troy Billin, Craig Wraight, Drew Mudaliar, Paul Sullivan, Andrew Goulstone (DPI), Doug Ferrell (DPI), Ian Stockton (DPI), Veronica Silberschneider (DPI) and Miriam Vandenberg (DPI).

Apologies

Nil.

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.

General discussion

Discussion emanating from the introductory presentation centred on the process timeline and clarifying what needed to be achieved at each step, and the exit grant program and how it will operate. It was also made clear that the role of the working group is not that of a decision making body but rather that of a body that will provide guidance on linkage option development. The need for fishers to invest (and the \$15.5M adjustment fund contribution) to transition to the new arrangements, the potential relative costs of the various linkage options, and options for enforcement including the Integrated Voice Response (IVR) system recently developed were also discussed.

A presentation on fishery-specific information was provided including share distribution in line fishing (western zone), line fishing (eastern zone) and demersal fish trapping share classes, recent effort (days) totals for each share class, and a summary of feedback from Ocean Trap and Line (OTL) fishers on share linkage options. The following points arose during the general discussion:

- There was clear concern regarding the tender process for consultation services. Working group members want to ensure that representative views of fishers across the state are considered and there is no bias towards existing fishing industry associations (e.g. the PFA) and their current members. It was also noted that the PFA only represents approx 30% of fishers and those members are mostly through automatic association via a few select north coast co-ops.
- Working group members expressed on several occasions that, due to previous equal allocation of shares during the transition to share managed fisheries, it would be unfair to now allocate quota or effort based solely on current shareholdings without some consideration of recent participation in the fishery.
- Members also noted that, whilst considering any share linkage options, due consideration be given to the potential increase in costs for fishers who are diversified and operate in multiple fisheries.

Discussion on linkage options

Minimum shareholding – applicable to fish trapping, line east, line west

Pros:

1. Least disruptive, able to have a slow increase and/or extended timeframe
2. Encourages participation in exit grant process
3. More cost effective option for industry
4. Long term business wealth increased
5. Increased asset value as participation constrained
6. Spreads the reinvestment burden

Cons:

1. Loosest form of linkage
2. Less able to remove input controls
3. Increases value of shares in the short term
4. Doesn't restrict effort directly, only restricts the number of fishers
5. Requires fishers to reinvest (forced)
6. Limits business structuring flexibility
7. Limits certainty for future minimum shareholding (long term plan required)
8. Rewards latent effort and increases value of shares – penalises viable operators

Minimum shareholding – alternative option provided by industry

Phase 1

- Increase the minimum shareholding to 80 or 100 shares
- Increase the fee payable for OTL share classes to a level that closer aligns with potential cost-recovery e.g. \$5000
- Both these measures are designed to stimulate share trading while the exit grant program is underway

Phase 2

- Proceed with a tighter linkage model once all the restructuring has occurred. This might happen x years after the initial minimum shareholding increase and might include a transition to days, quota, or other effort units

Pros and cons of this option were not thoroughly addressed at the meeting. Since this proposal goes beyond the options outlined in the Independent Review of Commercial Fisheries Policy, Management and Administration, advice is being sought from the Structural Adjustment Review Committee (SARC) on its application in the reforms process.

Action 1: Modelling work based on multiple minimum shareholdings e.g. 60, 70, 80 & 100 shares

Number of traps - applicable to fish trapping

Pros:

1. Promotes restructuring – removes latent effort but balance needed between where 'pain' is spread
2. Stronger linkage option compared to minimum shareholding
3. More business flexibility

Cons:

1. Requires fishers to reinvest (forced)

2. Unknown cost of compliance (likely to increase) due to a greater reliance on at-sea compliance operations
3. Within fishery differences making a trap per share determination that reflects real fishing operations difficult (diverse latitudinal effort)
4. Data reliability issues – trap numbers reported in logbooks may be unreliable for determining share linkage

Action 2: Modelling work based on traps reported in logbook per shareholding (only past 2-3 years available) – (Noting better idea via consultation on number of traps used across the state). Note that this is not the WG's preferred option.

Number of days/time units - applicable to fish trapping

Pros:

1. Promotes restructuring – removes latent effort but a balance is needed to spread the 'pain'
2. Stronger linkage option compared to minimum shareholding
3. More business flexibility

Cons:

1. Unknown cost of compliance (noting that it is likely to increase) although able to use the recently developed IVR system
2. What is a day? – traps are in the water most of the year which differs from when the fisher actually checks the traps
3. Complications with cross fishery issues – may record catch against another share class that catches those species so a day/time unit is not lost. Can be overcome with a pre-fishing report using the IVR system
4. Discarding issues – may discard fish due to low catches if that is more favourable than losing a fishing day. Can be overcome with a pre-fishing report using the IVR system
5. Requires fishers to reinvest (forced)

Quota – equal allocation – applicable to fish trapping, line east, line west

Pros:

1. Promotes restructuring
2. Strongest linkage option
3. Catch value could increase
4. Effective species management tool e.g. can be adjusted to account for sustainability issues

Cons:

1. Increases costs
2. Severely impacts upon current active/profitable operators due to the mostly flat share structure across the OTL share classes
3. Complications with other fisheries also catching these species – would they need to go to quota also?
4. Complicated & expensive system (especially relative to fishery GVP). Development of FishOnline should reduce the costs
5. Discarding and high grading issues
6. Additional year to year uncertainty with a TAC
7. Rewards latent effort and increases value of shares – penalises viable operators
8. Doesn't reflect effort levels
9. Skews allocations of species quota – for example fishers may get quota for species not caught in the area

10. Limits flexibility to adjust to seasonal fluctuations (good fishing years)
11. Uncertainty of recreational species allocation –resource allocation issues

Note that this was not the WG's preferred option given that few shareholders would receive an allocation that reflects their level of current activity and that the level of investment that was required to buy shares that matched that quota would be prohibitive.

Quota – based on recent activity (to be determined) = new class of share – applicable to fish trapping, line east, line west - alternative option by industry

- This option includes a proposal to increase the fee payable for OTL share classes to a level that closer aligns with potential cost-recovery e.g. \$5000

Pros:

1. Promotes restructuring
2. Strongest linkage option
3. Catch value could increase
4. Maintains and enhances economic viability by limiting the impact on currently active shareholders
5. Doesn't reward latent effort
6. Recognises investment in fishery
7. Allocation based on combination of shareholding (for e.g. 20%) and recent catch history (for e.g. 80%) – incentive for buying shares and provides an allocation to those shareholders that had not previously caught the species
8. Effective species management tool e.g. can be adjusted to account for sustainability issues

Cons:

1. Increases costs
2. Complications with other fisheries also catching these species – would they need to go to quota also?
3. Allocation process is difficult and costly
4. Complicated & expensive system (especially relative to fishery GVP). Development of FishOnline should reduce the costs
5. Discarding and high grading issues
6. Additional year to year uncertainty with TAC
7. Limited flexibility to adjust to seasonal fluctuations (good fishing years)
8. Uncertainty of recreational species allocation –resource allocation issues
9. Legal implications?
10. New entrants may be negatively impacted - penalised by lack of recent history

Since this proposal goes beyond the options outlined in the Independent Review of Commercial Fisheries Policy, Management and Administration, advice is being sought from the SARC on its application in the reforms process.

Number of hooks – applicable to line west (predominantly set lining & drop lining)

Pros:

1. Promotes restructuring depending on level used
2. Stronger linkage option than minimum shareholdings

Cons:

1. Compliance is difficult
2. Information (via logbooks) is not likely to be reflective of activity

3. Only have 2-3 years of data available to base activity level on
4. Complicated allocation based on multiple methods

This was not the WG's preferred option

Number of days – applicable to line east and line west

Pros:

1. Promotes restructuring depending on level used
2. Stronger linkage option than minimum shareholdings

Cons:

1. Compliance is difficult
2. Information (via logbooks) is not likely to be reflective of activity
3. Only have 2-3 years of data available to base activity level on
4. Complicated allocation based on multiple methods
5. Compliance issue – some species are caught across multiple methods (e.g. banded rockcod)
6. What constitutes a day? Weather conditions, currents, etc may differ at fishing location than what was expected. Do you still lose a day? Some of these issues may be resolved by the use of the IVR system and rules for its use in these circumstances

Numbers of hooks – applicable to line east

Pros:

1. Promotes restructuring depending on level used
2. Stronger linkage option than minimum shareholdings

Cons:

1. Compliance is difficult
2. Information (via logbooks) is likely to not be reflective of actual activity
3. Only have 2-3 years of data available to base activity level on

Consideration of changes to input controls

- Remove boat licences for vessels under 7.5 m
- Remove 16m maximum boat length rule
- Future of OG1s – for broader industry consultation
- Increase trip limit for banded rockcod for holders of a line fishing western zone endorsement (who do not also have a line fishing eastern zone endorsement)
- Industry to propose alternative suggestions for escape panel mesh in fish traps which also serves same purpose as decreasing capture of undersize fish and reduces discards

End.

More information

www.dpi.nsw.gov.au/fisheries

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