

## ESTUARY GENERAL NETTING SHARE LINKAGE WORKING GROUP

# Draft outcomes meeting 2, Sydney Fish Market

11 and 12 December 2013

### Items of significance noted by the Chair

- 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 shareholders 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;
- Important to convey message that reform program is about providing the environment for “growing value and investment in the Industry” rather than fishers merely “buying current jobs back”;
- Concern about ageing fishing industry and little incentive for young people to invest into industry;
- Regarding the potential removal of Fishing Businesses (FBs) as a management tool, the Working Group (WG) noted that if there is a strong linkage in place then that the number of FBs may become an irrelevant or redundant management tool. WG members had some concern in this regard and noted that FBs currently have value;
- The WG noted that the Reform Program may have social and financial impacts on fishers and that there are support services available and details have been provided to fishers;
- In setting Interim Total Commercial Access Levels (ITCAL's) important to give consideration to appropriate timeframe, given environmental driven variation in catch and effort, impacts of Marine Parks and Recreational Fishing Havens;
- Important that a revised timeline for the reform program be published as soon as possible;
- Important to note that the Working Group is not a decision making body, no decisions have been made, the initial draft share linkage options on the web were a starting point for discussion and are a work in progress;
- Industry representatives grateful for DPI's 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;
- WG took onboard the Structural Adjustment Review Committee's (SARC) advice and support for a staged approach if necessary and deferred commencement to ease the financial burden on those intending to stay;
- Further meeting of WG required before consultation paper can be finalised so that the group can go through the amended options.

### Attendees

#### Members

Brigid Kerrigan (Chairperson), Darren Reynolds (DPI), Mathew Richardson (DPI), Geoff Blackburn, John Hine, Scott Massey, Jim Drinkwater, Steve Everson, Graeme Byrnes, Braiden Micallef, Bruce Knevett, Dallas Johnson, Nathan Neilly, Brendan Schonkala and Maria Bobledyk.

## Observers

Day 1: Annette Harrison (DPI), Andrew Goulstone (DPI), Damian Young (DPI) and Tricia Beatty (PFA)

Day 2: Damian Young (DPI) and 2 commercial fishers.

## Welcome and apologies

The chair confirmed that observers are permitted to attend WG meetings following an application process and their acceptance of the conditions of attendance.

Apologies: Mark Arblaster, Claudio Zarrella & Paul Stanford.

## Confirmation of previous meeting outcomes

The draft outcomes of the first WG meeting were confirmed as final.

The Chair informed the WG that the SARC have requested that the outcomes of future WG meetings capture items of significance noted by the Chair. The Chair reiterated that the WG is not a decision making body.

## Opportunity for members to raise issues/thoughts since first meeting

No specific issues identified were by members.

## 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 previously mailed to all fishers and available on the DPI website.

## SARC feedback

DPI led discussion on feedback from the SARC<sup>1</sup> relevant to the Estuary General Netting 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;
- Consideration of concessional zoning permits
- Cost Recovery Policy

### (a) The reform timeline

DPI informed the WG that that the share linkage process has shifted (by around six months compared with the indicative timeline) and that a revised schedule is being developed. The WG noted that consultation with shareholders regarding the final share linkage options will occur early next year. Industry feedback will be reviewed by SARC which will make its recommendations to the Minister sometime mid next year. After this occurs the exit grant process will begin.

WG member comments included:

- Concerns the Government's commitment that the reform program will be finalised prior to the next election may not be possible meaning fishers who borrow to reinvest in the industry will have to wait longer to see any return on investment;

---

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

- Concerns that delays in the Reform Program timeline will push back the exit grant program and force fishers to pay the second round of fees prior to being able to apply for an exit grant.
- There is a need to know what current rules are to be stripped away before linkage options are determined as this will demonstrate to industry they are investing in a different industry with new management arrangements as opposed to 'buying their jobs back'. DPI advised that regulation reform proposals for each share linkage option will be included in the final share linkage options paper.

### **(b) Diversification**

The WG noted that the reduction of diversification of the NSW commercial fishing industry is not an objective of the Reform Program.

### **(c) Staged approach**

The WG noted SARC's advice that staged implementation of share linkage, with reliance in the short-term on increasing minimum shareholdings, should continue to be investigated as an option in exceptional circumstances and where it can be clearly justified. The WG noted that should a staged approach be pursued, the final form of linkage has to be determined from the onset as opposed to 'shifting the goal posts' through time. It was noted that DPI and the SARC do not support extended (e.g. 10 year) implementation timeframes.

WG member comments included:

- There is a strong need for fishers to know what the future arrangements will be as soon as possible;
- The process should not be rushed as industry is uncertain of the future and there are differences in views between shareholders on the linkage options;
- The exit grant money must be used to assist industry with the restructure sooner rather than later and the process should not be drawn out any longer than it has to be.

### **(d) New classes of shares**

The WG noted SARC's advice that allocation of new species or effort share classes should continue to be investigated as an option in exceptional circumstances and where it can be clearly justified.

### **(e) Use of recent participation**

The WG noted DPI's advice that the use of recent participation (i.e. catch history) for the allocation of shares in any new share class is still on the table as an option, noting there are some significant issues and costs that need to be considered. Any DPI legal advice cannot be disclosed.

WG member comments included:

- Does using recent participation open the door to legal action from shareholders who have been told that a share is a share?
- If recent participation is used in any new allocation, what about the shareholders who have invested in additional shares since the announcement of the Reform Program?
- If recent participation was to be used to allocate for one share class, shouldn't it be considered for all share classes?

**Action 1:** DPI to outline the process that would need to apply to the use of recent participation in any allocation of a new class of share including predicted timeframes, pros and cons.

### **(f) Consideration of concessional zoning permits**

The WG noted DPI's advice that a review of EG concessional zoning permits was underway and that all EG shareholders will have the opportunity to comment early in the new year on the future use of these permits under a share linkage regime. DPI confirmed that only the concessional zoning permits were under review, not the endorsement conditions that are held by some shareholders authorising access into certain regions.

### **(g) Cost Recovery Policy**

DPI informed the WG that a cost recovery will be developed over the next couple of years with the assistance of the Ministerial Fisheries Advisory Council. The WG noted SARC's recommendation that management charges should be capped at current levels until June 2016 to assist to provide some short-term certainty around future costs.

WG member comments included:

- Industry has concerns about what the level of cost recovery will be in the future;
- There is a need to include the issue of public good in the cost recovery process.

### **Review of methodology and data for setting the ITCALS**

DPI briefed the WG on the standard methodology and data used to calculate and allocate each of the ITCALS in the draft share linkage options paper.

WG member comments included:

- Catches from areas that fishers cannot currently access due to Marine Parks & Recreational Fishing Havens is not reflected in the 3 year period used in the draft options paper;
- The ITCALS need to be increased due to the 3 year time period in the draft options paper not being long enough, errors in catch & effort reporting (e.g. under-reporting) and environmental factors;
- There are significant errors with the reported logbook data, particularly if using reported days effort data as some fishers have under-reported effort;
- DPI and the SARC have stated that the reform program is not about reducing commercial production, yet there is a risk of this occurring if the ITCALS are set to low (i.e. based on averages, and in some cases the 3 years of data, as outlined in the draft options paper).

The alternate approaches suggested by members of the WG for consideration by DPI in amending the draft ITCALS included:

- Using longer time periods – 5, 10, or 15 years;
- Using the maximum annual catch or effort level over the 15 year period;
- Using the 80<sup>th</sup> or 90<sup>th</sup> percentiles of the longer time periods;
- Applying an additional percentage to reported catch or effort levels to account for under reporting and natural disasters (e.g. floods).

### **Review of the share linkage options paper**

The WG worked through the share linkage options paper. The major points discussed included;

#### **(a) Major issues facing the EG netting fishery**

- Social media is becoming a large player in ongoing campaigns to remove commercial fishing from estuaries;
- There is currently limited incentive for young people or new entrants to enter the fishery;
- The fishery has an ageing demographic;
- Industry need to be able to build a valuable fishing asset that is worth something into the future;
- The current value of Fishing Businesses (FB's) needs to be considered before stripping the FB's away.

#### **(b) Option 1: Limiting endorsement numbers (minimum shareholding regime)**

- Some WG members preferred the less conservative adjustment targets (i.e. the targets based on 99% GVP);
- It was noted that different minimum shareholdings could apply for each share class (i.e. different regions could have different minimum shareholdings);
- There was a suggestion that the current minimum shareholding of 125 should apply to all fishers (including the original shareholders who currently hold less than the minimum);

- A view that a stand alone minimum shareholding regime gives no form of linkage and is buying back your current job, which industry doesn't desire to do;
- Minimum shareholding must be left as an option to go to shareholders as it may be beneficial as an additional management tool for other linkage options (i.e. minimum shareholdings could be used in conjunction with other linkage options);
- Concern that minimum shareholding will continue to ratchet up forcing fishers to have to keep buying shares and any new entrants to come up with a large outlay;
- Using SFM prices for basis of GVP figures, does not accurately reflect GVP values across the fishery. DPI advised that the GVP estimates are based on the only reliable source of information available to DPI;
- The WG questioned the need for the handline & hauling crew share class as a whole however agreed consideration has to be given to crewing arrangements, ability to train new entrants and the impact on traditional handline fishers.

- Action 2:** DPI to include a minimum shareholding regime as an option in the final share linkage options paper.
- Action 3:** DPI to model adjustment targets using GVP data over a longer time period (i.e. 2007/8-2011/12) where possible.
- Action 4:** DPI to consider incorporating the ability to have additional shots of a general purpose hauling net where currently only 1 shot per day is permitted in a minimum shareholding regime.
- Action 5:** DPI to model a minimum shareholding regime that includes the ability for shareholders to use unendorsed crew.
- Action 6:** DPI to model a minimum shareholding regime for prawning where shareholders that acquire additional shares over a minimum shareholding are entitled to additional nominations in the prawn ballot.

### (c) Option 2: Effort quota (days regime)

- Variables including misreporting of catch and effort, markets, fishing closures and environmental factors are all justification for using a longer time period (e.g. 5 and 10 years) to set the ITCAL of days. The WG noted that there are difficulties using data from the old catch and effort returns for some share classes due to the inability to determine how many days were worked by endorsement (e.g. prawning in some regions where fishers could use multiple gears on any day);
  - Some members suggested that the actual days worked have been significantly under-reported (i.e. some fishers have reported one day for a whole month's fishing) while others suggested there may be over-reporting of effort;
  - The concept of allocating effort units based on 8 and 12 hour periods, rather than a 24 hour period, was discussed by the WG. Some WG members believed that using 8 or 12 hour time periods could increase the ITCAL. DPI advised that it was preferable to minimise the complexity and cost (including compliance costs) of any effort quota regime;
  - The WG agreed that there is a need to define what constitutes a day (i.e. whether it includes looking for fish, being on the water with fishing gear or actively fishing);
  - WG members voiced strong opposition to allowing effort quota to transfer between regions, however agree that the option to do so should be included in the final options paper for shareholder comment;
  - Some WG members proposed that 125 shares should equal 125 days effort for each share class. DPI advised that this should not be included as an option as it would involve a significant over-allocation of days and as a consequence not achieve any adjustment.
- Action 7:** DPI to include a days regime as an option in the final share linkage options paper.
- Action 8:** DPI to model a days regime using data over a longer time periods (e.g. 5 - 15 years).
- Action 9:** DPI to investigate the potential to use 8 and 12 hour periods, rather than a 24 hour period, as effort units for meshing, category one hauling and prawning under a days regime.
- Action 10:** DPI to investigate the potential to use the number of shots as effort units for category one hauling under a days regime.

### (d) Option 3: Effort quota (net length days regime)

- The WG noted the complexity of the net length days regime in the draft options paper and noted that the more complex that the management regime is, it is likely that the higher the relative cost will be;
- Members questioned whether the net lengths days regime in the draft options paper could be monitored and enforced;
- The WG did not support the current option of net length days in the draft options paper and supported its removal from the final options paper;
- There was considerable discussion on the potential use of additional lengths of net. Some WG members believed that fishers who believe they need additional lengths of net to be viable should have a mechanism in place (i.e. net units) to be able to obtain it on a regional basis, while others questioned whether additional lengths of net were required;
- WG members believed that the current maximum lengths of net should not be reduced;
- There was a suggestion that 1 share could equal a certain length of meshing net (e.g. 125 shares = 725m so 1 share = 5.8 m). The WG noted that each share must be allocated an effort unit (i.e. a standard net length) under this type of regime. There was no resolution on what 1 share could equate to across all of the nets (i.e. hauling, meshing, prawning) used in each region of the fishery;
- DPI advised that the current maximum lengths of net are an input control that could be reviewed and incorporated into one of the other share linkage options. The industry WG members wanted assurances of the exact changes to any current input controls under each of the share linkage options;

**Action 11:** DPI not to include the net length days regime as an option in the final share linkage options paper.

**Action 12:** DPI to investigate the potential to allocate effort units (i.e. lengths of net) for each of the meshing, hauling and prawning nets, and length of rope for the general purpose hauling net.

**Action 13:** DPI to investigate the potential of how lengths of net can be incorporated into the minimum shareholding and days regimes.

### (e) Option 4: Catch quota regime

- The WG believed that a catch quota regimes for the identified species (other than river garfish) were not feasible options given the wide variety of species captured by nets in the fishery, that only the catch of quota species would be managed and potential issues relating to discarding from a multi-species quota managed fishery;
- The WG noted that a catch quota regime may be an option for some species in the longer term;
- The WG supported the remodelling of a catch quota regime for the river garfish. This was conditional on a revised ITCAL (using the last 15 years of catch and effort data) and a review of current input controls including maximum length of net and rope, mesh size, species restrictions and closures;
- Some WG members questioned if recent participation and the creation of a new class of share could be used in the allocation of river garfish catch quota. Other members suggested the use of recent participation was contrary to previous advice that a share is a share. The WG noted DPI's advice that it would investigate what was possible regarding the use of recent participation to allocate river garfish catch quota, noting SARC's advice that the allocation of new species share classes should continue to be investigated as an option where it can be justified.

**Action 14:** DPI to include a catch quota regime for river garfish only as an option in the final share linkage options paper.

**Action 15:** DPI to revise the river garfish ITCAL using the last 15 years of catch and effort data.

**Action 16:** DPI to review current input controls regarding the use of a garfish net bullringing to take river garfish.

### (f) Refining the current management arrangements

- The WG working group supported DPI pursuing broader consultation on the proposed changes to current management arrangements outlined in the draft options paper.

- The WG noted that the extent to which some of the current restrictions can be amended or removed is highly dependent upon the form of linkage pursued.

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

- The WG supported that another meeting is required prior to the finalisation of the final share linkage options paper.

## Consultation with other stakeholder groups

- The WG noted that the final share linkage options paper will be subject to public consultation.

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

- The WG noted that the EG trapping WG is discussing catch quota options for eels, mud and blue swimmer crabs and that the Ocean Hauling WG is modelling a catch quota option for sea mullet.

## Next meeting

**Action 17:** DPI to schedule a third meeting of the WG prior to the release of the final share linkage options paper.

## More information

Darren Reynolds, Senior Fisheries Manager (02) 6691 9682 or go to <http://www.dpi.nsw.gov.au/fisheries/commercial/consultation/commercial-fisheries-working-groups/estuary-general-netting-share-linkage-working-group>

---

© State of New South Wales through the Department of Trade and Investment, Regional Infrastructure and Services, 2014. You may copy, distribute and otherwise freely deal with this publication for any purpose, provided that you attribute the NSW Department of Primary Industries as the owner.

Disclaimer: The information contained in this publication is based on knowledge and understanding at the time of writing (January 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.

Published by the Department of Primary Industries.