Information Paper:

Common questions & answers regarding the Independent Review of Commercial Fisheries Policy, Management and Administration

Overview

This paper provides a brief summary of some of the major findings and recommendations in the Independent Review of Commercial Fisheries Policy, Management and Administration ("the Review").

The review report is quite long and we expect that many fishers may not read the full version. To make it more accessible, we've noted some of the main questions being asked by fishers and provided answers to them.

This paper will be built upon over time as additional common questions are asked. The latest version will be available for viewing on the following website: www.dpi.nsw.gov.au/fisheries/commercial/reform/review

Common questions and answers

What is this review all about?

The Review was completed to meet the NSW Liberals & Nationals' pre-election commitment to independently examine the policy, management and administration practices related to NSW commercial fishing. It started in September last year and was completed by Richard Stevens, Ian Cartwright and Peter Neville (the "Review Team") – independent fishery management experts with a large amount of experience across Australia and internationally.

What were the main problem areas identified by the Review?

The Review identified ***structural adjustment***, ***governance*** and ***consultation*** as the three key areas in need of major reform. An easy-to-read outline of the problems identified in these areas can be found in the *Executive Summary* at the front of the Review Report (pages i to xii). The Executive Summary and the full report are available at: www.dpi.nsw.gov.au/fisheries/commercial/reform/review

What are the key recommendations for addressing the structural adjustment problems?

The main conclusions of the Review for restoring meaning and value in shares include:

- Creating a direct link between shares and resource access (ie. a portion of catch quota or effort quota), across all share classes;
- Using exit grants involving a tender process to help move shares from inactive or retiring shareholders to active shareholders who want to keep fishing in an improved industry;
- Implementing greater cost recovery (initially based on a flat charge per share class no matter how many shares are held, then moving to a 'per share' charge once shares are linked to catch/effort);
- Removing/streamlining rules and regulations that will no longer be needed once shares are linked to catch/effort (e.g. if overall trapping effort is capped, there is probably no need for a standard maximum limit on trap numbers per individual); and

- Removing the limit on the number of fishing businesses once shares are linked to catch/effort. This already happens in the lobster and abalone fisheries where a strong linkage exists – in these fisheries, a new shareholder is automatically issued with a new fishing business (that is, the fishing business is used as an administrative tool only, not an effort control).

Does this mean fishers will have to buy their jobs back?

Whether individual fishers will need to acquire more shares will depend on a range of things, including how many shares they currently hold, their level of fishing, the form of linkage and the total catch/effort quotas set. However, there is no doubt that some fishers will need to invest in more shares in the coming years to cover their desired level of fishing. Some level of disruption is unavoidable if the current situation is to change and if the industry is to be set up for a long and prosperous future.

Buying additional shares now may not be attractive because owning more shares than the next fisher provides (in most cases) no more access to the resource. There is also nothing stopping latent effort being activated at any time, which reduces the profits for individuals, particularly in the good times. The Review Team heard many examples of this happening during their consultation with fishers throughout the review.

The future will bring a different scenario altogether, where if a fisher invests in more shares they will get a direct benefit for doing so. They will get a proportional increase in their level of access, and will have certainty that additional effort cannot spill into that sector of the fishery at any time (e.g. should fish prices or fish abundance increase). This means their investment is protected in a way that it is not at the moment. Theory and logic suggests that shares should also be worth more in the longer term.

The future scheme will also enable shareholders to easily upscale or downscale if they choose, to focus their fishing activities on the things they want to do, and at the levels they want to fish. The removal of historic rules and regulations that will no longer be needed because the total catch or effort is capped should mean fishers will be able to operate in a more efficient way compared to now.

Why were exit grants recommended and not simply buying out and cancelling shares?

The Review Team looked at a number of ways that the available adjustment funds ($16 million) could be spent. It found that an exit grant process would be the most efficient and effective use of that money to achieve the adjustment objectives.

If the funds were used to simply buy out and cancel shares, it would only partially address the distortion between those who hold the fishing rights and those who actively fish, because the benefit would be shared amongst all remaining shareholders (including the inactive shareholders). It would also immediately drive up share prices, making it more difficult for the fishers who need them to afford them, and take a long time for the market value of shares to return to normal levels – the “ratchet effect”. An exit grant process on the other hand aims to assist fishers who need or want to buy shares by providing the financial incentives (including the government exit payments) for other shareholders to offload their shares.

Is this the same exit grant process as the previous one carried out in 2010/11?

No. It differs from the previous exit grant process in a few ways:

- There will be <u>no cap</u> on tender bids – previously there was a $15K cap;
- Tender bids can be made for transferring all shares from a ‘fishing business’ <u>or</u> all shares from a ‘fishery’ (EG, OH, OTL, OT, EPT) to another fishing business owner – previously it was limited to the fishing business level. In this way, it provides for the exit of fishers out of a fishery as well as out of the industry all together, while still achieving the aim of redistributing the shares. Some conditions may apply to ensure that ‘fishery’ level shares cannot simply be transferred out and then transferred straight back;
- Tenders can be made for shares to be surrendered to the government, as well as for shares that are transferred to another business owner – previously the shares had to be transferred to another entity and could not simply be cancelled. This means that the recommended system is actually a mix between an exit grant process and a buyout; and
- There is certainty that holding more shares in a fishery will lead to more access relative to other shareholders – previously there was no government policy or commitment that shares would be linked to resource access, only discussions that this might happen.

What if someone can’t find a buyer for their shares – can they still participate in the exit grant process?

Yes, they can still participate in the tender process by agreeing to surrender their shares to the government.

When will exit grants happen?

The actual timing of the exit grant process will be determined and announced within the next few months as part of the government's detailed response to the full set of Review recommendations, but it is likely to fall within the 2012/13 fiscal year. More detailed information about the exit grant process and how it will work will be sent to all shareholders when further details are known.

Have the decisions on linkages already been made?

No. Appendix 6 of the report gives the Review Team's provisional recommendations, but these are a starting point for discussion. The full range of linkage options will be discussed with industry over the next 18 months.

How will industry be consulted over the options and details of linking shares to resource access?

The details of the consultation process are yet to be worked out, but it is likely to involve an opportunity for every shareholder to put their view at meetings and/or in writing. A new Industry Liaison Officer position is also being created within DPI to provide an easy and direct way for fishers to engage in the process and stay informed about where things are up to.

What will happen if agreement can't be reached on the linkage of shares?

A Structural Adjustment Review Committee will be set up to oversee the process, mediate in cases when there is no agreement on the way to link shares in a share class, and make final recommendations to DPI on share linkage. In most cases, it is hoped that the shareholders will reach some agreement on share linkage and the Committee can simply support the outcome. However, the Committee will act as a circuit-breaker in the event that the consultation produces no clear way forward.

When will the links start?

The report recommends, and the Government has confirmed, that shares will be linked to resource access by the end of 2014. This gives fishers who wish to increase their shareholdings (and thus their proportional level of access) a reasonable time period to do so before the linkage is 'switched on'.

Will minimum shareholdings be increased?

Minimum shareholdings will not change for now and their use in the future will depend on the discussions with industry over the next 18 months. In some cases, they will have little relevance. In other cases, such as the lobster fishery, they can play a role in promoting viability even if shares are linked directly to a catch or effort quota.

What are the key recommendations for addressing the consultation problems?

The Review recommends:

- Forming a single Ministerial Fisheries Advisory Council (MFAC) to provide advice on high-level strategic policy issues across all fishing sectors (commercial, recreational, Aboriginal, etc.);
- Disbanding the Seafood Industry Advisory Council (SIAC);
- Replacing the current Management Advisory Committee (MAC) structure with selected expertise-based advisory committees or task-based working groups to advise the Executive Director, Fisheries, with membership determined via the calling of nominations from interested persons and not by election;
- Setting up a peak industry body, with an industry forum to be held soon to design the role, format and constitution of the new body. The Review recommends imposing a levy for three years, after which a review would be done to assess the performance and effectiveness of the peak body (from both an industry and government perspective);
- DPI and the peak industry body do more focussed regional level consultation; and
- Bringing back a means of updating fishers and shareholders about fisheries issues, such as a regular magazine publication or an electronic equivalent.

What are the key recommendations for addressing the governance problems?

The Review recommends:

- Keeping (for the medium term at least) the current departmental model (DPI), with a possibility of moving to a statutory authority model and increasing co-management opportunities in the future. However, some significant changes need to be made to the way the departmental model works, particularly in relation to how the Minister's office obtains advice and the way in which delegated decisions are developed and made;

- A greater delegation of powers and responsibility to the Executive Director, Fisheries for operational management and decision making. Only strategic and broad policy issues should be referred to the new Ministerial Fisheries Advisory Council (MFAC), not operational matters; and
- The Executive Director, Fisheries should set up a formal internal Executive Management Group comprising the key departmental staff in decision making sections – management, research, compliance and administration – to develop agreed approaches to management changes. This will help to keep a focus on resource management rather than managing individual harvest sectors in a silo-like way.

Why is it recommended that fees be increased?

The current structure and subsidy of management charges is one of the reasons why lots of latent effort remains in most share classes. The Review Team noted that focussing the fees on shares and applying a moderate 'base' charge for holding shares in a 'share class' (irrespective of the number of shares held) is a critical part of the adjustment program. This will be a big motivating factor for latent shareholders to decide whether it's worth continuing to pay the fees on a speculative basis. It also means that active fishers who need to acquire more shares in a share class will not pay higher fees in the next few years compared with those holding few shares. This will apply until the linkage between shares and catch/effort commences – at which point the fee structure will be modified to a 'per share' basis.

Are fees going up in July based on this Review?

The government has not made any decision on fee increases at this point. Consideration will be given to this issue as part of the Government's response to the full set of Review recommendations.

What has the Government announced to date?

The Government has announced that as part of the first stage of the reform process, it will:

1. Roll out a comprehensive structural adjustment program to address the problems of excess and poorly defined fishing rights by ensuring shares are linked to resource access (i.e. catch or fishing effort) by the end of 2014;
2. Reform governance processes to achieve a proper balance of responsibilities and accountabilities within Government and industry to restore confidence in decision making; and
3. Reform consultation mechanisms to promote co-ordinated advice, communication and feedback between Government and industry.

What will happen next?

- The Government will prepare a more detailed response to the full set of Review recommendations within the coming months, which will help guide the implementation plan for the Review's outcomes. The full response will be made available to shareholders when complete.
- The recruitment process is underway for a new dedicated DPI-Industry Liaison Officer position, so the more detailed discussions with fishers can start.
- An industry forum will be organised to facilitate discussion on the formation of a peak industry body.
- Discussion papers will be circulated soon relating to many of the regulation streamlining/fishing closure proposals remaining from the previous Pyrmont Pact program. Assessment of those proposals will continue to be progressed as the new structural adjustment program unfolds.
- DPI will commence planning for some of the legislative changes that will be needed to give effect to the Review's outcomes.

Further questions?

If you have any further questions, please contact one of the fisheries managers below in the first instance:

Ocean Trap and Line:	Veronica Silberschneider on 9527 8550 or Miriam Vandenberg on 9527 8424.
Ocean Trawl:	Darren Hale on 6645 0503.
Ocean Haul:	Joshua Foster on 9527 8537.
Estuary Prawn Trawl:	Carly Hulme on 9527 8593.
Estuary General:	Darren Reynolds on 6648 3921.
Lobster and Inland:	Belinda Lucas on 9527 8598.
Abalone:	Cameron Westaway on 6042 4211.
Sea Urchin & Turban Shell:	David Makin on 9527 8556.