

Commercial Marine Scalefish Fishery Reform Advisory Committee

Meeting #2 – 26 March 2019 and Industry Workshop – 25 March 2019

The Commercial Marine Scalefish Fishery Reform Advisory Committee (CMSFRAC) held its second meeting at SARDI West Beach on 26 March 2019 from 9 am to 3.30 pm. This meeting was preceded by a joint Marine Fishers Association Forum/Committee workshop the day before (also at SARDI) on 25 March 2019 from 11 am to 5 pm.

Workshop Summary - 25 March 2019

The workshop provided an opportunity for industry members to hear from PIRSA's Manager, Fisheries Reform, Mr Jon Presser, on the background to the reform process and the objectives and timelines as well as the Committee Terms of Reference. In short, the Committee plans to meet next on 28 May to develop a draft discussion paper by end July for discussion with industry in August/September 2019. This will enable a reform proposal to be provided to the Minister in October 2019 for his consideration. It is expected that this proposal will include a request for government funding consideration to go with industry reform contributions as part of the 2020/21 budget cycle.

As chair I re-iterated at both the workshop and the meeting that the Committee's charter is to develop a reform package that meets the Marshall Government's election policy commitment resulting in a fishery that creates more long-term jobs by being more sustainable across all regions and more profitable to individual operators, while enabling higher levels of stewardship and at the same time retaining a small business and regional community focus. It is my observation that there is strong support from across industry for these shared goals.

I also advised both the workshop and the meeting that the Minister's Terms of Reference for the Committee had been finalised after being amended by the Minister to ensure that it focused on addressing the practicality of an individual transferable catch quota (ITQ) system

as the preferred management system for the fishery unless an alternative was shown to be more effective in addressing the goals and objectives of the reform. I further advised that the basis for identifying a preference for ITQ management as the best way to manage effective fishing effort on highly managed species such as snapper, King George whiting, garfish and calamari is that, besides limiting the catch to a sustainable level based on the best available science, it enables operators to make informed business decisions on where, when, and how they fish and to better plan their fishing and catch marketing activities. In so doing they are expected to reduce fishing costs and increase catch value over time thereby increasing their revenue (profit).

The workshop also provided an opportunity for the peak industry body as well as regional industry groups and associations to present their view on the current status of the Marine Scalefish Fishery (MSF) and opportunities for reform. There were some completely new concepts tabled at the forum including a proposal for a weekly catch limit system from the Southern Yorke Peninsula Fisherman's Association. There were also varied opinions presented from across and within regions on the need for and extent of zoning (where people can fish), rationalisation (licence reduction) and unitisation (quota or effort units). These options and their varied components need to be discussed further at an industry association level with a view to developing a consensus industry position. They can then be considered for their efficacy by the Committee in the context of the direction from the Government and Minister to explore the practicality of ITQ management as the preferred management system for the fishery.

The workshop also received presentations from Dr Mike Steer from SARDI which included three options for zoning the fishery based on a biological unit stock concept for the major species including principally snapper, King George whiting, garfish and calamari, but also yellowfin whiting, Australian salmon and Australian Herring (tommies). A fourth option was tabled by two industry members from the Committee based on their understanding of fleet dynamics and stock boundaries. Much of the concern over boundaries related to whether or not we developed new limited access fisheries as such for each zone based on catch history or allowed MSF licence holders to continue to be able to fish in all zones with the proviso that (where applicable) they held the required catch or effort quota units pertaining to that zone.

The workshop also heard from Mr Presser on issues relating to unitisation in the fishery with a focus on ITQs as well as options for rationalisation or licence reduction. It was acknowledged that there would need to be substantial government funding assistance provided to enable structural adjustment without causing high level financial and social distress across regions. This funding would be used to buy out a target number of licences in each zone to ensure that fishing effort levels in regions did not exceed the carrying capacity needed to achieve sustainable yields and maximise economic return. This rationalisation could be achieved either by a direct buy out of licences on a voluntary basis with all surrendered quota units to be offered back to industry or through an autonomous adjustment process in which quota units were traded between licence holders with "empty" licences to be voluntarily offered at a surrender price proposed by government. It was seen that in both scenarios that the industry funding contribution would be through remaining licence holders purchasing quota units with hopefully a level of subsidy from government to encourage trading.

Finally the workshop heard from the Committee's expert adviser Dr Sevaly Sen who provided an interesting perspective on and lessons learnt from the recent New South Wales fisheries

reform process and the rationalisation approach that was taken there which involved a share trading system between licence holders that was brokered over several rounds by government. Dr Sen has considerable national and international experience as an economist with legal qualifications in fisheries reform processes in several states including as a member of several allocation and structural adjustment panels and as a member of the Marine Scalefish Fishery Strategic Review Working Group from 2014-2016.

CMSFRAC Meeting summary – 26 March 2019

The Committee meeting on 26 March noted and discussed the Terms of Reference and Meeting Procedures that have now been approved by the Minister, including the clear additional statement referred to earlier relating to addressing the practicality of an ITQ catch management system as a priority. It also noted the Minister's direction that the Committee is to address issues related to the shared access to the MSF by other commercial fisheries and being cognisant of other fisheries that have access to the fishery. To this end the Committee made a clear additional statement that it wished to communicate to the Minister a consensus view that effective management of marine scalefish stocks and protection of any rights-based regime in the commercial catch sector will be dependent on more accurate assessment and management of the recreational sector catch.

The Committee discussed the need to establish an Independent Allocation Panel (IAP) to provide recommendations on how individual catch (or effort) units might be allocated to licence holders. We discussed the usual process undertaken by an IAP in developing the principles of an allocation method and formula (such as economic perspectives, fairness, equity, natural justice, eligibility) that included consultation with the fishing industry. It is considered that this will be a critical process given the complexities of the Marine Scalefish Fishery. It was noted that allocation panels usually have an economist, a lawyer and somebody with knowledge of but independence from the particular fishing industry.

The Committee discussed and agreed that the IAP and rationalisation process should occur at the same time and that this needs to be identified in the Discussion Paper.

The Committee discussed reform design principles and issues that need to be addressed before it considered zoning, rationalisation and unitisation (including allocation) options. It reiterated its position that we should not zone licences as such but allow licences to access all areas provided that they held any required catch (or effort) quota units or entitlements that were specific to each zone. The Committee believes that this approach will best achieve a balance of local stewardship and an economically optimal structure that supports profitable small business operations.

The Committee identified two basic regional zoning scenarios as potential options for further investigation for their suitability in managing effective effort (catch) on stocks of principal or "Tier 1" species (snapper, King George whiting, garfish and calamari) in particular. These investigations would look at current licence numbers active in each proposed zone relative to what is considered to be the "carrying capacity" in each zone in terms of sustainable harvests and optimisation of social values and economic returns. These investigations will not preclude consideration of further amendments to boundaries between zones including those provided in the zoning option proposed by industry members and discussed at the workshop and meeting. There was a level of agreement on the boundary between the south east and Gulf St

Vincent/KI but the boundaries between Spencer Gulf and the West Coast and between Spencer Gulf and Gulf St Vincent/KI particularly need further analysis, consideration and discussion.

The Committee then turned its attention to the potential approaches to rationalising the fishery through licence reduction. The independent economist Mr Roger Edwards suggested that he and Dr Sevaly Sen planned to liaise with the MFA Forum after this meeting to develop some options for a step-by-step approach to rationalisation incorporating catch quota unitisation as a preferred management tool.

In terms of unitisation, the Committee noted that the four principal or “Tier 1” species (snapper, King George whiting, garfish, calamari) had differing stock structures and unitised specific allocation may not always be the preferred management option for these species in some zones eg. South East calamari. There was some discussion but no formal resolution on how secondary or “Tier 2” species should be dealt with and whether individual or “basket” quotas should apply to these. The Committee also discussed what sort of biological or effort level triggers could potentially apply in terms of elevating “Tier 2” to “Tier 1” species subject to regional specific unitised access (or tertiary “Tier 3” to “Tier 2” species).

It was strongly acknowledged that a major driver impacting on all industry members’ perception of a unitised ITQ management system was the unknown impact on licence fees as well as the initial catch allocation that would be received and the impact that both of these would have on both equity and income. It was agreed that the discussion paper containing the reform proposal anticipated to be completed in late July needed to be very clear on these matters. That is, in addition to understanding where and when they are likely to be able to fish and what gear they can use, licence holders should be able to get a reasonable picture of how much quota they are likely to receive for Tier 1 (and possibly Tier 2) species and how much it will likely cost them to purchase required quota and in licence fees if they were to continue on in the fishery.

A further issue will be the need to work out means by which the catch of marine scalefish species (especially Tier 1 and Tier 2 species) by licence holders in the rock lobster, prawn, pilchard and Lakes and Coorong (marine waters) fisheries can be integrated into planned reforms including the need to reduce licence capacity and to set total allowable catches for Tier 1 (and possibly Tier 2) species. These matters were referred to relevant industry associations to discuss and prepare proposals for consideration by the Committee at its next meeting on 28 May.

David Hall

Independent Chair