



Final Report Of The Independent Allocation
Advisory Panel On Priority Species In The
Marine Scalefish Fishery

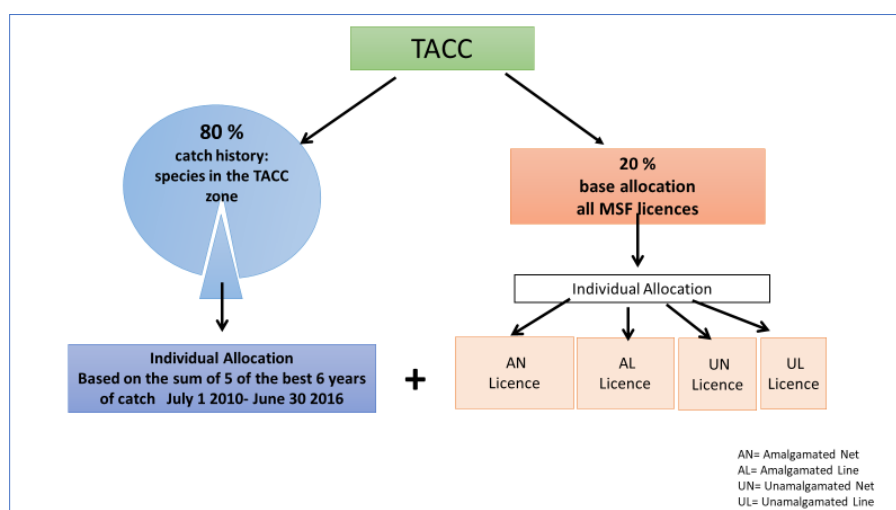


27 OCTOBER 2020

EXECUTIVE SUMMARY

1. This summary is not to be taken as a substitute for a reading of the complete report and supporting material. It is intended to be a summary of the basis, conclusions and recommendations in this report.
2. The Independent Allocation Advisory Panel (IAAP) on priority species in the Marine Scale Fishery (MSF) was established in May 2020, with the following membership:
 - Mr Tim Mellor (Chair) - Legal Expertise
 - Ms Sevaly Sen – Economic Expertise
 - Mr Ian Cartwright – Fisheries Management Expertise
3. The IAAP is to provide recommendations to the Minister for Primary Industry & Regional Development as to the formulation of an Individual Transferable Quota (ITQ) system in relation to the following four priority species – Snapper, King George Whiting, Southern Garfish and Southern Calamari. A draft report was provided to the Minister and released to fishing licence holders 15 August 2020 for consultation. The feedback from that consultation process has been further considered by the IAAP in the preparation of this final report.
4. The MSF is regarded as a small-scale fishery which is of particular significance to coastal communities and regional areas. The priority species account for about 70% of the gross value of production of the MSF.
5. Over the last twenty years a decline in the catch of the priority species has been noted, with an associated decline in the financial viability of the fishery businesses constituting the MSF. This has led to various changes in management of the fishery and some reduction in licence numbers. In recent years, these issues have been considered by advisory bodies which have included representatives for fishing licence holders. As a result, a reform process was developed, including the following proposed features:
 - The division of the MSF into four management zones
 - The formulation of an ITQ system for allocation in respect of the priority species
 - The introduction of a voluntary licence surrender program to provide an option for licence holders in the MSF to exit the fishery prior to quota allocation.
6. This report contains eleven final recommendations including those providing recommendations as to how the ITQ allocation should be undertaken.
7. The IAAP has recommended that that on a date determined by the Minister of Primary Industries and Regional Development before 1 July 2021, all holders of an authority to take marine scalefish species for the purposes of trade or business in South Australia (excludes taking of marine scalefish species for bait) be eligible for quota allocation.
8. The IAAP identified eight criteria to be considered in the ITQ allocation process. Only two of those criteria were recommended to be included in any such allocation formula, being:
 - Licence holding (base allocation)
 - Catch history
9. The report sets out the IAAP's conclusions as to the appropriate base allocation for licence holding, the basis on which there would be an allocation for catch history, and, ultimately, the rationale for a weighting between these two criteria.

10. The base allocation for licence holding utilises an indication of market value provided reports supplied by BDO EconSearch, in relation to four different categories of licence, being the combination of either net or line licences, and amalgamated or unamalgamated licences.
11. Catch history in the MSF was considered with the following components in mind:
 - **Investment warning and reference period:** In December 2017 PIRSA issued a Notice to Fishers with an investment warning. This advised of the State government’s decision to reform the MSF and also warned that, if any management changes required a specific allocation process, only fishing prior to June 2016 would be considered in the allocation of quota. The IAAP, on the basis of the investment warning, considered the appropriate reference period for catch history should be from 1 July 2010 – 30 June 2016, with the sum of the highest five years catch from that six year period being used to calculate catch history.
 - **Minimum catch threshold:** The IAAP determined that setting minimum catch thresholds may lead to inequitable outcomes.
 - **Attribution of catch history:** The IAAP concluded that in accordance with PIRSA policy, catch history remains with the licence holder.
12. The weighting between the two criteria referred to in paragraph 8 was the central and most divisive issue upon which the IAAP was asked to provide recommendations. It also generated the greatest volume and most diverse range of views in the public consultation process. Having considered all those views and factors, the final recommendation of the IAAP was a confirmation of the recommendation in the draft report – that catch history and base entitlement should be weighted 80:20 in reaching the ITQ allocation.
13. Certain other fisheries in South Australia have some access to the priority species. With one exception, it was not considered appropriate to provide an allocation to any of those fisheries. The exception was in relation to Rock Lobster Fisheries Option C licences. This form of licence entitles the holder to take the marine scale fish species for the purposes of trade or business, and involves payment of a licence fee, being portion of the usual MSF licence fees. The IAAP concluded that ITQ’s for priority species should be allocated to Rock Lobster Fisheries Option C licence holders on the basis of catch history only, with a 50 kg minimum threshold for any priority species ,and by reference to the same period as is utilised in relation to MSF licences.
14. The IAPP noted that situations of exceptional circumstances may well arise in the course of the ITQ allocation process. A means to deal with such events should be established in order to ensure fairness, good management and consistency.
15. The figure below summarises the recommended allocation formula for MSF licence holders.



SUMMARY OF FINAL RECOMMENDATIONS

Recommendation 1	Two criteria should be included in an MSF ITQ allocation formula: <ul style="list-style-type: none"> a. Licence holding (base allocation), and b. Catch history
Recommendation 2	Relative market values of licences based on the estimates provided by licence holders from in the BDO EconSearch Valuations Report (BDO,2019)should be used to determine the base allocation for licence types (amalgamated net, amalgamated line, unamalgamated net and unamalgamated line).
Recommendation 3	A proportion of the Total Allowable Commercial Catch (TACC) should be allocated to all eligible MSF licences state-wide as a base allocation based on the relative values of four categories of licences: amalgamated net, amalgamated line, unamalgamated net and unamalgamated line.
Recommendation 4	Each eligible licence holder should receive a proportion of this allocation based on their relative value of their licence, where: <ul style="list-style-type: none"> (i) Amalgamated Line = is 78% the value of an amalgamated net licence (ii) Unamalgamated Net =is half the value of an amalgamated net licence (iii) Unamalgamated Line = is half the value of an amalgamated line licence
Recommendation 5	The period of six years (1 July 2010 - 30 June 2016) is an appropriate catch history reference period.
Recommendation 6	The total of the highest 5 years' catch from 6 years should be used to calculate licence holders' proportions of catch history.
Recommendation 7	No minimum catch history threshold should apply for MSF licences.
Recommendation 8	Catch history and base entitlement should be weighted 80:20.
Recommendation 9	ITQs for priority species should be allocated to Option C endorsed licence holders in the rock lobster fisheries on catch history only, with a minimum threshold catch of 50 kg for any priority species, and using the same reference period as MSF licences.
Recommendation 10	No ITQs for priority species should be allocated to the Spencer Gulf, Gulf St Vincent and West Coast Prawn Fisheries
Recommendation 11	No ITQs for MSF priority species should be allocated to MSF endorsed licence holders in the Lakes and Coorong Fishery.

TABLE OF CONTENTS

1	<i>Introduction</i>	6
2	<i>The MSF</i>	6
3	<i>Information Considered</i>	8
4	<i>Application of IAAP Guiding Principles</i>	9
5	<i>Eligibility Criteria</i>	10
6	<i>ITQ Allocation Criteria Considered by the IAAP</i>	10
6.1	Catch History	10
6.2	Licence holding	11
6.3	Gear Endorsements.....	12
6.4	Licence Points	12
6.5	Fishing Days (Effort History)	13
6.6	Years Active in the Fishery	13
6.7	Management Fees	13
6.8	Investment in the Fishery.....	14
7	<i>Allocation to MSF Licences</i>	14
7.1	Base Allocation for Licence Holding.....	14
7.2	Catch History	18
7.3	Weighting of Base Entitlement and Catch History	22
7.4	Snapper	25
8	<i>Allocation Formula for other than MSF fisheries</i>	27
8.1	Northern and Southern Zone Rock Lobster Fisheries	27
8.2	Prawn Fisheries (Spencer Gulf, Gulf St Vincent, West Coast)	30
8.3	Lakes and Coorong Fishery	30
9	<i>Exceptional Circumstances</i>	30
10	<i>Other comments</i>	31
10.1	Owner operator	31
10.2	Leasing, and licence and quota ownership	31
10.3	Integrity of the quota system	31
10.4	Investors	32
10.5	Management fees	32
10.6	Set-aside for new entrants	32
11	<i>Future Allocations</i>	33

1 Introduction

The Independent Allocation Advisory Panel (IAAP) on quota species in the Marine Scalefish Fishery (MSF) was established on the 14 May 2020 by the former Minister for Primary Industries and Regional Development (PIRD), the Hon. Tim Whetstone, MP., with the following membership:

- Mr. Tim Mellor (Chair) Legal expertise
- Ms. Sevaly Sen - Economic expertise
- Mr. Ian Cartwright – Fisheries management expertise

The IAAP Terms of Reference (TORs) are annexed.

The IAAP was tasked to investigate and provide advice on an appropriate basis for the allocation of catch quota to individual licence holders¹ in South Australia's commercial MSF and licence holders who have access to marine scalefish species in other South Australian commercial fisheries, through an Individual Transferable Quota-based system (ITQs). The allocation is for the following priority species: Snapper, King George Whiting (KGW), Southern Garfish and Southern Calamari. The IAAP submitted its initial advice in the form of a draft report to the Minister on the 10 July 2020.

The draft IAAP report, including the allocation formula was included in the MSF Reform: Stage 2 Information package released for consultation on 15 August until 18 September 2020. The consultation process comprised an online survey (177 responses), written submissions via post and email (69). This material received is referred to in this report as “the submissions.” The submissions were provided to the IAAP by The Department of Primary Industries and Regions, South Australia (PIRSA). Some licence holders made multiple submissions, taking the opportunity to participate in the survey as well as make at least one written submission. PIRSA also made available to the IAAP their notes from a series of port meetings (17 meetings with 210 attendees in total). In finalising our report to the Minister for Primary Industries and Regional Development, the IAAP gave careful consideration to and where appropriate, addressed issues raised in both the submissions and port meetings.

As outlined in the Minister’s letter to licence holders on 20 October 2020, after the Minister has considered the IAAP final report, a final decision in relation to the allocation formula will be announced.

2 The MSF

The MSF is a small-scale fishery of significance to coastal communities, particularly in regional areas. Many fishers are closely connected to both the industry and the communities in which they live. The MSF was initiated as one of the few owner-operator fisheries in Australia, in which the licence holder and the fisher were one and the same. Following the implementation of the National Competition Policy in 1995, the owner operator policy was relaxed following the removal of the one person-one licence restriction. Despite being described as an owner operator fishery in the current management plan (P103), an individual or entity can own two or more MSF licences and, while operating one, may place a registered master on other vessel(s) under the additional licence(s).

Current arrangements for access to the aquatic resources prescribed within the MSF are very complex. Nine separate commercial fisheries, using 26 different gear types, have some level of access to priority marine scalefish species (KGW, Snapper, Southern Garfish and Southern Calamari), within the four proposed zones of the fishery. In addition to MSF licence holders, licence holders

¹ Licence holder=licence owner

from South Australian prawn fisheries, rock lobster fisheries, the Lakes and Coorong fishery, the Blue Crab fishery and the Miscellaneous fishery all have some level of access to MSF species.

Total catch in the MSF followed a declining trend between 1999/00 and 2018/19. The fall, from 4,869 tonnes to 2,099 tonnes, is due to a decrease in catch of a number of key species including Australian Salmon, Shark, King George Whiting, Snapper and Garfish. This decline in catch was somewhat offset by a 140 per cent increase in nominal average price of Marine Scalefish species between 1999/00 and 2018/19, equivalent to a 47 per cent rise in real price (BDO EconSearch, 2020).

There have been numerous changes to the management of the MSF, which were principally aimed to reduce latent effort and address increasing fishing efficiency within the diverse fishing fleet. These have included the development of separately managed fisheries, licence buy-backs and the current licence amalgamation scheme introduced in the early 1990's. Despite these initiatives reducing the number of licences to less than half of those in 1978, it has been recognised that a further reduction of effort remains the most significant challenge of the MSF.

Access to priority species varies, from the ability to retain some species taken as bycatch (prawn fisheries), to bait only (blue crab fishery), to relatively open access to all marine scalefish species for holders of an MSF licence and rock lobster licence holders with an Option C endorsement. Species taken in the MSF also support a significant amount of recreational fishing activity both in terms of participation and catch.

A resource sharing arrangement applies whereby proportions of the total catch of the four priority species have been allocated between the recreational, commercial and Aboriginal traditional sectors based on state-wide estimates of total catch. Within the commercial fishing sector, shares of these species have been allocated between various commercial fisheries within South Australia.

According to surveys of licence holders reported in the 2018/19 BDO EconSearch Economic and Social Indicators report (p.26, BDO 2020), licence holders vary considerably in their operations, from those who fish infrequently (less than 50 days) and may be considered 'lifestyle fishers' who may not rely on fishing activities as their main source of income, to those who fish more than 150 days. 'Lifestyle' fishers tend to have a lower value of boat capital and in 2018/19 had an average rate of return to total capital of -2.5%, while fishers who fished more than 150 days had a positive return of 5.3%. Not covered in these surveys are licence holders with no catch in recent years.

The 2016 Report of the MSF Strategic Review Working Group found that the MSF faced a number of challenges, including poor profitability, a cumbersome, constantly adjusting and complex regulatory system, an excess of licences with varying levels of activity, and management restrictions that have reduced efficiency. The report, circulated to all licence holders, concluded that the fishery needed to be restructured to ensure its long-term sustainability and economic viability.

On 28 December 2017, PIRSA issued an investment warning in the form of a Notice to Fishers. The notice outlined a package of measures to support restructuring the fishery, two of which were of particular significance to the allocation process; the targeted removal of licences through a voluntary licence surrender, and a statement on catch history warning that:-

"if any management changes require a specific allocation process to be followed, only fishing prior to 30 June 2016 will be considered, which aligns with the date of the discussion paper entitled SA Marine Scalefish Fishery Strategic Review Proposals, circulated to all licence holders in June 2016. This is also consistent with the letter and information contained on page 10 of

the Report of the SA Marine Scalefish Fishery Strategic Review provided to licence holders in July 2017.”

On the 8th May 2020, following the final report of the Commercial Marine Scalefish Fishery Reform Advisory Committee², the Minister for Primary Industries and Regional Development announced a \$24.5 million reform of the MSF, to be implemented by 1 July 2021. Included in the reform package were details of the voluntary surrender of up to 150 licences, the introduction of Total Allowable Commercial Catches (TACCs) for priority species (which accounted for 68% of the Gross Value of Production in 2018/19³) and the allocation of Individual Transferable Quotas (ITQs) for these species.

The voluntary licence surrender program, which commenced in May 2020 and closes on 13 November 2020, offers \$140,000 and \$180,000 for the surrender of line and net licences respectively. The program provides an opportunity for licence holders in the MSF to exit the fishery prior to the issuance of ITQs and implementation of other proposed reforms.

3 Information Considered

PIRSA, including the South Australian Research and Development Institute (SARDI) provided a wide range of information relevant to the task of the IAAP. A list of the documents considered by the IAAP is provided as an Appendix. The IAAP also took account of existing South Australian government policies relating to the allocation of marine resource, key changes in management arrangements, including relevant Notices to Fishers as well as allocation approaches used in other fisheries. Information on the species which were to be allocated ITQs, clarification of proposed management arrangements (boundaries of proposed management zones, indicative TACCs for priority fish stocks (excluding Snapper) and indicative priority species to be managed under ITQs (Table 1) were provided to the IAAP on 24 June 2020. (MSF Reform – Stage 1 information). These indicative TACCs were used in the analysis of allocation scenarios discussed in our draft report. In October 2020, the IAAP were provided with revised TACCs for 1 July 2021 to 30 June 2022 (“final TACCs”) and revisited the impacts of these on our final recommendations.

Table 1 Species for ITQ Allocation in the MSF

	KGW	Snapper	Southern Garfish	Southern Calamari
West Coast	ITQ	ITQ		
Spencer Gulf	ITQ	ITQ	ITQ	ITQ
Gulf St Vincent/ Kangaroo Island	ITQ	ITQ	ITQ	ITQ
South East		ITQ		

² In 2018, a Commercial Marine Scalefish Fishery Reform Advisory Committee (CMSFRAC) was established, to develop - in consultation with licence holders and key stakeholders - recommendations on a reform package for the South Australian commercial Marine Scalefish Fishery (MSF). CMSFRAC included: six members from the commercial MSF, one Rock Lobster Fishery member in recognition of its formal access to marine scalefish species, one recreational fisher in acknowledgement of the recreational sector’s interest in this shared access fishery, an independent chair, and one independent economist.

³ BDO, 2020

To support the deliberations of the IAAP, SARDI, which is the research division of PIRSA, provided data analysis using anonymized catch history data. This analysis included the number of licence holdings, gear endorsements and fishing activity, including catch history by management zone. SARDI, in response to requests by the IAAP, ran allocation scenarios to determine the impact on individual licence holders and the MSF as a whole.

The IAAP used the number of licences on record as of 30 June 2020 for analysis in the IAAP draft report and licence holdings as of September 2020 for the IAAP final report. When allocation occurs, licence numbers used will depend on the final outcome of the voluntary surrender scheme.

The IAAP was advised that PIRSA's present policy is that all MSF licence holders remaining in the fishery after the reform will have access to all marine scalefish species across the area of the fishery, including priority species (subject to holding quota). The IAAP understands that there is no intention to move to zonal MSF licences.

4 Application of IAAP Guiding Principles

Throughout our deliberations, the guiding principles (as specified in the TOR - Appendix 1) were considered and applied, namely:

- **Fairness and Equity** – the IAAP explored allocation criteria and options that would distribute the benefits of use fairly amongst participants. Using data analysis based on (anonymous) licence holdings, the IAAP considered the differential economic impacts of various options on current licence holders, seeking to minimise impacts to the extent possible.
- **Consistency and transparency** – Consideration of options was based on understanding the operating context of the fisheries with access to marine scalefish species after consideration of a range of possible allocation criteria. An explanation as to how recommendations were arrived at is provided. This should facilitate the development and implementation of future species allocations in a consistent and transparent manner.
- **Certainty for licence holders** – Giving due consideration to those who rely on marine scalefish priority species for their livelihood and recognising the importance of the MSF to users of these resources, was central to IAAP considerations. The IAAP has sought to recommend an allocation method that recognises these needs, and provides the certainty required to those who want to stay in the fishery. The IAAP notes that the voluntary licence surrender program also provides certainty for those fishers who choose to exit the fishery.
- **Opportunities to be heard** – Participants in the MSF have had the opportunity to comment on the IAAP draft report and recommendations through a transparent process run by PIRSA over the period July-September 2020. The submissions and issues raised at port meetings have been thoroughly reviewed by the IAAP in finalising this report. Due to COVID-19 restrictions, the IAAP was unable to hold face- to face consultations with licence holders.
- **Rights of existing licence holders and level of activity to be recognised** – The allocation process and formulae recommended by the IAAP recognises the historical rights and activity of participants in a fishery particularly, through the use and weighting of appropriate allocation criteria.
- **Best available information** – PIRSA and SARDI were most cooperative in providing the best available administrative, catch and effort and other relevant information to the IAAP.

- **Integrity of fisheries management arrangements** – Allocation recommendations were developed to be consistent with legislative requirements, the 2013 MSF Fisheries Management Plan and any other relevant fisheries management objectives. The IAAP did note the disparity between the original owner-operator nature of the MSF and the ability of fishers to hold and benefit from multiple licences.

The IAAP has made every effort to abide by the principles outlined above in making our allocation recommendations for the benefit of the entire fishery, taking account of economic and sustainability considerations. While the impacts of prospective allocation formulae on individual licence holders has been attempted, the IAAP notes that as in any allocation process, there will be differing outcomes, particularly in the short term. The IAAP understands that the Minister has established a process to take into account exceptional circumstances raised by individual licence holders in allocating ITQs.

5 Eligibility Criteria

To be eligible for quota allocation, the IAAP concludes that the following should apply:

- Holding of an authority to take marine scalefish species for the purposes of trade or business in South Australia (excludes taking of marine scalefish species for bait), and.
- Holding of such an authority on a date to be determined by the Minister of Primary Industries and Regional Development, which the IAAP is advised will be before 1 July 2021.

6 ITQ Allocation Criteria Considered by the IAAP

Experience from other allocations has shown that there is no one method to recognise relative economic position, existing rights to fish, and asset values. This is because any selected method is dependent on the circumstances of the individual fishery, including: the legislative framework, the management context of the fishery, fishing patterns, and the quantity and quality of data available.

The IAAP gave consideration to the following criteria for inclusion in an allocation formula(e) prior to making our final recommendations:

- Catch history
- Licence holding
- Gear endorsements
- Licence points
- Fishing effort (days)
- Years active in the fishery
- Management fees
- Investment in the fishery

6.1 Catch History

There is a widespread global acceptance that catch is a reasonable proxy for income. Catch history, as recorded in logbooks, has been used in other quota allocations both in Australia and worldwide to recognise the needs of users who rely on the species for their livelihood.

In the submissions, over half of survey respondents who answered the question on catch history expressed support for a catch history component; many written submissions were also supportive.

Conclusion: to recognise the level of fishing activity of a licence holder and to minimise the change in their relative economic position, catch history of the licence holder should be a criterion for the allocation of ITQs for priority species.

6.2 Licence holding

Fair market value of a licence may be defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length. In the case of fully transferable licences, a licence has value as a tradable asset. Transferable licences that have similar characteristics should have similar asset values. For a non-transferable licence, all value is captured in its ability to earn an income for the licence holder. Consequently, it has no tradeable asset value.

In the case of the MSF licences, the IAAP relied on the BDO EconSearch Valuation report of 12 September 2019 (BDO,2019) for information as to market values for MSF licences. The report was commissioned by the then Executive Director Fisheries and Aquaculture and was prepared by BDO EconSearch Advisory (SA) Pty Ltd. The purpose of the report was to provide estimates of current values MSF licences.

The IAAP also took into consideration the following MSF licence attributes:

- Amalgamated licences are fully transferable.
- Amalgamated line and net licences have different market values (BDO EconSearch,2019).
- Two unamalgamated licences are required to achieve one transferable amalgamated licence and they "*should be valued at half the value of an amalgamated licence*" (BDO EconSearch,2019).
- Unamalgamated licences can be transferred to another family member.

Additionally, within the broad net licence categories there are endorsements for specific gears, some of which are designed and used specifically to target quota species e.g. crab pots and longlines. Some fishers could argue that market value of an unamalgamated net licence with an endorsement for crab pots or longlines would be worth more than an unamalgamated net licence with no such additional endorsements. However, the IAAP was provided with no information on which to differentiate the values of licences with different gear endorsements, beyond the line and net categories mentioned above.

The IAAP considered the impact of ITQs on MSF licence asset value, as we understand that ITQs will only be able to be held by MSF licence holders. This differs from many other fisheries, where ITQs can be held separately from the licence, leading to some transfer of asset value from the licence (access right) to the ITQ.

The IAAP also considered the likely impacts of this requirement on licence value, especially given the high contribution of the four priority species to the overall Gross Value of Production (GVP) in the MSF. A licence prior to ITQ implementation allowed a licence holder to fish for priority species; after ITQ implementation, unless quota is held, this licence can no longer be used as a right to fish commercially for these species. The IAAP acknowledges that the impact of introducing ITQs may cause some loss of licence value pre and post ITQ implementation. The IAAP also notes that any loss

may be offset to some extent by i) the effects of reduced numbers of active licences due to the voluntary licence surrender program and ii) continued access to non-quota species.⁴

The IAAP also considered impacts on licence value in the context of other commercial fisheries endorsed to take priority species – noting that these endorsements could not be separated from the licence to which they were attached.

In the submissions, over half of survey participants who answered the question expressed support for a licence holding component. All written submissions were supportive of inclusion of this criteria in the allocation formula, although there were differing views as to the weight should be given licence holding relative to catch history.

Conclusion: Licences in the MSF have a value that should be recognised in the form of a base allocation of ITQs. The IAAP notes that all licence holders choosing to remain in the MSF retain the ability to access priority species provided quota is owned, leased or purchased and will continue to have access to all other marine scalefish species.

6.3 Gear Endorsements

Each MSF licence has endorsements for different gear types. Some gears are non-selective and can take a range of species, including priority species. Others are species-specific, including those for several species that are already under quota management (Vongole, Pipis, Blue Crab, Sardine). With the exception of this specialised gear, the main categories of gear used in the MSF are nets and lines.

The IAAP is of the view that gear endorsements should not be included as an allocation criteria because priority species can be caught by a range of gear endorsed on licences and because the relative value of the main gears used and some specialised gears (e.g. longlines for snapper) are reflected in the licence market values and catch history. Furthermore, as stated above, the IAAP was not provided with any information on which to differentiate licence values based on gear endorsements.

Gear endorsements as a criterion for quota allocation was not raised in any of the submissions.

Conclusion: gear endorsements, other than the net/line categories, should not be included as an allocation criterion for ITQs.

6.4 Licence Points

In 1994, as a key part of the new Licence Amalgamation Scheme, licence points were allocated based on the relative GVP of each licence. Licences ranged in point value from 11 to 18 points.⁵ In the early days of the Amalgamation Scheme, a buyer had to amalgamate two (or more) licences to a total value of 29 points. This was subsequently lowered to 24 points.

⁴ PIRSA advised the IAAP that there is a significant amount of work being undertaken by PIRSA and the industry to promote and develop 'lesser known species', in order to reduce pressure on the four priority species and diversify the economic opportunities in the fishery. The strategy aims to encourage a behaviour change for recreational fishers and seafood consumers by providing educational information about seasonality, fishing and cooking tips (including catch quality, gear, location, tides and recipe ideas). The strategy also aims to educate audiences on the benefits of choosing lesser known species, and the substitutes available.

⁵ The exception was Restricted Licences which were accorded 7 points – PIRSA has advised that no restricted licences remain in the MSF.

Other than a comment on licence points in the BDO EconSearch Economic and Social Indicators Report (BDO EconSearch, 2020), the IAAP has been provided with no evidence to suggest licences with points over the amalgamated threshold of 24 points have differential market values. The IAAP concludes that the value of licence points is likely to be encapsulated in the market value of unamalgamated and amalgamated licences.

Licence points as a criterion for quota allocation was not raised in any of the submissions.

Conclusion: licence points should not be used as an allocation criterion.

6.5 Fishing Days (Effort History)

In other allocations, fishing days have been used as an alternative proxy for income earned in the fishery. However, based on the data made available to the IAAP, fishing days are not closely correlated with catch. Furthermore, fishing days do not necessarily reflect the efficiency of various licence holders, potentially leading to inequitable outcomes, as a fisher with a lower relative catch per day may receive the same quota as a fisher with a higher catch per day.

Fishing days as a criterion for quota allocation was not raised in any of the submissions.

Conclusion: fishing days should not be used as an allocation criterion.

6.6 Years Active in the Fishery

Years active in the fishery has been used, albeit rarely, in allocation formulae – most notably in the 2008 allocation of Vongole quota in the MSF. In this allocation, a base unit was allocated to licence holders for each year they were active (catch of Vongole only) over the catch history period. The Vongole Independent Allocation Advisory Panel (the Vongole Panel) concluded that this was an appropriate alternative to an allocation based on the right to fish, as it would leave the industry in relatively few hands, making it easier to manage and assist the orderly development of markets, and allow beneficiaries to have access to amounts sufficient to make a living. The Vongole Panel concluded that those that did not have any activity would not receive quota, which diminished their access right. In acknowledging this outcome, the Vongole Panel recommended that consideration be given to compensating those who lost ‘a right of significant value.’ While the IAAP reached a similar view on the loss of value of MSF licences with little or no catch history post allocation, the IAAP considered the use of years active in the fishery as an allocation criterion and noted the following difficulties in applying this criterion:

- defining thresholds for activity in the MSF in which some species can either be targeted or taken as a byproduct will be very difficult; and
- the rights of licence holders who had decided not to exercise their rights to fish would be excluded.

Fishing days as a criterion for quota allocation was not raised in any of the submissions.

Conclusion: years active in the fishery should not be used as an allocation criterion.

6.7 Management Fees

The South Australian Government has a policy of full cost recovery for the management of commercial fisheries. Licence fees from MSF licence holders are collected in accordance with the PIRSA Cost Recovery Policy and the Australian Government’s Cost Recovery Guidelines (July 2014). Licence fees for the commercial MSF cover costs which include biological and economic research, compliance, policy and management, licensing, legislation and co-management consultative

services. The costs for these services are shared among licence holders, with proportions attributed to all MSF licence holders (base fee), MSF licence holders with a net endorsement (net fee) and rock lobster licence holders with MSF access. Lakes and Coorong fishers with coastal nets pay their own base fee. Other than these, no other commercial fisheries with access to marine scalefish species contribute directly to the management of the fishery.

It was argued in some industry association feedback to the Industry Consultation Paper on Options for the Reform of South Australia's Commercial Marine Scalefish Fishery (and provided to the IAAP) that those licence holders who contribute more than others should receive a higher allocation. The IAAP disagreed in our draft report on the basis that licence fees cover regulatory costs and are not correlated with wealth distribution nor economic activity.

The issue was raised again in the submissions by many respondents, frequently as support for an equal allocation to all licence holders on the basis that licence holders with the same endorsements all pay the same fees. The IAAP reinforces its view that the payment of licence fees represents a contribution to regulatory costs and, as they are not representative of economic position, they should not be used as an allocation criterion.

Conclusion: management fees should not be used as an allocation criterion as they are not a measure of relative economic position.

6.8 Investment in the Fishery

Investment in the fishery has been used, albeit rarely as an allocation criterion. Such investment could be linked to investment in vessel capacity and fishing gear, or the investment to amalgamate licence. The IAAP noted the challenges in identifying relevant investment criteria in a diverse multi-species multi-method fishery such as the MSF.

Conclusion: past investment in the fishery is not a practical criterion for inclusion in any allocation formula.

FINAL RECOMMENDATION 1

Two criteria should be included in any MSF ITQ allocation formula:

- i. **Licence holding (base allocation), and**
- ii. **Catch history**

7 Allocation to MSF Licences

This section describes the IAAPs consideration and approach to allocation of ITQs for priority species using the two recommended criteria: licence holding and catch history. The final section discusses the rationale for a weighting between these two recommended criteria.

7.1 Base Allocation for Licence Holding

Given the current number of eligible MSF licence holders, the IAAP was conscious that applying an allocation formula based on licence holding to all licence holders will result in quota fragmentation and small quota packages, particularly where TACCs are low. Currently, eleven different

species/zone ITQ allocations spread across up to 250 licences are considered in the reform package. This may lead to high transaction costs for some buyers and sellers of quota as well as contribute to financial stress for some high catch fishers who will need to source additional quota to maintain their livelihoods and economic viability. However, the IAAP understands that PIRSA intends to implement an online quota trading platform as part of the reform and believes that this should overcome many of these concerns. Our recommendations are therefore based on this assumption.

The submissions which mentioned this issue were supportive of an online trading system to assist quota trades across the State as licence holders buy and sell quota to match individual fishing opportunities.

Conclusion: An efficient, online, quota trading system is an essential component of the reform process to facilitate ITQ trades.

Relative value of licences

The IAAP first considered whether a base allocation should be weighted to reflect the relative values of different licences based on their transferability and endorsements (see Section 6.2). Amalgamated licences are fully transferable although transfer values differ according to the net and line endorsements held. The only way to enter the fishery is through the purchase of an amalgamated licence, the purchase of two unamalgamated licences (to form one amalgamated licence) or a family transfer.

From an equity perspective, of relevance to the IAAP, is the relative (not actual) value of licences i) between net/line and line, and ii) between amalgamated and unamalgamated licences. We examined the various methods used to value licences in the BDO EconSearch Valuations Report (BD),2019), noting that there is very limited publicly available transfer price data. We concluded that in the absence of comprehensive and reliable data, licence values should be based on licence holders' estimates found in the BDO EconSearch Valuations Report (BDO EconSearch,2019) where the relative value of a line licence is at 78% of a net licence (2016-2018).

With regard to the relative value of amalgamated compared to unamalgamated licences, we concluded that transferability is an important attribute of relative value and thus should be reflected in any base allocation for licence type. Given two non-transferable unamalgamated licences are required to achieve one transferable amalgamated licence and the possibility of family transfers of unamalgamated licences, we concluded that the relative value of an unamalgamated licence should be half that of an amalgamated licence.

A small number of submissions suggested licence values used in our draft report and the BDO EconSearch Valuations Report (BDO EconSearch,2019) are inaccurate and, in particular, undervalued. The IAAP concluded that licence transfer values may go up and down, as with any other asset. Since our draft report was written, the IAAP was provided with the most recent BDO EconSearch Economic and Social Indicators report for 2018/19(BDO EconSearch,2020). Whilst economic rent in the fishery remains negative, licence holders reported an increase in their self-valuation of their net licence. BDO EconSearch observed that this may be attributed to the ongoing reform program raising expectations around a licence surrender scheme.

After careful consideration, the IAAP reaffirmed its view that the FYE 2018 licence valuations provided by survey respondents found in the BDO EconSearch Valuations report (BDO EconSearch, 2019) should form the basis of estimates of relative value given there was insufficient reliable and independent evidence to justify a change in assumed values.

FINAL RECOMMENDATION 2

Relative market values of licences based on the estimates provided by licence holders from in the BDO EconSearch Valuations Report (BDO EconSearch,2019) should be used to determine the base allocation for licence types (amalgamated net, amalgamated line, unamalgamated net and unamalgamated line).

Application of Base Allocation

The IAAP then considered three options for application of this base allocation by licence type:

1. **State-wide Allocation:** All licence holders receive a base entitlement. For the current allocation of the four priority species (KGW, Southern Garfish, Snapper and Southern Calamari), each licence holder would receive eleven separate allocations reflecting the zones and species in Table 1. The IAAP considers this option as the most equitable, as all licences (within each licence group) and in all zones of the fishery will receive the same base allocation and are therefore treated equally. One of the disadvantages of this option is that small quota packages will be distributed across the State leading to a very fragmented quota market. In the IAAP's view, this is not likely to represent a significant problem provided PIRSA develops and introduces the online quota trading system discussed above. However, if PIRSA does not implement such a system in time or licence holders refrain from using it, there is a risk that those who need the quota will not be able to access it and those that wish to sell or lease out their quota, are unable to find willing buyers. There is also a risk that holders of some small quota packages may decide to "sit on" their allocation, preventing the optimum utilisation of the resource. Notwithstanding these issues, the IAAP considered that a state-wide allocation to all licence holders of a base entitlement was the best option for equitably dealing with a base allocation.
2. **Principal Zone Allocation:** Under this option, licence holders are designated a "principal zone" by PIRSA, based on past fishing activity over recent years and receive a base allocation for that zone only. Whilst not current PIRSA policy, the IAAP considered this option for completeness. For the purposes of analysing the outcome of this allocation option, zone assignment was determined according to where each fisher caught most of their catch over the reference period. If a licence holder did not have any catch history (i.e. recently purchased a licence or has remained inactive over the time period) then a principal zone was assigned based on their postcode.

Licence holders would receive species allocations only for their principal zone. The advantage of this method would be fewer licence holders in each zone eligible for quota. The disadvantage of this option is that holders of the **same licence type** in each principal zone will receive a **different base allocation**. Applying FY 18 relative values of licences based on the BDO EconSearch Valuations report (BDO EconSearch,2019) and the number of licences as at 30 September 2020, a hypothetical example of base allocation for priority species by licence type by principal zone is shown in Table 2. This example shows a quota package for a licence with no catch history assuming a 20% base allocation. Base allocations in kgs has been converted to dollars (using a quota price of \$30/kg).

The IAAP rejected this option on grounds of equity.

Table 2 Hypothetical Example of Principal Zone (PZ) valuation of ITQs - 20% Base Allocation only for priority Species

Licence Group	Spencer Gulf PZ	GSV PZ	West Coast PZ	South East PZ
Amalgamated Net	\$ 44,827	\$47,656	\$22,446	-
Amalgamated Line	\$ 34,810	\$37,007	\$17,430	\$54,000
Unamalgamated Net	\$ 22,414	\$23,828	\$11,223	-
Unamalgamated Line	\$ 17,405	\$18,503	\$ 8,715	\$27,000

3. **Nominated Zone Allocation:** Under this option considered by the IAAP, licence holders nominate one zone for their base allocation. Depending on the zone nominated, they would receive between 1-4 species ITQ allocations (like Option 2). The amount of quota received would be unknown until after the allocation process as it would depend upon the numbers of licence holders nominating for that zone.

The advantage of this option is that, like Option 2, it would lead to less quota fragmentation. It also allows a free choice for licence holders. To some extent this option may address the differential value problem described in Option 2. This is because it could be anticipated that some/many licence holders would nominate for the zones with more quota (SG and GSV), resulting in a lower allocation of ITQs/licence holder. The disadvantages of this option are complexity, the likelihood that differential values will not be resolved entirely, and the reasonable expectation that SG and GSV would be highly subscribed – potentially leading to further fragmentation. This option may have caused conflict, particularly if licence holders nominate for quota outside their principal zone where most of their historical catch was taken. For all these reasons, the IAAP rejected this option.

In the submissions, a small number suggested that the base allocation be equal across all licences as all licences are “equal.”. Some submissions and the majority present at most regional meetings (as per PIRSA advice) also suggested that the base (licence) allocation should not differentiate between amalgamated and unamalgamated because:

- The licence surrender process payment did not discriminate between amalgamated and unamalgamated and so the IAAP is being inconsistent, and
- Many fishers holding unamalgamated licences are long term fishers and therefore should not receive a lesser allocation.

The IAAP carefully considered these views in particular, the perceived contradiction of licence value treatment in the voluntary licence surrender program compared to the approach recommended by the IAAP. The IAAP noted that it is important to discriminate between the objectives of the two processes:

- The objective of the voluntary licence surrender program is to make licence values sufficiently attractive to achieve a desired overall reduction in the number of licence holders in the MSF.
- The objective of the IAAP is to minimise any differential economic impacts.

Given the acknowledged differences in value between i) net and line licences and ii) amalgamated and unamalgamated licences, the IAAP reiterates its view that it would be less equitable and inconsistent to have an equal base allocation applied across all four licence categories. We therefore

maintain our view that the base allocation should account for relative licence values in an allocation process.

FINAL RECOMMENDATION 3

A proportion of the TACC should be allocated to all eligible MSF licences statewide as a base allocation based on the relative values of four categories of licences: amalgamated net, amalgamated line, unamalgamated net and unamalgamated line.

FINAL RECOMMENDATION 4

Each eligible licence holder should receive a proportion of this allocation based on their relative value of their licence, where:

- (i) Amalgamated Line = is 78% the value of an amalgamated net licence**
- (ii) Unamalgamated Net = is half the value of an amalgamated net licence**
- (iii) Unamalgamated Line = is half the value of an amalgamated line licence**

Compensation as an Alternative to a Base Allocation

As an alternative to a base allocation, the IAAP considered, and subsequently rejected, the payment of appropriate monetary compensation to recognise the impact of ITQ implementation on licence value to licence holders with no, or low, catch history in a priority species. We rejected this option for two reasons.

Firstly, offering monetary compensation for loss of licence value instead of quota may result in encourage fishers with low catch history to remain in the fishery. This would be in direct conflict with the current objective of MSF reform funds to reduce the numbers of licences in the MSF.

Secondly, even if funds were made available, certainty regarding compensation amounts could only be provided to licence holders after the licence surrender program was closed. If these amounts were low, it would then be too late for licence holders to take up the voluntary licence surrender option. The Panel considered this inequitable.

7.2 Catch History

The IAAP considered four components of catch history:

- i. Investment warning and reference period
- ii. Minimum catch history threshold
- iii. Attribution of catch history

Investment Warning and Reference Period

The choice of catch history reference period for allocation seeks to balance the historical effort of licence holders with a need to provide reasonable weighting to those who have been active in more

recent times. In the case of the MSF, the IAAP considered the investment warning sent to licence holders on 28 December 2017 and the following statement on the PIRSA website:

*.... if any management changes require a specific allocation process to be followed, only fishing prior to **30 June 2016** will be considered, which aligns with the date of the discussion paper entitled SA Marine Scalefish Fishery Strategic Review Proposals, circulated to all licence holders in June 2016. This is also consistent with the letter and information contained on page 10 of the Report of the SA Marine Scalefish Fishery Strategic Review provided to licence holders in July 2017. (Notice to Fishers dated the 28 December 2017)*

As part of the MSF reform process, PIRSA also conducted numerous port visits and consultations over the period July 2016- December 2017 where licence holders and fishers were made aware of MSF reform, including a proposed catch history reference period end date of June 2016. The IAAP also noted the changes to Snapper management arrangements over the period 2010-2017. This issue is discussed in more detail in Section 7.4 of this report.

The IAAP considered examples of other fisheries where 'weighted catch history', based on before and after a catch history cut-off date has been used in an ITQ allocation. In the case of the MSF, this date was specified in the December 2017 investment warning. There may be some justification for including catch history after a cut-off date if a significant period of time has elapsed between the cut-off date, the date of the investment warning and the commencement of the allocation process. In the case of the MSF, the IAAP does not consider the time-period to be significant.

Nevertheless, different catch history scenarios were analyzed to determine the effect of including post investment warning catch history, and the effect that would have on allocation.

The following weightings were tested:

- a. Catch history (sum of best of 5 of 6 years) July 2010- June 2016
- b. Catch history (average 10 years) July 2006- June 2016
- a. 70% Catch history (sum of best of 5 of 6 years) July 2010- June 2016: 30% catch history (average 3 years July 2016- June 2019)
- b. 70% catch history (average 10 years) July 2006- June 2016: 30% catch history (average 3 years July 2016- June 2019)
- c. 80% Catch history (sum of best of 5 of 6 years) July 2010- June 2016: 20% catch history (average 3 years July 2016- June 2019)
- d. 80% catch history (average 10 years) July 2006- June 2016: 20% catch history (average 3 years July 2016- June 2019)
- e. 90% Catch history (sum of best of 5 of 6 years) July 2006- June 2016: 10% catch history (average 3 years July 2016- June 2019)
- f. 90% catch history (average 10 years) July 2006- June 2016: 10% catch history (average 3 years July 2016- June 2019)

It was found that many licence holders that have high catch history after June 2016, also had high catch history in the 6 - 10 years prior.

In the submissions, the recommendation for an end point of the reference period of 30 June 2016 was controversial (50 % of survey respondents who answered the question opposed or strongly opposed) and a number of written submissions suggested that the reference period should be extended to the time of the investment warning, which was issued to fishers on 28 December 2017 (see above).

The IAAP notes that is common practice in allocation processes for investment warnings to backdate the end of a reference period, to take account of any speculative behaviour, including efforts to increase fishing activity in order to build catch history as a hedge against any future allocation process (e.g. Victoria, WA, Torres Strait).

Had an investment warning been issued on 30 June 2016 instead of 28 December 2017, the issue arises as to what buyers and sellers would have done differently. PIRSA informed us that thirteen licences were transferred during this period. Whenever a licence is transferred, the buyer/transferee does not receive any catch history because catch history is attached to the licence holder not the licence. Buyers can be expected to have known of this. Furthermore, if any purchaser/transferee of a licence had carried out due diligence in the period 1 July 2016 – 28 December 2017, they would have learned that a reform and restructure of the MSF was planned and, unless they had personal catch history, should have proceeded with caution. Those requiring third party financing would be expected to take particular care before investment. Sellers/transferees would have been aware of the reform (discussion documents were sent to all licence holders; port meetings). They would also have known that when they transferred the licence, they would lose their catch history entitlement to any future quota allocation, unless they subsequently acquired a licence or held more than one licence against which they could attribute their personal catch history.

There was little explicit disagreement with the reference period in comments concerning Recommendation 6 (catch history based on the best 5 of 6 years).

Opposition to Recommendation 6 appears to be based on a more general opposition to the use of catch history, particularly as a dominant criterion for allocation, rather than the ability to 'drop' one year in five. This issue is covered under Section 7.3 below.

FINAL RECOMMENDATION 5

The period of six years (1 July 2010 - 30 June 2016) is an appropriate catch history reference period.

FINAL RECOMMENDATION 6

The total of the highest 5 years' catch from 6 years should be used to calculate licence holders' proportions of catch history.

Minimum Catch History

Frequently, eligibility for an ITQ based on catch history in a fishery requires a minimum catch of each of the quota species within a proposed reference period because:

- a) it provides a reasonable threshold indicator of the reliance on that species by the licence holder,
- b) those below the threshold will have access to that quota species through purchase or lease of quota, and

- c) awarding all licence holders who had a nil, or below minimum, catch with an allocation of the quota species would lead to fragmentation of the industry where there are a high number of licences, such as in the MSF.

Unusually, the IAAP for the MSF is not dealing with an allocation for a whole fishery; rather the allocation of four priority species across four zones. This will result in fishers potentially receiving small amounts of quota for priority species for a base allocation irrespective of catch history. The IAAP explored the possibility of a minimum catch history requirement under various catch history scenarios (time periods, weighting, minimums). We concluded that setting a catch history minimum threshold may lead to inequitable outcomes - particularly due to the multispecies nature of the fishery where, small amounts of catch of a particular species may be valuable to the business as a whole. In addition, licence holders retain the ability to take non-quota species and consequently relatively small quota packages could make a significant difference to viability.

However, the IAAP also noted that the costs of administration of small amounts of quota may be high and for this reason there may be a rationale for setting a small minimum quota holding. However, for allocation purposes, this was not relevant.

In the submissions, the majority of survey respondents who answered the question were supportive or neutral to this recommendation. It was not raised as a substantive issue in the written submissions.

FINAL RECOMMENDATION 7

No minimum catch history threshold should apply for MSF licences.

Attribution of Catch History

The question arises as to the attribution of catch history. In SA there has been a long history of catch being attributed to the licence holder and not the licence. The IAAP found an early reference to this practice in the 2009 Select Committee Report on the Conduct of PIRSA with regard to pipis in the MSF and Lakes and Coorong fishery:

“..... the central tenet of the (allocation of catch history) policy is that catch history should be subscribed to the person who actually puts in the effort to catch the fish’.

PIRSA also advised that it has included this policy statement in annual licence renewal notices to licence holders going back ‘many years.

More recently, the 2020 Notice to Holders of a Marine Scalefish or Restricted Marine Scalefish Fishery Licence for the 2020/21 Financial Year states that:

Catch history is the amount of fish taken by a licence holder pursuant to a licence issued under the Fisheries Management Act 2007. In some fisheries, when management arrangements have changed, catch history has been used as one of the relevant criteria when allocating access to resources. It is important to note that it is NOT policy in South Australia to recognise the transfer of catch history from one licence holder to another when a licence is sold or transferred.

Implicit in this policy is the assumption that catch history remains with the original licence holder. That person may have their catch history recognised when re-entering the fishery with a licence purchase, however:

- *Catch history will only be recognised for species which can be legally taken pursuant to the new licence and*
- *Catch history will only be recognised for years during which the person held the licence.*

Any adjustment to fisheries management arrangements in a fishery where catch history is used for allocating future access will be undertaken according to specific criteria established in the circumstances. Nevertheless, it is PIRSA Fisheries & Aquaculture's policy that any such criteria will be consistent with the approach set out above.

The IAAP understands there is a practice whereby licence holders transfer licences to fishers with the understanding that they will be re-transferred back to the original holder, sometimes for short periods (i.e. < 12 months). The IAAP considers that this practice, incorrectly referred to as 'leasing', does not change the attribution of catch history to the licence holder. As discussed above, all catch histories accumulated under registered fishing masters, even in the case of multiple licence holdings, will be attributed to licence holders. Other than in circumstances where the licence holder is indisposed, this provision seems clearly at odds with the owner-operator nature of the fishery. Due to existing catch history policy, the IAAP is constrained on this issue (see also section 10.1).

Conclusion: Catch history remains with the licence holder.

7.3 Weighting of Base Entitlement and Catch History

Another key allocation consideration relates to the weighting of criteria i.e. catch history: base allocation. As with all allocation decisions, the main objective is to maintain the current relative economic position of licence holders as much as possible, while bearing in mind the full range of guiding principles set out in Section 4.

In order to inform the weighting decision, the IAAP initially considered four weighting options to assess against the objectives of the allocation process, and also compared this with the current economic position of licence holders (as measured by catches over the period 2016/7-2018/9 and 2005/6-2015/16. One of these options was a proposal by industry association in the Industry Consultation Paper on Options for the Reform of South Australia's Commercial Marine Scalefish Fishery (and provided to the IAAP) for a preference for an equal weighting of catch history and licence.

- A. 80:20 catch history: base allocation
- B. 70: 30 catch history: base allocation
- C. 60: 40 catch history: base allocation
- D. 50: 50 catch history: base allocation

Following scenario testing, we recommended in our draft report a weighting of 80% catch history and 20% base entitlement as the most equitable balance between recognition of the needs of users of the resource, particularly those who rely on it for their livelihood, and minimization, to the extent possible, any differential economic impacts of allocation.

As expected, this draft recommendation was very divisive among licence holders. In the submissions, there was some strong support for the proposed formula and a solid body of opposition, either opposing or strongly opposing the proposal. Issues opposing the draft formula included:

- Low/nil fishing inactivity for the priority species in some or all of the reference period.
- Recent and often, younger, entrants who have invested in good faith will struggle to remain viable and thus be forced out of the fishery.

- An ageing group of licence holders with high catch histories in the reference period should not be rewarded as they may not continue fishing –some submissions also claiming they were responsible for overfishing.
- As licences pay the same management fees they should get the same allocation (we address this issue in section 6.7).
- An 80:20 weighting has been rarely, or never, been used in other allocations.

The IAAP understands that each licence holder would wish to maximise their allocation and seeks out the best formula to do so and some of the submissions may reflect this inclination. Those opposed to the weighting submit that their asset (licence) should receive a higher base allocation, either because they had not used their licence much, were recent entrants to the fishery with little catch history in the reference period or because of the payment of management fees. A strong preference was expressed in the submissions by this group for at least a 50:50 allocation, or in some cases a 20:80 weighting in favour of base allocation. A few submissions suggested that the allocation should be equal for all licence holders, i.e. 100% of quota allocated on licence holding only. Some submissions suggested using the allocation process used for the Southern Zone Rock Lobster fishery or some derivation of that.

Those supportive of the recommended formula placed greater weight on the productive value of licence, as represented by previous catch history to recognise the needs of users of the resource, particularly those who rely on it for their livelihood.

On behalf of its members, the MFA proposed an alternative model allowing licence holders to choose their own allocation (catch history or licence holding). In support of this proposal, the MFA submission provided results of preliminary modelling. This approach is similar to the initial Southern Zone Rock Lobster allocation, whereby each licence holder was allowed to select either catch history or pot holdings as the determinant of their quota allocation. The IAAP notes the following:

- Such an allocation is likely to work best when there is a single gear, single target species and limited distortion (i.e. most of the catch is not caught by a small number of fishers).
- With any quota allocation, the challenge is not to satisfy the desires of all licence holders but to fairly and equitably share of “the pie” – especially when TACCs are lower than historical catches. The main defect of a "choose your own allocation" is that whilst it may optimise for an individual it will not produce an overall optimum. Although the effect of one individual getting a higher allocation may be small, the cumulative effect of many individuals would be significant and impact the livelihoods of those currently viable businesses that are catching the fish.
- The preliminary MFA modelling assumes uniform catch histories in the low, medium high groups and less distortion than is present in the MSF with an assumption is made that 30% of licence holders have high catch history. As shown in Table 3, distortion is more extreme in the MSF, with around 2% -11% of licence holders taking 80% of the catch.
- The allocation may discourage licence surrenders, especially of licences with no catch history.

Table 3 Number of MSF licence holders accounting for 80% of the catch

Region	Species	Number of MSF licence holders who account for 80% of the MSF catch (FYE-2016)
Spencer Gulf	Garfish	10
	KGW	33
	Southern Calamari	30
	Snapper	8
Gulf St Vincent	Garfish	9
	KGW	14
	Southern Calamari	20
	Snapper	12
West Coast	KGW	15
	Snapper	8
South-East	Snapper	5

Some submissions suggested the application of the allocation finally adopted in the SZRL, commonly known as the “APACHE” formula.⁶ In that fishery, over a period of four years, individual quota holdings were adjusted up or down by one-quarter of a licence holder’s existing allocation per pot and the average allocation per pot. After four years, all quota holders received the same allocation per pot. The effect of this ‘APACHE’ formula was to allocate quota away from those who had higher than average catches per pot towards those who had lower than average catches per pot.

The IAAP considered the APACHE model in our initial deliberations, and revisited it again following receipt of submissions. Noting the differences in the two fisheries described above the complexities of estimating average catches in a multi-gear multi-species fishery, we concluded that this allocation model would not achieve the IAAP objectives.

In reviewing its position on catch history weighting, the IAAP also revisited relevant fisheries legislation and examined Government policy positions, with the aim of clarifying the objectives of the reform. We found:

Goal 2 f(i) of the MSF Management Plan states: *“When implementing management changes, where possible ensure that the management framework does not unnecessarily reduce ability of fishers to successful run a business”.*

The IAAP has taken the term ‘business’ to refer to those licence holders who rely heavily on the MSF for their livelihood and have a commercial focus i.e. rely on fishing as their primary source of income. This is somewhat in contrast to those who most likely have other sources of income and do not rely on income from fishing in the MSF, some of whom consider themselves ‘lifestyle’ fishers (BDO EconSearch,2020).

Furthermore, the Liberal Government election commitment (Commercial Fishing – Review and Reform 2036) states:

“It’s important that our commercial fisheries remain viable and that fish stocks are healthy” and “Once the fleet is rationalised, a system of Regional Individual Transferable Quotas is needed to achieve a sustainable and commercially viable fishery”.

⁶ Adjusted Preferred Allocation Catch History Equation

Again, the inference the IAAP has drawn from term 'viability' means the commercial viability of fishers, whose primary source of income is from fishing i.e. not a business where fishing is supplemental to other, primary sources of income, including investments.

In the light of this guidance and the submissions, the IAAP concluded that reducing the catch history weighting in favour of a higher base allocation weighting would likely have the following effects:

- reduce the allocation to many of the most productive, full time fishers to a point where they would need to buy or lease considerable amounts of quota to remain viable.
- give recent entrants, concerned that they will have insufficient catch history to continue current fishing operations, a greater chance remaining in the fishery.
- further disperse the available quota including to those that have not used their licence at all.
- disproportionately reward those holding multiple licences (12 licence holders own more than one licence); and
- encourage some licence holders to remain in the fishery, thus prejudicing the success of the licence surrender program.

For the IAAP, the major consequence of giving a higher weighting to licence value, combined with the prospect of lower TACCs than current catches will result in already marginal full-time fishing businesses becoming less profitable. We consider this outcome to be counter to the evident policy position of the government and the objectives of the MSF management plan.

The most recent BDO EconSearch Economic and Social Indicators Report (BDO EconSearch,2020) reported that in 2018/19 licence holders who fished more than 150 days/year are already marginal with an average boat business profit estimated to be \$10,500. Reductions in TACCs combined with smaller allocations for catch history would have a detrimental impact on these fishing businesses. Conversely, boat business profits of fishers who fished 50 days or less was estimated to be -\$13,000 suggesting that their fishing business is reflective of a lifestyle focus and in some cases may be subsidised from other sources of income.

Contrary to the view that an 80% weighting for catch history has been rarely or never used in other quota allocations (or allocation heavily weighted towards catch history), the IAAP is aware of examples of this actual weighting used both in Australia and the US.⁷

Based on the above reasoning, the IAAP reaffirms its draft recommendation regarding catch history and base allocation weighting.

FINAL RECOMMENDATION 8

Catch history and base entitlement should be weighted 80:20.

7.4 Snapper

There have been numerous reviews undertaken of the Snapper fishery management resulting in a range of changes to management arrangements over time, based on various input controls designed

⁷ Atlantic Surf Clam Fishery, USA; Torres Strait Tropical Rock Lobster and Finfish fisheries; NSW Ocean Trap and Line (East); Ocean Trawl, Southern Fish Trawl and Hand Gathering (pipi) fisheries; Commonwealth South-East trawl fishery (for traditional fish species).

to reduce fishing mortality, which for the most part, appear to have been unsuccessful. The IAAP considered that these changes been sufficiently different to those of other stocks to warrant specific consideration of the allocation arrangements for Snapper.

The fishery is based on three stocks: The Western Victorian Stock is a cross-jurisdictional stock that extends westward from Wilsons Promontory, Victoria, into the south eastern waters of South Australia. The remaining waters of South Australia are divisible into the Spencer Gulf / West Coast Stock and Gulf St. Vincent. Using handlines and longlines, commercial catches peaked at over 1,000t in 2010, following a major shift in the spatial structure of the fishery. Catches and catch rates declined in Spencer Gulf, driving a shift of effort to the South East, where effort and catch reached unprecedented levels before a general decline in commercial and recreational catches.

A major review of the management arrangements for all sectors and the science to support sustainable stocks occurred between 2010 to 2012. This review led to an extended state-wide seasonal closure (an additional 15 days) for all fishers, reduction of the commercial daily catch limit to 500 kg, reduction of the maximum number of hooks permitted to be used by commercial fishers to 200 at any one time, prohibition on transshipment, implementation of a three-day limit on multi-day commercial trips and commercial prior reporting arrangements. A series of Snapper spatial spawning closures were also implemented as an outcome of the review.

In 2013, the MSF Management Plan was subsequently implemented, including a harvest strategy and the inter-sectoral allocations of the resource. In the face of a continued decline, the commercial trip limit in the MSF was reduced further during 2016, to 200 kg in Spencer Gulf and 350 kg in Gulf St Vincent and the South East, and there was a reduction in bag-limits and boat-limits for the recreational sector. Despite these changes, stocks declined further to the point where the Minister for Primary Industries and Regional Development announced a closure of the West Coast and Gulfs to Snapper fishing from 1 November 2019 until 2023, with a seasonal closure from 1 November to 31 January in the south east for each year until 31 January 2023.

In addition to the decision to close fishing for two Snapper stocks until 2023, a TACC will be set for the South East region from 1 February to 31 October each year. Consequently, any allocation will only apply in this region at least until 2023. The TACC for Snapper in the South East from 1 July 2021 to 30 June 2022 has been set at 36 tonnes.

Investment warning

On 18th February 2011, a Notice to Licence Holders regarding a review of MSF management and, specifically Snapper was circulated to all licence holders. In addition to strongly encouraging licence holders not to invest in methods to increase efficiency, the Notice included the following investment with respect to catch history:

“...if any Snapper management changes require a specific allocation process to be followed, only fishing prior to 31 December 2010 will be considered.”

The question arises as to the application of this warning the current allocation process. Reference to this warning was made in only one submission. PIRSA advised the IAAP that the investment warning was superseded by the decision on the outcome of the 2011/12 Snapper management review, which implemented other management arrangements that were communicated to licence holders, namely:

- The announcement, via a Notice to Licence Holders on 8 October 2012 of new Snapper management arrangements based on input controls, developed through the Snapper Working Group and following a period of public consultation. ITQs and allocation were not part of the final management arrangements referred to under this notice.

- The development and subsequent approval of the MSF Management Plan and harvest strategy in October 2013, which again makes no mention of ITQ allocation and neither ITQs nor catch history are listed as a management option/tool.

The key issues recognized by the IAAP are that i) only provisional reference was made to the use of the investment warning in relation to catch history in the February 2011 investment warning ("*if any Snapper management changes require a specific allocation process to be followed.....*") and ii) that subsequently management changes arising from the 2011/12 review did not require allocation.

Based on this advice, the IAAP could not find sufficient evidence to support the application of pre 31 December 2010 catch history, as per the February 2011 investment warning.

Conclusion: The catch history reference period for Snapper should be the same as the other priority species: KGW, Garfish and Southern Calamari.

8 Allocation Formula for other than MSF fisheries

Licence holders in other fisheries have some level of access to marine scalefish priority species:

- Southern Zone Rock Lobster Fishery (SZRLF)
- Northern Zone Rock Lobster Fishery (NZRLF)
- Spencer Gulf Prawn Fishery (SGPF),
- Gulf St Vincent Prawn Fishery (GSVPF),
- West Coast Prawn Fishery (WCPF)
- Lakes and Coorong Fishery (LCF),

The current (2013) MSF Management Plan allocates commercial sector shares (in percentages) of the four priority species between the MSF the rock lobster, prawn and Lakes and Coorong fisheries (P.32).

The IAAP also considered whether it was necessary to make an ITQ allocation to licence holders in these fisheries. In doing so, the IAAP considered the following:

- The proportion of the fishery's share of the TACC.
- Whether the priority species was targeted.
- The level of access to the MSF and priority species:
- The transferability of the endorsement

8.1 Northern and Southern Zone Rock Lobster Fisheries

Option C conditions on Northern and Southern Zone Rock Lobster licences allow the take and sale of all MSF species, including the four priority species. Option C is a licence condition ("Option C licence holders") and cannot be transferred independently of a rock lobster licence.

There are 60 NZRLF and 148 SZRLF licences with option C. If a RL licence has Option C, they contribute to the recovery of management, science and compliance fees for the MSF – a fee being equivalent to 50% of the base fee that MSF licence holders pay. Having Option C is optional and a RL licence holder can voluntarily surrender that option and revert to Option A or Option B. Southern Zone Rock Lobster Fishery licences are restricted to their zone (South East) and licence holders cannot utilise their Option C outside of this rock lobster zone. Similarly, the NZRLF is restricted, albeit over a larger area, west of the Murray Mouth.

Catch data provided to the IAAP by SARDI show that the majority of Option C licence holders have no recorded catch of marine scalefish priority species in the period 1 July 2010- 30 June 2016 (73% NZRLF; 56% SZRLF).

Rock lobster fisheries were included in the initial sectoral allocation (resource sharing) of marine Scalefish species based on catch history for the 2007/8 financial year. These shares are specified in the 2013 MSF Management Plan (Table 4) for each fishing sector at a state-wide level and for each commercial fishery within the overall commercial sector allocation.

Table 4 Catch Shares in the MSF (2013 MSF Management Plan)

Species	Commercial		Recreational		Aboriginal traditional	Total
King George Whiting	MSF	49.5%	REC	45.5%	1%	
	SZRL	0.0%	CHARTER	3.0%		
	NZRL	1.0%				
Total	50.5%		48.5%		1%	100%
Snapper	MSF	79%	REC	8%	1%	
	SZRL	1.45%	CHARTER	10%		
	NZRL	0.55%				
	LCF	0.03%				
Total	81%		18%		1%	100%
Southern Garfish	MSF	79.33	19.5		1%	
	SZRL	0.13				
	NZRL	0.04				
Total	79.5%		19.5%		1%	100%
Southern Calamari	MSF	56%	37.4		1%	
	NZRL	0.45%				
	GSVP	0.45%				
	SGP	4.6%				
	WCP	0.1%				
Total	61.6%		37.4%		1%	100%

For the allocation of TACCs, the commercial sector shares above have been separated into each of the four MSF management zones using the same catch history period that was used to calculate the state-wide shares. One relevant example is the case of snapper allocation and the SZRL. In this case, Option C licence holders catch snapper in the SE, which will be under quota. Catch history at the time of the initial sectoral allocation shows that Option C licence holders took 1.45% of the state-wide Snapper catch in 2007/08. The bulk of this total state-wide commercial catch for all sectors came from Spencer Gulf (547 tonnes) and relatively little from the SE (62 tonnes). Of the 62 tonnes from the SE, 77.4% was taken by MSF fishers and 20.8% by SZRL Option C licence holders.

Summarising, while the SZRLF had a 1.45% share of the Snapper state-wide catch in 2007/8 (all sectors), this equates to 1.8% of the total commercial catch share and 20.8% of the Snapper caught commercially in the South East zone.

As with the MSF, only two criteria were considered for determining the allocation of quota to the holders of rock lobster licences: licence holding (base) and catch history. On that basis, the IAAP considered three options to allocate quota for priority species:

1. **An equal allocation to all Option C licence holders.** The advantages of this option are that all Option C licence holders receive some quota, which may be sold or taken for personal use. However, there are two disadvantages. Firstly, the small resource share (see Table 5) of the TACCs of priority species for SZRL and NZRL fisheries would result in

very small amounts of quota equally distributed across 60 SZRL and 148 NZRL licence holders. As the majority have no catch history, this would also give insufficient recognition of the historical fishing activity of the small number of licence holders who target these priority species.

2. **An allocation using a combination of catch history and base allocation.** The advantages of this option are recognition of historical fishing activity for priority species and for holding of an Option C endorsement. The disadvantage of this option is that a base allocation, with small shares of the TACC for SZRL and NZRL fisheries, would result in negligible amounts of quota distributed across many licences, leading to very significant quota fragmentation.
3. **An allocation on catch history only.** The advantages of this option are that since it recognises the historical activity of the small number of licence holders who have targeted priority species, it minimizes quota fragmentation of the small share of the resource. Application of a minimum catch threshold to qualify for allocation would further minimise quota fragmentation. For example, for Snapper in the SE zone, over a six year period ⁸ four Option C licence holders accounted for 83% of the catch and an estimated 0.5% (335 kgs) of the total SZRL catch of 62.5 mt was taken by 16 of the 148 licence holders (catches ranged from 4 to 35 kgs). The disadvantage of this option is that there is no recognition for holding an Option C endorsement.

After considering all options carefully including consideration of the size of sectoral share and the characteristics of access to marine scalefish species by Option C, the IAAP found that that Option 3 - catch history, was the most appropriate option. The IAAP also considered that a minimum catch threshold should be added, being 50 kgs in total over the same review period for any priority species in respect to which an allocation is sought. The IAAP also notes that under Option 3, Option C licence holders continue to retain access to marine scalefish species.

In the submissions, two-thirds of the survey participants who answered the question supported or were neutral about this recommendation. Some submissions from RL licence holders wished for an equal allocation based on the payment of management fees – but the IAAP’s position remains that management fees are independent of an allocation process and should not be a criterion for allocation (see section 6.7.)

FINAL RECOMMENDATION 9

The allocation of ITQs for each priority marine scalefish species to Option C endorsed licence holders in the rock lobster fisheries should be based on catch history with a minimum of 50 kg in relation to any priority species in respect to which an allocation is sought.

The period of six years (1 July 2010 to 30 June 2016) is an appropriate reference period for the purposes of a catch history allocation and minimum catch history. The sum of the highest five years’ catches from this 6-year period should be used for the calculation of both threshold and the entitlement.

⁸ SZRL total of best 5 years for individual licence 1 July 2010-30 June 2016

8.2 Prawn Fisheries (Spencer Gulf, Gulf St Vincent, West Coast)

The IAAP considered both the characteristics of these fisheries with regard to catches of priority species and the nature of the MSF endorsement. These fisheries have access to Southern Calamari but do not target them. Southern Calamari is therefore an unavoidable by-product, of which the quantity taken is capped through a sectoral allocation of Southern Calamari (0.5% of the total allowable commercial catch (TACC), with 4.6% of that catch taken in the Spencer Gulf). There is a negligible catch of other priority species. The MSF endorsement is not fully transferable as it cannot be split from the prawn licence.

The IAAP considered an ITQ allocation to MSF endorsement holders in this fishery and **concluded** that effective implementation of ITQs would be challenging and costly as Southern Calamari is difficult to target and avoid. The IAAP also noted the challenges associated with ensuring a cap is not breached in the case of an unavoidable bycatch species.

There was overwhelming support for this recommendation in the submissions.

FINAL RECOMMENDATION 10

No ITQs for priority species should be allocated to the Spencer Gulf, Gulf St Vincent and West Coast Prawn Fisheries.

8.3 Lakes and Coorong Fishery

There are 36 Lakes & Coorong Fishery licences with an endorsement that provides them with restricted access to the MSF. These fishers are restricted to operate in coastal waters out to 3 nautical miles, from Goolwa Beach Road to the jetty at Kingston. The main species taken are Mulloway, Western Australian Salmon and Yellow-Eye mullet.

Under the 2013 MSF Management Plan, the fishery is provided with a small sectoral allocation of Snapper for the Lakes and Coorong Fishery (0.03 % of the TACC).

In the absence of any evidence to suggest a targeted Snapper fishery in the Lakes and Coorong Fishery, the IAAP concluded that there was no rationale for allocation of ITQs in this fishery.

There was overwhelming support for this recommendation in the submissions.

FINAL RECOMMENDATION 11

No ITQs for MSF priority species should be allocated to MSF endorsed licence holders in the Lakes and Coorong Fishery.

9 Exceptional Circumstances

A licence holder may wish to argue that, by reason of certain events, such as illness, serious misfortune, administrative error etc. his or her circumstances were exceptional and that but for such events, he or she would have been entitled to a higher allocation of priority species than they received. PIRSA has advised the IAAP that an 'exceptional circumstances' process has now been

initiated to allow for these circumstances and ensure that the principles of fairness and good management result in consistency in the application of the allocation process.

The IAAP suggests that determining a definition of 'exceptional circumstances' would be helpful in providing greater certainty to those licence holders wishing to apply for reconsideration of their allocation using this provision and in reducing the number of claims.

PIRSA advised the IAAP that if a positive finding is made under 'exceptional circumstances' and an individual's allocation (ITQ) is increased, this will have the effect of reducing the number of quota units to be shared among other licence holders. As a consequence, all licence holders will not know their final allocation of ITQs until the completion of the exceptional circumstances process and the Voluntary Licence Surrender Program.

10 Other observations

Many submissions made reference to issues that were probably outside our Terms of Reference. The issues that the IAAP considers it can usefully make observations on, and have interactions with the MSF allocation process, are covered below. This commentary is provided for consideration by PIRSA and is based on the collective experience of the IAAP and may be of some use in relation to future fishing management decisions such as future allocation issues.

10.1 Owner operator

There was support for ensuring the fishery, including ITQ, remained in the ownership of active fishers. Some suggested a return to a more rigorous application of an ownership policy, including a restriction on owning more than one licence. Constraints on ownership will come with costs, however. Constraints limit flexibility, which may therefore reduce innovation and/ or limit economic performance. However, the IAAP agrees with the sentiments concerning ITQ ownership and the implications for maintaining a community-based fishery. Such an objective is not explicitly covered as a priority in the current management plan or reporting framework. If there is support for strengthening owner-operator provisions, a clear policy and associated operational management objectives should be developed. This would provide current and future participants in the fishery with greater certainty.

10.2 Leasing, and licence and quota ownership

While there is no arrangement in the MSF for the leasing of licences. Some licence holders have made arrangements for the temporary 'sale' of licences, which include an agreement to transfer ('sell') back the licence after a period of time. This is commonly classed as 'leasing' in the MSF. A number of submissions reflected circumstances where individuals appear to have temporarily 'sold' licences with what has resulted in negative outcomes. Ensuring greater clarity over this issue, including the utility of the five-year restriction on repeat sales of licences, would seem to be warranted. Similarly, the leasing and ownership of quota post allocation should be clarified (see next section).

10.3 Integrity of the quota system

The resource sharing framework for the MSF shares the TACs of priority species between the Commercial (TACC), Recreational (TARC) and Aboriginal traditional sectors (see section 2). The State has well-developed processes for auditing catches under quota taken by the commercial sector. A number of the submissions raised the issue that while the commercial sector is under tight management control, the recreational sector does not have the same level of monitoring and assessment. Successful MSF reform requires that catch caps from all sectors are adhered to, and where any sector overruns are identified, they are managed equitably e.g. the commercial sector should not be unduly disadvantaged if the recreational sector, for whatever reason, exceeds its allocation. The failure to do so may not only undermine the integrity of the quota system but also

weaken the ITQ right impacting the ability of licence holders to obtain financing to purchase or lease additional quota.

10.4 Investors

Much was made in the submissions of 'investors' using the move to quota to buy out and dominate ownership of the fishery. Avoiding the decoupling of licence holding from quota, as suggested in some submissions, would limit the sale and leasing of quota to existing licence holders. This would not ensure that quota would remain in the hands of active fishers/licence holders (additional measures can be considered) but it would be a relatively simple measure to implement.

10.5 Management fees

A shift from an input to an output-controlled fishery usually leads to an increase in management costs, particularly in small fisheries. The impact on licence holders is exacerbated by the reduction in the number of licences among which costs are shared. The IAAP notes this may cause financial hardship to some licence holders, particularly those marginal licence holders with limited allocations of quota species. Many submissions expressed concern about this issue. There are some avenues to reduce this impost. PIRSA has advised the IAAP that the State government is providing funding of up to \$2.51 million as a component of the reform package to support management services and constrain individual licence fee increases to CPI only for a four year transition period while the number of licences is reduced and new arrangements implemented. The IAAP observes that a new management fee structure could introduce a tiered system of fees i.e. a base charge for all licence holders and an additional payment, proportional to quota holding.

10.6 Set-aside for new entrants

A few submissions raised the issue of setting aside quota for new entrants to the fishery who do not qualify for a catch history allocation but are actively fishing and may not have the resources to purchase or lease quota. It was also suggested to have set-asides for those considering entering the MSF in the future.

Although uncommon, the IAAP is aware of set-asides used in other allocations, for example in:

- The Argentinian hake fishery: managers set aside portions of the TACC for fishery-specific needs including an artisanal reserve for Argentine hake to accommodate the artisanal fleet, conservation reserves for Patagonian grenadier and southern blue whiting to promote long-term stock health, and administrative reserves for Argentine hake, Patagonian grenadier and Patagonian toothfish to allow managers to address other management needs such as requests for fleet expansion.
- The Central Gulf of Alaska Rockfish fishery: 2.5% of the initial allocation was set aside for participants in the entry level trawl fishery.

Whilst possible to implement, we note that in the Argentinian example there is considerable annual uncertainty for existing licence holders regarding their allocation; the difficulty in application of the Alaskan approach would be determination of the percentage, and questions about the administration of this set-aside including:

- How is eligibility determined?
- Who owns the quota?
- Is it leased or sold? At what price?
- What will the revenue be used for?

The IAAP concluded that while understanding the motivation for the set-aside, the complexity and uncertainty that it would generate would likely render it unworkable in the case of the MSF.

11 Future Allocations

The IAAP suggests that the allocation criteria suggested in this report (see Section 6) should be carefully considered for any future allocations of MSF species. In addition, the following additional observations are made:

- The December 2017 investment warning, while deemed applicable for this allocation process will become less relevant the more time elapses, particularly with respect to catch history.
- It may be appropriate to consider 'pioneer rights', as a criteria particularly where significant funds or expertise has been invested in the harvesting, marketing or processing of a previously lightly exploited species.

Conclusion: applying a 'one size fits all' approach to future allocations based on that used to allocate the four priority species detailed in this report is not recommended.

Appendix 1

SOUTH AUSTRALIAN MARINE SCALEFISH FISHERY REFORM

INDEPENDENT ALLOCATION ADVISORY IAAP (IAAP)

TERMS OF REFERENCE

Governing Authority:	Minister for Primary Industries and Regional Development (Minister)
Agency:	Primary Industries and Regions South Australia (PIRSA)
Agency Responsibility:	A/Executive Director Fisheries and Aquaculture (Executive Director)

1. Background

The South Australian Government has committed to delivering reform in the commercial Marine Scalefish Fishery (MSF) to unlock industry's potential, provide long-term sustainability and cost-effective management, and drive efficiencies in operations to secure a future for the fishery.

In November 2018, consistent with a Government election commitment, the Minister established the Commercial Marine Scalefish Fishery Reform Advisory Committee (CMSFRAC) with the purpose to develop, in consultation with licence holders and key stakeholders, recommendations on a reform package for the fishery.

The CMSFRAC provided a report describing a strategic 7-step approach and proposes twenty-five recommendations to achieve the required reform including the removal of commercial licences, the creation of four zones of management, and implementation of an individual transferable quota (ITQ) system constrained by a total allowable commercial catch for priority species such as King George Whiting, Snapper, Southern Calamari and Southern Garfish.

The Minister has requested an initial investigation be undertaken to determine a suitable method of allocating ITQs to individual fishers. It is recognised allocating ITQs in an established fishery, particularly a multi-species and shared access fishery and one as diverse as the South Australian MSF, is probably the most challenging issue facing fishery managers and industry when introducing a catch quota management system. In addition to the 307 licence holders in the MSF, there are other licence holders in other fisheries which have some level of access. These include the Northern and Southern Zone Rock Lobster fisheries, the Lakes and Coorong Fishery, the Spencer Gulf, West Coast and Gulf St Vincent prawn fisheries, the Blue Crab Fishery and the Miscellaneous Fishery.

There is a need to establish explicit and sound principles to support the chosen method of allocation of quota units to fishers. Associated with this is the need for independence in determining a fair and reasonable allocation formula by removing the management agency (PIRSA) and licence holders from direct involvement in developing any allocation formula to be considered.

For these reasons, the Minister has agreed for the establishment of an Independent Allocation Advisory IAAP (IAAP) comprising of legal, economic and fisheries management expertise, to work with PIRSA to establish a basis of allocating quota shares (ITQs) between participants in the fishery.

2. IAAP Members

Membership of the IAAP comprises:

- Mr Tim Mellor – Chair and legal expertise
- Dr Sevaly Sen – Fisheries economic expertise
- Mr Ian Cartwright – Fisheries management expertise

3. Purpose

To provide advice to the Minister on the most appropriate basis for the allocation of a commercial share of specified species among holders of an authority to take those species for the purposes of trade or business in South Australian waters.

4. Scope

In developing its recommendations, the IAAP is to consider:

- All holders of an authority to take marine scalefish species for the purposes of trade or business in South Australia that are eligible for an allocation of catch quota.
- Reported fishing catch and effort. The period to be considered will be as deemed appropriate by the IAAP.
- Existing government policies relating to the allocation of marine resources.
- Key changes in management arrangements and any Notice to Fishers which is relevant to the criteria for the allocation of quota shares.
- Any other matters considered relevant by the IAAP or the Executive Director.

In achieving this task, the IAAP will be required to:

- Engage with PIRSA Fisheries and Aquaculture and SARDI Aquatic Sciences to identify the data and information necessary to determine the allocation and undertake analysis of alternative allocation scenarios.
- If deemed necessary by the IAAP, undertake limited informal consultation with technical experts familiar with the MSF to further understand the implications for the fishery of different allocation scenarios.
- Explain and justify the recommended allocation method to the Minister in a written report and be available for discussion of the report recommendations.

- Identify and include in the allocation system any exceptional circumstances the IAAP considers should be taken into account.
- Maintain full records of all activities undertaken by the IAAP.
- Individual IAAP members may be required to undertake separate tasks and variable time commitments.

PIRSA will provide relevant background information, any additional relevant information requested by the IAAP where such information exists, and access to PIRSA's files regarding relevant matters. PIRSA will also provide executive support and administrative services to assist with the deliberations of the IAAP.

5. Reporting Relationship

The IAAP will report directly to the Minister.

6. Deliverables and Timeframe

A draft report of the IAAP is to be completed by 30 June 2020, subject to all necessary data and legal advice being provided to the IAAP in a timely manner.

The draft report of the IAAP will be released for an eight-week consultation period commencing in July 2020. Following the consultation period, PIRSA will provide the IAAP with feedback from stakeholders. The IAAP will consider this feedback and, as appropriate make changes to the draft report, including the allocation method, and provide the Minister with a final report by no later than 31 October 2020.

7. Guiding Principles

In developing its recommendations, the IAAP is to take into account, where relevant, the following guiding principles:

- *Fairness and Equity* – an overarching principle that should inform an allocation issue or management generally is one of fairness and equity. That is, the resource is to be allocated and managed in a way which distributes the benefits of use fairly amongst participants and minimises any differential economic impacts such as wealth redistribution arising from an allocation or management generally.
- *Consistency and transparency* – The allocation process should be developed or implemented in a consistent and transparent manner and should be able to be adopted for future allocations.
- *Certainty for shareholders* – The fishing rights should be allocated in a way that recognises the needs of users of the resource, particularly those who rely on it for their livelihood.

- *Opportunities to be heard* – Participants in the fishery should have the opportunity to comment on draft allocation criteria developed by the IAAP, through a transparent process.
- *Rights of existing licence holders and level of fishing activity to be recognised* – The allocation processes should have due regard to the existing rights and fishing activity of participants in a fishery.
- *Best available information* – Allocation arrangements should take into account the best available information at the time the allocation arrangement is developed.
- *Integrity of fisheries management arrangements* – Allocation decisions, should be consistent with legislative requirements and other fisheries management objectives.

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