

**Report of the Independent Allocation Advisory
Panel (IAAP) on priority species in the Marine
Scalefish Fishery**

July 2020

Executive Summary

The Marine Scalefish Fishery (MSF) is a small-scale, owner-operator, community-based fishery. The fishery is of significance to coastal communities, particularly in regional areas. There have been numerous changes to the management of the highly complex MSF over the last 30 years, as efforts have been made to manage ongoing increases in efficiency and resource sustainability. While effort in the MSF was reduced through a licence amalgamation scheme which was introduced in the early 1990's, there remains an excess of vessels and licences. Other commercial, recreational and Aboriginal traditional fisheries also have access to marine scalefish species, which adds additional layers of complexity to management of the MSF.

On the 8th May 2020, the Minister announced a \$24.5 million reform of the MSF, to be fully implemented by 1st July 2021. Included in the reform package were details of the voluntary licence surrender of up to 150 licences, the introduction of total allowable commercial catches (TACCs) for snapper, southern garfish, King George whiting and southern calamari (priority species).

On 3 June 2020, an Independent Allocation Advisory Panel (IAAP) was appointed and tasked with advising on the most appropriate method for allocating Individual Transferable Quotas (ITQs) for the priority species to MSF licence holders and others who have access to these species. The proposed allocation formula will be released for an eight-week consultation period. Following careful consideration of this and other feedback the IAAP will finalise its report to the Minister. Following consideration of these recommendations, it is anticipated that a decision on the allocation formula will be released by the Minister to licence holders. This will allow sufficient time for licence holders to decide whether to remain in the MSF or participate in the voluntary licence surrender program.

In considering and formulating recommendations, the IAAP applied a number of guiding principles and sought to ensure consistency with Government policies and legislation. Central to the IAAP deliberations was to give proper consideration to those who rely on the priority species for their livelihood, while giving due recognition of historical rights in the fishery. The overarching aim of the IAAP was to minimise differing outcomes to the extent possible and to support reform objectives of ensuring the MSF has a resilient and sustainable future.

With regard to eligibility criteria, the IAAP concluded that 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) and the date of licence holding should be 1 January 2021.

A number of criteria for inclusion in an allocation formula were carefully considered. These included licence holding, catch history, gear endorsements and fishing activity.

As measures of wealth (asset value) and income dependency, **the IAAP recommends that two criteria should be included in any MSF ITQ allocation formula: (i) Licence holding (base allocation); and (ii) catch history.**

The IAAP then considered how the base allocation would be proportionally divided between the different MSF licences, depending on the characteristics of the licence: amalgamated (or not); net or line endorsements.

The IAAP recommends that relative market values of licences from the 2019 BDO Report should be used to determine the base allocation by licence type (net/line; amalgamated/non amalgamated).

By doing so, the differential asset values would be recognised.

The IAAP also devoted considerable time to how the base allocation should be attributed to licences: statewide, or principal zone as determined as the zone in which most of their catch and effort occurs, or in the absence of this data, their postcode.

A base allocation on principal zone would result in a same licence having a different value depending on their designated principal zone. For example, a licence holder with the south east as their designated zone would only receive snapper ITQs for a base allocation whereas a licence holder with the same licence type in Spencer Gulf would receive allocations of the four priority species.

The IAAP recommends that a base allocation of the proportion of the TACC should be allocated to all licence holders statewide. This would be the most equitable allocation, despite the fact that there would be fragmentation of quota.

The IAAP also recommends that each licence holding category should receive a proportion of this allocation based on the relative value of their licences.

A critical assumption in our deliberations was PIRSA's intent to implement an effective online quota trading system which would facilitate, licence holders all over the state to buy and sell quota.

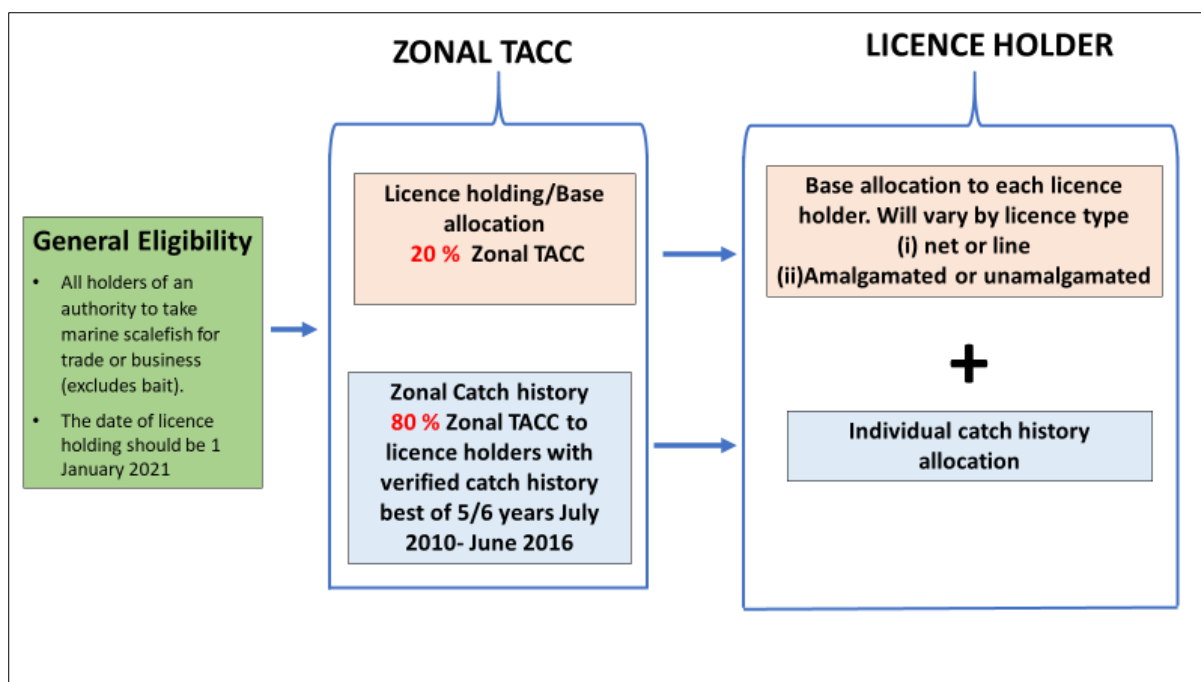
Exhaustive consideration was given to the most appropriate reference period for catch history in the light of the clear and unequivocal 2016 investment warning sent to licence holders and posted on the PIRSA website. While we acknowledge activity and investment in the MSF has continued after the investment warning, some licence holders may also have made investment choices because of this investment warning. Testing of the impact of different catch history periods was undertaken which found that many licence holders with higher catch histories were not significantly impacted by these periods, having fished throughout. An allowance was made for low or no catch during one year of the reference period.

The IAAP recommends that the 2016 investment/catch history warning should stand. The period of six years (30 June 2010-30 June 2016 is an appropriate reference period. The highest 5 years' catch from 6 years should be used to calculate catch history periods to account for low or no catch due to personal circumstances. There should be no minimum catch history threshold. Catch history of licence holders participating in the voluntary licence surrender process should be returned to the overall quota pool for allocation amongst all eligible licence holders.

The IAAP requested the South Australian Research and Development Institute to test a range of weightings of the two selected allocation criteria (licence holding and catch history), using indicative TACC's, anonymised catch and effort data and the licence holdings as at 30 June 2020. It was noted that there will be a change in the number of licences when final allocation occurs as a result of the voluntary licence surrender program currently being implemented.

The IAAP recommends that catch history and base entitlement should be weighted 80:20 as this was the most equitable balance between recognizing the needs of users of the resource, particularly those who rely on the priority species for their livelihood, and minimizing to the extent possible any differential economic impacts of allocation.

The diagram below illustrates the application of the recommended allocation formula.



IAAP considered the characteristics of Option C licence holders in the Northern and Southern Zone rock lobster fisheries and explored three options to allocate ITQs. The very small sectoral share of priority species to the rock lobster fisheries combined with the few Option C entitlement holders with significant catch history led the the **IAAP to recommend that ITQs for priority species should be allocated to Option C endorsed licence holders in the rock lobster fisheries on catch history only above a minimum catch of 50kg using the same reference period as MSF licences.** This would recognise the historical fishing activities of licence holders who have targeted these species and generated an income from their MSF endorsement..

In considering allocation of ITQs for priority species in other fisheries with access to the MSF, the IAAP concluded that fisheries which did not target priority species were unsuitable for ITQ allocation. **The IAAP recommends that no ITQs should be allocated to the Spencer Gulf Prawn Fishery, the Gulf St Vincent Prawn Fishery, the West Coast Prawn Fishery and the Lakes and Coorong Fishery.**

The IAAP concluded that an ‘exceptional circumstances’ process should be established and that such circumstances be defined to give greater certainty to those licence holders wishing to apply for reconsideration of their allocation using this provision.

Three out of the seven indicative TACCs are lower than recent catches, meaning that irrespective of the final allocation formula, some license holders will receive allocations that are substantially below their current catches.

SUMMARY OF RECOMMENDATIONS

1. Two criteria should be included in any MSF ITQ allocation formula:
 1. Licence holding (base allocation), and
 2. Catch history
2. Relative market values of licences from the 2019 BDO Report should be used to determine the base allocation by licence type (net/line; amalgamated/non amalgamated).
3. A proportion of the TACC should be allocated to all eligible MSF licences state-wide as a base allocation.
4. Each licence holding category should receive a proportion of this allocation based on their relative value of their licences, where:
$$\begin{aligned} \text{Amalgamated Net} &= x \\ \text{Amalgamated Line} &= y \\ \text{Unamalgamated Net} &= x/2 \\ \text{Unamalgamated Line} &= y/2 \end{aligned}$$
5. The 2016 investment/catch history fisheries notice warning should stand. The period of six years (30 June 2010- 30 June 2016) is an appropriate reference period.
6. The highest 5 years' catch from 6 years should be used to calculate catch history periods to account for low or no catch due to personal circumstances.
7. There should be no minimum catch history threshold.
8. Catch history of licence holders participating in the voluntary licence surrender program should be "returned" to the overall quota pool for allocation amongst all eligible licence holders.
9. Catch history and base entitlement should be weighted 80:20.
10. ITQs for priority species should be allocated to Option C endorsed licence holders in the rock lobster Fisheries on catch history only above a minimum catch of 50kg using the same reference period as MSF licences.
11. No ITQs for priority species should be allocated to the Spencer Gulf, Gulf St Vincent and West Coast Prawn Fisheries.
12. No ITQs for MSF priority species are should not be allocated to MSF endorsed licence holders in the Lakes and Coorong Fishery.

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Report of the Independent Allocation Advisory Panel (IAAP) on priority species in the Marine Scalefish Fishery

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 Hon. Tim Whetstone, MP. Minister for Primary Industries and Regional Development (PIRD), 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, through an Individual Transferable Quota-based system (ITQs) in respect to snapper, King George whiting (KGW), southern garfish and southern calamari (priority species) to individual licence holders in South Australia's commercial MSF and licence holders who have access to marine scalefish species in other South Australian commercial fisheries. This report forms that advice.

The proposed allocation formula will be released for an eight-week consultation period. Following careful consideration of this and other feedback the IAAP will finalise its report to the Minister. It is anticipated that a decision on the allocation formula will be released by the Minister to licence holders. This will allow sufficient time for licence holders to decide whether to remain in the MSF or participate in the voluntary licence surrender program.

2 The MSF

The MSF is a small-scale, owner-operator, community-based fishery. The fishery is of significance to coastal communities, particularly in regional areas, and many fishers are closely connected to both the industry and the communities in which they live.

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 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. Despite being described as an owner operator fishery, the IAAP is advised that it is permissible for an individual or entity to own two or more MSF licences and, while operating one, may place a registered master on other vessel(s) under the additional licence(s).

There have been numerous changes to the management of the fishery, that have principally aimed to address the realisation of latent effort and increasing fishing efficiency within the diverse fishing fleet. These have included the development of separately managed fisheries and a licence amalgamation scheme introduced in the early 1990's. While the latter has achieved a reduction in the number of licences within the fishery to less than half the original number of licences that existed in 1978, providing some reasonable constraint upon effort remains the most significant

challenge of the MSF. The introduction of quota management for the four priority species, which account for approximately 80% of the gross value of production (GVP) of the fishery, will provide a more direct method of controlling catch and indirectly, effort.

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. 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. A Total Allowable Commercial Catch (TACC) has been set for snapper in the South East, but no other TACCs have been established for other priority species.

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 concluded that the fishery needs to be restructured to ensure its long-term sustainability and economic viability.

In December 2017 the Department of Primary Industries and Regions, South Australia (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 only fishing prior to June 2016 will be considered during the allocation process.

In response to these challenges and following a report from the Commercial Marine Scalefish Fishery Reform Advisory Committee the Minister for Primary Industries and Rural Development announced on the 8th May 2020 a \$24.5 million reform of the MSF, to be implemented by 1st July 2021. Included in the reform package were details of the voluntary surrender of up to 150 licences, the introduction of TACCs for priority species and the allocation of ITQs for these species, which will be transferrable, to manage commercial catch limits.

The voluntary licence surrender program, which commenced in May 2020 and closes 13 November 2020 offered licence holders \$140,000 and \$180,000 for the surrender of line and net licences, respectively. The program provides an opportunity for commercial fishers in the MSF to exit the fishery prior to the proposed quota allocations and reform process.

3 Information Considered

PIRSA and 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 and key changes in management arrangements including relevant Notices to Fishers.

ITQs to be allocated, 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) was provided to the IAAP on 24 June 2020. (MSF Reform – Stage 1 information).

Table 1 Zones and 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		

The indicative TACCs were used for the analysis of allocation scenarios. The percentage change between indicative TACCs for priority species compared to three-year average catch (2016-2019) are shown in Table 2. Irrespective of the allocation formula applied, those fishers catching priority species in zones experiencing lower TACCs than average catch will receive allocations that are, in some cases, substantially below their current catches.

Table 2 Percentage difference between indicative TACCs and average annual catches (YE July 2016-2019)

Region/Species	KGW	Southern Garfish	Southern Calamari
West Coast	409%		
Spencer Gulf	70%	-40%	36%
Gulf St Vincent	77%	-35%	-1%

To support the deliberations of the IAAP, SARDI, which is the research division of PIRSA, provided data analysis using anonymized catch history data. Although a thorough validation of this data is required prior to finalisation, the data provided was appropriate for the purpose of determining an allocation formula and no consequential errors in catch histories are anticipated. This analysis included the number of license 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 number of licences used for the analysis were those on record as at 30 June, 2020. The eventual outcome of the voluntary surrender scheme will influence this analysis. However, any fisher who has held one of these surrendered licences previously but who has remained in the fishery as at 30 June 2020 had their catch histories included in the scenario testing.

The IAAP was advised that PIRSA's present position is that all MSF licence holders remaining in the fishery after the reform will have access to all species across the area of the fishery, including priority species (subject to holding quota).

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 and sought to minimise those as much as possible.
- **Consistency and transparency** – Consideration of options was based on understanding the operating context of the fisheries with access to marine scalefish species, developing key principles for the allocation after consideration of a range of possible criteria and providing an explanation of how recommendations were arrived at. This should allow for adoption of future allocations to be implemented 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 in 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 for ITQs that recognises these needs, and provide 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 fishery will have the opportunity to comment on the draft recommendations of the IAAP through a transparent process run by PIRSA. The Panel was advised that comments will be able to be made either through completion of an online survey form or submission of a written response. PIRSA will make these available for the IAAP and the Minister. Following careful consideration of industry feedback, the IAAP will then finalise its report to the Minister and provide its final recommendations for the allocations of ITQs.
- **Rights of existing licence holders and level of activity to be recognised** – The allocation process and formulae recommend 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, and catch and effort information to the IAAP, noting the challenges discussed in Section 3 of this report.
- **Integrity of fisheries management arrangements** – Allocation recommendations have been made to be as consistent with legislative requirements and other fisheries management objectives as possible. The IAAP did note the disparity between the original owner-operator nature of the fishery, the social significance of the fishery to coastal communities, 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. Some who believe they have suffered disproportionate loss will have recourse to the 'Exceptional Circumstances' provisions (See section 9 below).

5 Eligibility Criteria

In reviewing eligibility criteria for consideration of the allocation of priority species, the IAAP concluded that the following should apply:

- 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).
- The date of licence holding should be 1 January 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 legislative framework, the management context of the fishery, fishing patterns, and the quantity and quality of data available.

The IAAP gave thorough consideration to the following potential 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 history is a reasonable proxy for income and the relative level of economic dependence of a licence holder on a particular species. Catch history, as recorded in logbooks, has been used over an extended period of time in SA and recognises the needs of users who rely on the species for their livelihood by giving due regard to historical fishing activity of participants in a fishery.

Conclusion: to recognise the level of fishing activity of a licence holder and to minimise the change in the relative economic position of eligible participants, 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, irrespective of whether it is used to earn income or not. Transferable licences that have similar characteristics should have similar asset values. For non-transferable licences, 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 market valuations report of 12 September 2019 (BDO Report) for information as to market values for MSF licences.

The BDO report was commissioned by the then Executive Director Fisheries and Aquaculture and was prepared by BDO Advisory (SA) Pty Ltd. The purpose of the BDO report included the provision of estimates of current values of licence categories.

The BDO Report observed the following differences that the IAAP as noted as requiring consideration:

- Amalgamated line and net licences have different market values.
- As two unamalgamated licences are required to achieve one transferable amalgamated licence they “should be valued at half the value of an amalgamated licence”.

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. hauling nets for garfish. Some fishers could argue that market value of an unamalgamated net licence with an endorsement for a hauling net would be worth more than an unamalgamated licence with no hauling net endorsement, all other endorsements being equal. 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 category 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 are able to be held separately from the access right and which leads to some transfer of asset value from the licence (access right) to the ITQ.

The IAAP considered what the likely impacts of this requirement would be on licence value especially given the high contribution of the four priority species to the overall GVP in the MSF. A licence prior to ITQ implementation allowed a licence holder to fish for all four species; after ITQ implementation, this licence can no longer be used to fish for these species unless quota is held. The IAAP acknowledges that the impact of ITQs may cause some loss of licence value pre and post ITQ implementation but also notes that some of this may be offset by the impact (less licences remaining in the fishery) of the voluntary licence surrender program.

The IAAP also considered licence value and transferability 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.

Conclusion: Licence holdings in the MSF have a value that should be recognised in the form of a base allocation of ITQs (see Section 8 below). 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.

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 fishery are nets and lines.

The IAAP is of the view that gear endorsements should not be included as an allocation criteria because the 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. hauling nets for garfish) are reflected in the licence market values and catch history.

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

6.4 Licence Points

The value of licence points is encapsulated in the market value of unamalgamated and amalgamated licences. The IAAP has been provided with no evidence to suggest licences with points over the amalgamated threshold i.e. 24 points have differential market values.

Conclusion: licence points should not be used as an allocation criterion as they are implicitly included in market value.

6.5 Fishing Days (Effort History)

Fishing days could be used as an alternative proxy for income earned in the fishery. Based on the data made available to the IAAP, fishing days are not closely correlated with catch and are therefore a poor proxy of economic position. 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.

Conclusion: fishing days should not be used as an allocation criterion as catch history is a better proxy for income earned in the MSF.

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 did 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 in the MSF:

- defining thresholds for activity in the fishery when 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.

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 has been 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 disagrees. Licence fees cover regulatory costs and are not correlated with wealth distribution nor economic activity.

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 and the difficulty in obtaining relevant information on investment which reflected relative economic position.

Conclusion: past investment in the fishery would be neither an appropriate nor practical criterion for inclusion in any allocation formula.

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. The first part considers a base allocation for licence holding, the second an allocation for catch history, and the final section covers 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 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 200 -300 licences are considered in the reform package. This may lead to high transaction costs for some buyers and sellers of quota as well as contributing to financial stress for high catch fishers who may need to source additional quota to remain within the fishery or become economically viable. However, the IAAP understands that PIRSA is committed to implementing an online quota trading platform as part of the reform. This should overcome many of these concerns. Our recommendations are therefore based on this assumption.

Conclusion: An efficient, online, quota trading system is an essential component of the allocation process in order to facilitate ITQ trades, particularly for ITQs outside the licence holders’ principal zone.

The IAAP first considered whether a base allocation should be weighted to reflect the relative values of licences due to their transferability and, in addition, whether net or line endorsements are held (see Section 6.2). The best estimates and evidence of relative value are provided by the market value of licences. These are detailed in the 2019 BDO Report. Table 3 shows how these may be calculated to estimate allocation by licence type. The IAAP considered that for equity and consistency purposes the base allocation should reflect the differences in licence valuation arising from transferability and whether net and line endorsements are held.

Recommendation 2: Relative market values of licences from the 2019 BDO Report should be used to determine the base allocation by licence type (net/line; amalgamated/non amalgamated).

Table 3 Base allocation proportions for different licence groups

Licence Group	(a) Licence market price (BDO report p.17) FY18	(b)Number of licences	Total value all licences (a)x (b)	d)Proportion of base allocation/licence(a÷c)
Amalgamated Net	\$ 178,519	21	\$3,748,899	0.60%
Amalgamated Line	\$ 139,072	163	\$22,668,736	0.47%
Unamalgamated Net	\$ 91,079	26	\$2,368,041	0.30%
Unamalgamated Line	\$ 71,079	68	\$4,833,338	0.24%
TOTAL VALUE			\$29,870,115 (c)	

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

- 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 described in Table 1. Based on commercial catch and effort data and applying base allocations from Table 3, an example of a quota package size for a licence with no catch history (and excluding snapper as not TACC available) is shown in Table 4. 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. The disadvantage of this option is that very small quota packages will be distributed across the State leading to a very fragmented quota market. This may be a significant problem if PIRSA does not implement an online trading system in time or licence holders refrain from using it, as 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.

Table 4 Statewide base allocation (ESTIMATE ONLY)- excludes snapper – assumes 20% of TACC base allocation

Base Allocation (KGS)	Amalgamated Net	Amalgamated Line	Unamalgamated Net	Unamalgamated Line
SG Garfish	77	51	34	26
SG KGW	186	145	95	74
SG Southern Calamari	282	220	112	144
GSV Garfish	41	53	27	21
GSV KGW	81	63	41	32
GSV Southern Calamari	172	134	69	88
WC KGW	502	391	256	200

- 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. For the purposes of analysing the outcome of this allocation option, zone assignment was determined where each fisher caught the majority of their catch over their history. If a licence holder did not have any catch history (i.e. has recently purchased a licence or has remained inactive over the time period) then a principal zone was assigned based on their postcode.

Depending on the principal zone, licence holders would receive four allocations (for all the priority species in Spencer Gulf and Gulf St Vincent), two allocations for KGW (West Coast) and one for the South East. The advantage of this method would be fewer licence holders in each zone eligible for quota. The disadvantage of this option is that the allocation would result in different values attributed to the same licence type. The best way to demonstrate this issue is in a hypothetical example. Using the quota allocations in Table 4 above, all allocations are converted to a dollar value (\$) using an assumed price of ITQ/species. In the simple example in Table 5, all ITQs for all species in all zones were assumed to have a quota price of \$30/kg with the exception of KGW in the West Coast which has an assumed quota price of \$15/kg due to a likely non-binding TACC (historical catch is significant below the TACC) and the relatively higher costs of access. These assumptions may be incorrect as quota prices may vary between zones based on fishing costs, but the example does highlight the difficulties with a Principal Zone base allocation. The IAAP therefore rejected this option on grounds of equity.

Table 5 Example of Principal Zone (PZ) valuation of ITQ under Base allocation (i.e. catch allocation expressed in dollar values) – no catch history; all zones. (excludes snapper)

Licence Group	Spencer Gulf PZ	GSV PZ	West Coast PZ	South East PZ
Amalgamated Net	\$28,205	\$26,100	\$30,015	-
Amalgamated Line	\$21,975	\$20,330	\$23,379	-
Unamalgamated Net	\$13,313	\$12,752	\$15,311	-
Unamalgamated Line	\$10,076	\$10,953	\$11,949	-

- 3) **Nominated Zone Allocation:** Under this option, 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 disadvantage of this option is that differential values will not be resolved entirely, and it could be reasonably anticipated that SG and GSV would be highly subscribed – potentially leading to further fragmentation. This option may also cause 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.

Recommendation 3: A proportion of the TACC should be allocated to all eligible MSF licences statewide as a base allocation.

Recommendation 4: Each licence holding category should receive a proportion of this allocation based on their relative value of their licences, where:

Amalgamated Net = x

Amalgamated Line = y

Unamalgamated Net = x/2

Unamalgamated Line = y/2

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 encouraging fishers with low catch history to remain in the fishery. This would be in direct conflict with the current focus of MSF reform funds, which is 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.

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
- iv. Impact of the Voluntary licence surrender program

Investment Warning and Reference Period

The choice of catch history reference period for allocation seeks to balance the historical effort of fishers 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 provided to licence holders 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 where fishers were made aware of MSF reform, including the 2016 investment warning. The IAAP also observed that many MSF licence holders will have made business decisions based on the clear and unequivocal terms of the Investment Warning, and the consistent messaging by PIRSA. 'Changing the goalposts' by considering post 30 June 2016 catch history would clearly disadvantage those licence holders who may have made investment choices regarding the fishery or made other choices based on the investment warning. The IAAP also noted the restrictions on commercial snapper daily catch limits 2016 from 500kg/day to 200kg for Spencer Gulf and the West Coast (two days per trip) and 300 kg/day for Gulf St Vincent and the South East Region. These restrictions may have impacted on catch history post June 2016.

If 30 June 2016 is the reference period end date as envisaged by the investment warning, the issue arises as to those licence holders that have no significant catch history or have invested in the fishery over the last four years (June 2016 - date). These licence holders may have their relative economic position impacted relative to other fishers.

The IAAP considered examples of other fisheries where 'weighted catch history' based on a pre and post benchmark date has been used in allocation processes. It was noted that there may be some justification in using post-warning catch data if it were the case that a significant time (say in excess of 4 years) has elapsed between the investment warning and allocation. The IAAP does not consider the time period in this case (2.5. years) is significant.

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 (best of 5/6 years) July 2010- June 2016
- b. Catch history (average 10 years) July 2006- June 2016
- a. 70% Catch history (best of 5/6 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 (best of 5/6 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 (best of 5/6 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 most licence holders that have significant catch history after June 2016, also have significant catch history in the 6 - 10 years prior. A relatively small number of fishers who were licence holders after June 2016 and not before, had significant catches and may have made substantial investments in the MSF post this date. They may have the option of applying for consideration under the exceptional circumstances provisions recommended in Section 9 below.

Recommendation 5: The 2016 investment/catch history fisheries notice warning should stand. The period of six years (30 June 2010 - 30 June 2016) is an appropriate reference period.

Recommendation 6: The highest 5 years' catch from 6 years should be used to calculate catch history periods to account for low or no catch due to personal circumstances.

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;
- 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.

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.

Recommendation 7: There should be no minimum catch history threshold.

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 the earliest reference to this practice was 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 2019 Marine Scalefish Fishery Operator User Guide states:

'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 resources. It is important to note that PIRSA Fisheries does not recognise the

transfer of catch history from one licence holder to another when a licence is sold or transferred. Catch history can only be recognised for a person who holds a valid licence.

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.

The IAAP has also been informed that the catch history of registered masters, including when accumulated on multiple licences held by the same individual at any time, are attributed to the licence holder. Other than in circumstances where the licensed holder is indisposed, this provision seems clearly at odds with the owner-operator nature of the fishery.

Conclusion: Catch history remains with the licence holder.

Impact of the Voluntary licence Surrender Program

The IAAP considered the implications of the voluntary licence surrender program and the treatment of catch history of these licence holders. We considered separating catch histories by net and line, amalgamated and unamalgamated licences and adding surrendered shares from these licences to their respective "pools." We concluded that catch history from surrendered entitlements should be allocated proportionally across the fishery to all eligible licence holders remaining in the fishery so as not to favour any particular group. The effect of reducing licences through the Surrender Program will be to increase ITQs of all licence holders.

Recommendation 8: Catch history of licence holders participating in the voluntary licence surrender program should be "returned" to the overall quota pool for allocation amongst all eligible licence holders.

7.3 Weighting of Base Entitlement and Catch History

Another key allocation consideration relates to the weighting of criteria i.e. base allocation: catch history. 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 considered four weighting options, and 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:

- 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

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) expressed a preference for an equal weighting of catch history and licence. Scenarios testing indicated that this would not maintain relative economic position as measured by income reliance on the priority species - those with a greater reliance on priority species are allocated ITQs well below their current catches and for those with little catch history, the converse applies. Following scenario testing, a

weighing of 80% catch history and 20% base entitlement resulted in the most equitable balance recognising the needs of users of the resource, particularly those who rely on it for their livelihood, of minimising, to the extent possible, any differential economic impacts of allocation.

Recommendation 9: Catch history and base entitlement should be weighted 80:20.

Figure 1 summarises the allocation process described in this section.

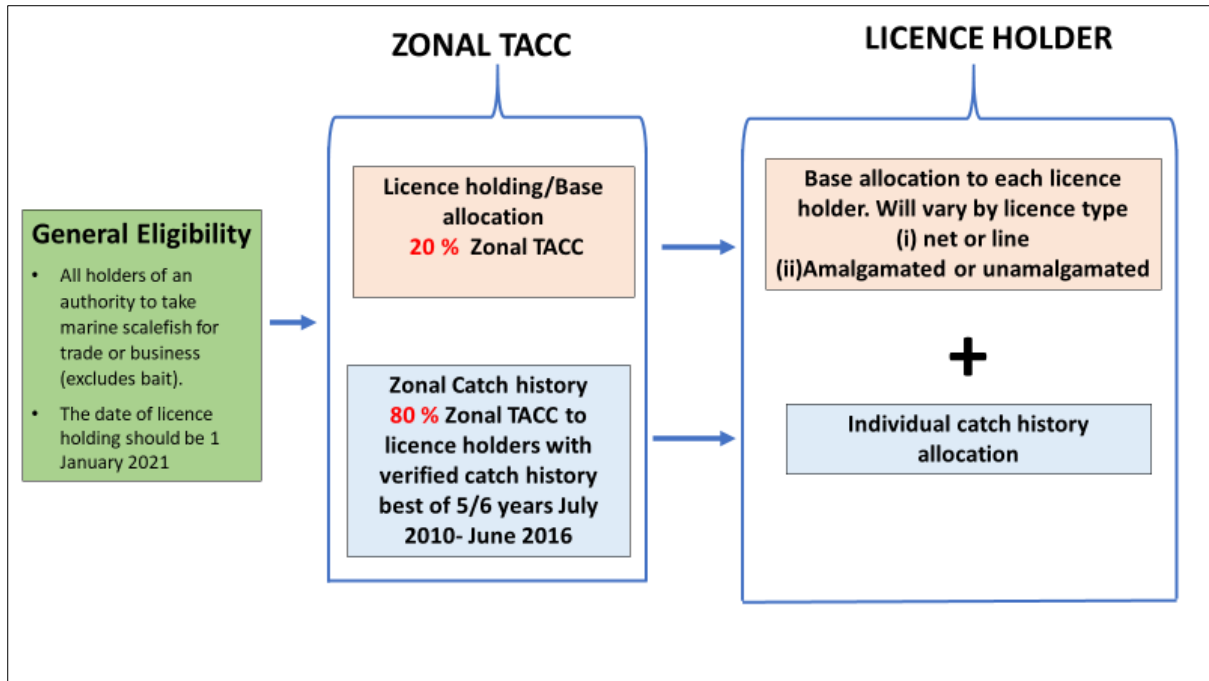


Figure 1 Proposed allocation process for the MSF

8 Allocation Formula for other than MSF fisheries

Licence holders in the other than MSF fisheries have some level of access to marine scalefish priority species. These fisheries are the:

- 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 took into account the following, summarised in Table 6:

- 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

Table 6 Summary of licences/endorsements to access priority species in the MSF

Endorsement	Allocated Share of TACC	Targets Priority Species	Access	Transferability of endorsement	Indicative TACC	Equal allocation ITQ
Option C SZRLF (60 licences)	1.45% Snapper; 0.13% Garfish	✓	All species	×		
Option C NZRLF (148 licences)	1% KGW 0.55% Snapper 0.55% Garfish 0.04% Calamari	✓	All species	×	616 kgs Garfish; 7240 kgs KGW; 144 kgs, Southern Calamari	4 kgs -garfish 49 kgs KGW 1 kg Southern Calamari
Spencer Gulf Prawn Fishery	4.60% Calamari	×	Calamari only	×		
Gulf St Vincent Prawn Fishery	0.45% Calamari	×	Calamari only	×		
West Coast Prawn Fishery	0.10% Calamari	×	Calamari only	×		
Lakes and Coorong Fishery	0.03% Snapper	×	All species	×		

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 and is not transferable separate to the licence.

Southern Zone Rock Lobster Fishery licences are restricted to their zone (South East) and 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.

IAAP noted that access to some of MSF species by Option C licences is limited by the resource shares that have been established (e.g. SZRLF have 0% share of KGW; NZRLF have 1% share of KGW). 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.

Given these facts, the IAAP **concluded** that Option C licence holders should be considered for eligibility for ITQ allocation. 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 each of the four priority species:

1. An equal allocation to all licence holders with an Option C of the respective sector shares of the zonal TACC. The IAAP concluded that, given the small share of priority species allocated to these fisheries and the small number of licence holders who target these species, equal allocation would not pay due regard to the historical fishing activity of RL participants in the MSF and would result in a very small quantity of quota distributed across many licence holders. This would result in quota fragmentation. Additionally, the restraint on transferability of the MSF endorsement meant that giving equal weighting to licence value would change the relative economic position of licence holders.
2. An allocation using a combination of catch history and licence holding. This would recognise past reliance on priority species and recognise some asset value. Most Option C licence holders have not recorded (75% NZRLF; 55% SZRLF/WCPF Option Cs) any catches of MSF species. Given the small numbers of licence holders catching priority species and the high number of Option C licences, this allocation would result in quota fragmentation and some redistribution of wealth from those who historically caught the priority species to those who had never participated in the MSF.
3. Allocate on catch history to recognise the historical fishing activities of those who have been targeting priority species and have generated an income from their MSF endorsement and apply a minimum catch threshold in order to further reduce quota fragmentation and quota administrative costs.

After considering all options carefully, the IAAP found that that Option 3 (catch history with a minimum catch threshold of 50kg) would result in the most equitable outcome for the following reasons:

- Option C licence holders will still retain access to marine scalefish species,

- given the contribution of marine Scalefish species to total GVP in the RL fisheries, the value of the Option C endorsement is likely to be very small; and
- this option would prevent quota fragmentation and the resultant high transactional costs for small amounts of quota needed to be bought (by those that catch the priority species) and those that wish to sell their quota.

Recommendation 10: ITQs for priority species should be allocated to Option C endorsed licence holders in the rock lobster Fisheries on catch history only above a minimum catch of 50kg using the same reference period as MSF licences.

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 calamari but do not target them. Calamari is therefore an unavoidable by-product, of which the quantity taken is capped through a sectoral allocation of 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 an ITQ scheme would be challenging and costly as calamari is difficult to target and avoid.

Recommendation 11: 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 nm, from Goolwa Beach Road to the jetty at Kingston. The main species taken are mulloway, Western Australian salmon and yellow-eye mullet.

Under the MSF Management Plan for the South Australian Commercial Marine Scalefish Fishery (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.

Recommendation 12: 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 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. The IAAP considers that an 'exceptional circumstances' process should be established 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. It is not possible to provide an exhaustive definition of

what might constitute exceptional circumstances, but this should be considered prior to final allocation.

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. There are two methods of dealing with this: i) making a provision for 'exceptional circumstances' claims by setting aside a quantity of ITQ units or ii) reducing the quota units across all holdings post-allocation, as was done in the vongole fishery.

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 October 31, 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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