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POST-BUYBACK ENVIRONMENT OF COMMONWEALTH FISHERIES

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The Commonwealth Fisheries Association (CFA) is the peak industry body representing the interests of Commonwealth fishers, a significant component of the Australian Seafood Industry (Australia's fifth largest primary industry).

The Commonwealth seafood industry is vital to the economy of rural and regional Australia, with direct employment in fisheries production and processing, and a substantial downstream employment effect in supporting industries including the transportation, storage, wholesaling and retailing sectors, and the catering and tourism industries. Approximately 63,000 tonnes of seafood valued at \$278 million was produced from Commonwealth fisheries in 2005-06. Importantly, the Commonwealth fisheries are the largest provider of fresh Australian seafood to the two largest domestic markets of Sydney and Melbourne.

Commonwealth fisheries are managed by the Australian Fisheries Management Authority (AFMA), and generally comprise the waters from 3 nautical miles to the extent of the 200 nautical mile Australian Fishing Zone, and also on the high seas.

INTRODUCTION

In November 2005, following representations from the fishing industry, then Fisheries Minister Senator Ian MacDonald announced a \$220m adjustment package entitled 'Securing our Fishing Future'.

The package was designed to help address concerns regarding the sustainability and profitability of the industry, and to also assist in securing Commonwealth fish stocks by reducing the effort in fisheries where excess capacity existed.

The centrepiece of the package was the Fishing Concession Buyback (Business Exit Assistance). This was a one-off voluntary tender process with a Budget of \$150m that was designed to encourage individual fishing businesses to either exit the industry, or to rationalise their businesses and remain in the industry. It is on this component of the program that I will focus today.

All license holders in Commonwealth fisheries were eligible to tender (with the exception of the southern bluefin tuna and Sub-Antarctic fisheries which are internationally managed fisheries). However the Government specifically targeted the following fisheries:

- The Southern and Eastern Scalefish and Shark Fishery;
- The Eastern Tuna and Billfish Fishery;
- The Bass Strait Central Zone Scallop Fishery; and
- The Northern Prawn Fishery

The Northern Prawn Fishery and Bass Strait Scallop fisheries were specifically targeted in the second round.

Prior to the buyback, many sectors of the Commonwealth fishing industry were struggling – operators were being impacted by increasing operational costs, overcapacity in some cases, some overfished stocks and other fish stocks that were not increasing quickly enough. The fishing concession buyback package was extremely timely and very much needed.

For a number of reasons, several stocks within some of the Commonwealth’s significant fisheries were overfished or subject to overfishing and conventional management arrangements such as individual transferable quotas (ITQs), gear units or limited entry licences had failed to rationalise fisheries or address the Government’s sustainability and economic efficiency objectives.

The concession buyback provided an opportunity for some concession holders to rationalise their operations or to exit the fishery altogether. It also allowed those who wished to remain, to make that decision knowing the direction of future management arrangements, albeit in an even more challenging and demanding environment, but one that would achieve the Government’s objectives. Importantly, it allowed some operators to leave the industry with dignity rather than to continue to struggle financially or to be eventually forced out with few assets.

It must be remembered that for many operators, participating in the buyback was an extremely difficult and emotional decision. For many, fishing had been their passion and their livelihood for generations. Fishing is unlike most other industries – it is a hard life, with thousands of hours spent at sea every year. In fact for many fishers, it is more than a job, it is a commitment to their families and communities. However, the conditions prevailing in some fisheries were such that there was little option for some.

I have included a table of concessions removed across all Commonwealth fisheries in my paper, but today will concentrate on the outcomes in the four fisheries mentioned above.

Trawl sector of the SESSF:

Total number of concessions pre buyback	117 ¹
Total number of concessions post buyback	51
Effort (hours trawled) reduced	39%

¹ “Business Exit Assistance Round 2 results”, www.daff.gov.au/fisheries/domestic/fishingfutures/fsa#business

Benefits:

- Reduced number of boat SFRs will lead to increased longer-term viability for operators
- Less boats on the water will lead to stocks rebuilding faster, with catch per unit effort increasing with less competition
- Less boats on the water will result in lower discards and fewer interactions with protected species
- To a large extent, those remaining in the fishery are committed to being part of the future of the fishery, and thus more likely to be more unified

Downsides:

- Management costs spread across less operators
- In many cases local infrastructure (eg transport) has been reduced to critical levels
- Reduction of effort (hours trawled) has been disproportional across major ports
 - Reduction in effort (hours trawled) in SETF major ports

Port Jackson	58%
Ulladulla	46%
Bermagui	76%
Eden	66%
Lakes Entrance	29%
Portland	20%

Future Challenges:

- Re-development of onshore infrastructure (particularly transport) given the location of existing boats
 - Current distribution of boats across SETF major ports (does not include all boats)

NSW coast from Sydney to Eden	15
Lakes Entrance	14-16 including 12 Danish seine
Portland	7-9
Hobart	3

- Meeting increasingly stringent environmental demands
- Working with AFMA to reduce management costs to more accurately reflect reduced fleet size
- Developing (in conjunction with AFMA) opportunities for co-management to build industry ownership and trust
- Treatment of recovering species/protected species
- Value adding/niche marketing to increase value of catch
- Reducing costs of production to compete with low price fish imports, often from nations without similar environmental requirements imposed on their fishing activities

2007 season:

The availability of fish to the trawl sector in 2007 has been above average, which is a naturally occurring event in some years. This increased availability combined with fewer boats has resulted in a more positive outcome than in previous years. Prices have also been higher than average.

Eastern Tuna and Billfish Fishery:

Number of concessions pre buyback (total longline)	218 ²
Total number of concessions post buyback (longline)	119
Total number of concessions pre buyback (minor line)	230
Total number of concessions post buyback (minor line)	118

Benefits:

- Reduced number of permits will lead to increased longer-term viability for remaining operators
- Only serious fishers left in the industry so less compliance concerns and operators who are more likely to operate as a united industry
- Reduced number of operators will see less impact on stocks, fewer threatened, endangered and protected species interactions, and should ease resource sharing concerns

Downsides:

- High management costs spread across less operators
- Fishery has contracted to two main ports (Mooloolaba and Ulladulla) with many regional NSW and Qld ports losing the benefits of having locally based tuna boats

Future challenges:

- Dealing with external factors including cost of fuel and the strong Australian dollar, together with the oversupply in the traditional Japanese market
- Deciding on future management arrangements and identifying co-management opportunities
- Dealing with international fisheries issues and resource sharing domestically between commercial, recreational and traditional owners
- Marine Parks and Marine Protected Areas
- Interactions with threatened endangered and protected species

2007 Season:

The 2007 season has seen an improvement in catches in the ETBF with most operators reporting good catches of yellowfin tuna and big-eye tuna. Catches of swordfish have been consistent and some larger yellowfin have been taken when targeting swordfish. Albacore catches using the deep setting technique have been consistent although killer whale depredation remains a problem. Catches generally dropped off in the latter months of 2007 due to poor weather conditions off eastern Australia.

The cost of fishing remains a huge issue with the higher fuel price causing many problems, and resulting in many operators choosing to fish inshore rather than more productive offshore grounds. All operators are being affected by the current exchange rates and the strength of the Australian dollar so while catches are satisfactory high operating costs and management costs results in only marginal returns to most operators

Northern Prawn Fishery:

² “Business Exit Assistance Round 2 results” DAFF website

B Class SFRs pre buy back	95 ³
B class SFRs post buy back	52
Gear SFRs pre buy back	53,844
Gear SFRs post buy back	35,479

Benefits:

- 52 B Class SFRs in the fishery owned by 19 operators
- Less boats sharing the available catch
- Opportunities to increase fishing effort/economic efficiency of operators without impacting on stock sustainability
- 19 owners resulted in industry forming Northern Prawn Fishing Industry Pty Ltd, a company with shares based on NPF gear SFRs
- Potential for a more cohesive approach to managing the fishery and opportunities for co-management and commercial incentives

Downsides:

- Reduced searching capacity – a very large fishery (880,000 square kilometres), harder to find prawns with less boats
- High management costs spread across less operators

Challenges:

- High fuel costs, exchange rates, reduced prices and competition from imported prawns, particularly low cost aquaculture
- Investigation of quota management with no precedents in other prawn fisheries world-wide on which to base the process
- Difficulty in retaining crew due to low profitability
- Need to reduce management/research costs significantly to ensure any potential increased profitability is not eroded by higher costs per boat
- Fishery is moving towards maximum economic yield in partnership with AFMA

2007 season:

Per boat catches of banana prawns were substantially improved as a direct result of the smaller fleet off the back of the successful structural adjustment. Catches of tiger prawns on the other hand remained constrained through restrictions of gear and the overall production continued to be low. The focus for sales of banana prawns was on the domestic market whilst much of the tiger prawn production continued to be sold to Japan at reasonable US Dollar prices but with a strong Australian dollar returns remained modest. Despite fleet reduction, operators continue to struggle to make a reasonable return on investment in this fishery.

³ “Business Exit Assistance Round 2 results”, DAFF website

Bass Strait Central Zone Scallop Fishery:

Number of scallop boat SFRs pre buy back	152 ⁴
Number of scallop boat SFRs post buyback	130

(Note: the 130 scallop boat SFRs post buyback have now been cancelled by AFMA)

Number of commercial scallop SFRs pre buy back	532,000
Number of commercial scallop SFRs post buyback	455,000

Number of doughboy scallop SFRs pre buyback	532,000
Number of doughboy scallop SFRs post buyback	455,000

Effort removed	14%
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Benefits:

- Minor decrease in the number of concessions although a number of the concessions removed were latent

Downsides:

- Of the \$148.58m invested in the concession buyout, less than \$2m has gone into restructuring the scallop fishery
- The lack of adjustment funding to the fishery, combined with the cancellation of boat SFRs, has left the industry with no way to reduce capacity in the fishery
- The removal of boat SFRs from other fisheries has resulted in an increased number of boats on the market, further devaluing boats and reducing the potential for scallop fishers to sell their boats and exit the fishery
- High management levies with little likelihood of a sustainable fishery in the short term has stifled the possibility of fewer operators through the amalgamation of concessions
- Bureau of Rural Sciences confirms that after the implementation of the Bass Strait Scallop Fishery buyback that “the number of fishing concessions continues to be too high”⁵

Challenges:

- The new Government in its “Plan for Sustainable Fisheries” released prior to the recent election, has undertaken to review the administration of the buyback arrangements for the BSSF.
- To substantially reduce fishing capacity
- To develop co-management arrangements for the fishery which would include a system of “paddock fishing”

2007 season:

The fishery remains closed until the end of 2008 as per the Ministerial Direction to AFMA as part of the *Securing our Fishing Future* package..

⁴ “Business Exit Assistance Round 2 results” DAFF website

⁵ Larcombe, J and McLoughlin, K (eds) (2007) *Fishery Status Reports 2006: Status of Fish Stocks Managed by the Australian Government*. Bureau of Rural Sciences, p 225

Conclusion:

There are a number of lessons to be learned from the buyback program, and no doubt there will be reviews of its effectiveness. In general

- It was valuable having a second round of tenders
- The provision of funds for operators to get accounting/legal advice prior to lodging a tender application was beneficial
- Long delays between submitting tenders and results being known created instability and increased tension in the industry as operators did not know if they were remaining or exiting the fishery. This held up management processes in some fisheries
- The provision of levy funding to reduce the impact on those remaining in the fishery was a very positive initiative, but it is proving difficult to conclude the review of management costs and implement changes within the three year time frame

The effectiveness differed from fishery to fishery:

- For the NPF, it was an undoubted success in rationalising the number of operators down to 19
- In the case of the SETF, it is considered there were wasted opportunities to achieve a more effective outcome
 - The methodology allowed for operators with more than one boat SFR to surrender one but continue fishing as before
 - In some cases higher amounts were paid for a boat SFR with high catch history which was then replaced on the boat by a latent SFR
 - The opportunity could have been taken to target orange roughy quota as at the time of the tender process, a decision was being made to list orange roughy as conservation dependent. This would have allowed roughy operators similar assistance to that provided to owners of some eastern quota to exit the fishery more equitably
- The removal of significant effort from the east coast of the SETF will result in stocks in that sector rebuilding quickly with catch rates improving
- In the ECT it was successful in reducing the number of operating vessels although considerable latent effort still exists that needs to be managed carefully
- In the BSSF, it was a dismal failure – and the election promise of the Labor Government to review this aspect of the adjustment program is welcomed by the industry

Meeting the costs of management for those remaining in the industry will be a challenge in itself. The Government recognised that these costs would be spread amongst a significantly reduced number of operators following the buyout, and provided levy relief which reduces over a period of three years to assist those remaining to adjust to the new operating environment. That levy relief finishes next financial year. Over the past twelve months, management costs have been the subject of a review by a Cost Reduction Working Group established by the AFMA Board, which CFA participated in. Industry is hopeful that significant efficiencies will be achieved as a result of the review.

International changes, completely outside the control of industry, require sufficient flexibility and resiliency from both the fishermen and the stocks, to ensure sustainable operations can continue. With the Australian dollar at near-parity with the US dollar, and fuel prices ever increasing, the outlook for all primary export industries is bleak in the short term. However,

the buyback has provided opportunities for some in the industry to withstand these, and other, problems.

Commonwealth and other Australian fisheries continue to meet the highest environmental regulatory standards in the world for fisheries. The outlook for the fishing industry is bright, dependent on continuing to build effective and efficient government and industry co-management. The outlook for seafood demand by consumers is excellent, especially for premium Australian local fish and shellfish.

With the election of the new Labor Government, the CFA sees an opportunity for improving / resolving several jurisdictional issues which have frustrated good fisheries management for many years. In addition, the harmonisation of Commonwealth and State regulations to reduce regulatory costs and simplify paperwork would be welcomed.

CFA supports the Labor Government's focus on climate change, but there is a need to ensure R&D is managed nationally by the FRDC and that the industry's focus is on adaption, for example, how to respond to initiatives such as Europe's "food miles".

Given that the removal of large numbers of operators means that the long-term prospects of those who remain, and sustainability of stocks, are more likely to be assured, the challenge now for the Commonwealth fishing industry generally is to continue its transition to becoming a more cohesive and professional group.

ATTACHMENT A

Round Two Outcomes – Announcement made 22 December 2006

Fishery	Type of concession	Total number of concessions in fishery prior to buyback	Quantity of concessions surrendered from Round One	Quantity of concessions to be surrendered from Round Two	Total reduction	% reduction
Northern Prawn Fishery	Class B Statutory Fishing Right (SFR)	95	7	36	43	45
	Gear SFR	53844	4734	13631	18365	34
Southern and Eastern Scalefish and Shark Fishery	Gillnet Boat SFR	88	26	0	26	30
	Scalefish Hook Boat SFR	122	48	15	63	52
	Shark Hook Boat SFR	30	12	5	17	57
	Trawl Boat SFR	118	56	3	59	50
	Trap Permit / Auto Longline Permit	20	5	3	8	40
	East Coast Deepwater Permit	18	5	3	8	44
	SA Coastal Waters Permit	41	6	11	17	41
	Tasmanian Coastal Waters Permit	82	19	19	38	46
	Victorian Coastal Waters Permit	51	21	7	28	55
	Redfish Quota SFR	586720	112822	0	112822	19
	John Dory Quota SFR	235784	30889	0	30889	13
	Silver Trevally Quota SFR	538740	74912	0	74912	14
Jackass Morwong Quota SFR	1480633	106064	8808	114872	8	
Royal Red Prawn Quota SFR	485394	103296	0	103296	21	
Eastern Tuna and Billfish Fishery	Total Longline permits	218	98	1	99	45
	Minor Line Permits	230	103	9	112	49
Bass Strait Central Zone Scallop Fishery	Packages (Boat SFR [Round One only] + 3500 Commercial Scallop Quota SFRs + 3500 Doughboy Scallop Quota SFRs)	152	5	17	22	14
Other Fisheries	Other permits	~360	20	19	39	11
TOTAL	Total Expenditure \$148.580 million	~1600	>400	~150	>550	

Table 1. Commonwealth fishing concessions to be surrendered from the *Securing our Fishing Future* voluntary fishing concession buyback.