

# **RECOMMENDATIONS TO REFORM THE SOUTH AUSTRALIAN MARINE SCALEFISH FISHERY**

**A Report to the Minister for Primary Industries and  
Regional Development**

Developed by the Commercial Marine Scalefish Fishery Reform  
Advisory Committee

31 October 2019

## **Introduction**

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

In November 2018, consistent with a Government election commitment, the Minister for Primary Industries and Regional Development 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 that may include the key elements of:

- Introducing zones of management within the fishery that recognise the economic, ecological and social diversity within the fishery;
- Achieving fleet rationalisation that secures a minimum of 30% reduction in the total number of licences;
- Implementing key management reforms, including a system of regional individual transferable quotas that will achieve a more sustainable and commercially viable fishery and a mechanism to facilitate on-going autonomous adjustment.

This report delivers on the Terms of Reference to provide to the Minister on, or before, 31 October 2019 a report that includes recommendations on key reforms to modernise the management framework relating to the commercial harvest of marine scalefish species.

## **Development of the Reform Package**

The CMSFRAC met on four occasions in February, March, May and July 2019 to work through options and considerations in developing an initial proposal for a reform package.

The CMSFRAC has received technical support from the FRDC Research Project Working Group that analysed available information about the fishery to evaluate possible options for zoning, licence reduction and unitised management. The CMSFRAC has also worked with the Marine Fishers Association (MFA) Industry Forum that provided initial industry input and feedback on reform options as they were developed. The MFA Forum has representation of the different regions, gear types and sectors within the fishery.

In developing a reform package, the CMSFRAC prepared an Industry Consultation Paper that provided the strategic options necessary to achieve the required reform. The Industry Consultation Paper was released on 2 September 2019 for a 6-week consultation period (ending 11 October) to seek feedback and submissions relating to the reform proposals.

The CMSFRAC met again on 23 October 2019 to consider all of the feedback and submissions received and to develop a set of recommendations for a reform package. This was also informed by the outcomes of an MFA Industry Forum held on 22 October 2019.

## Industry Consultation Paper

In summary, the draft Consultation Paper proposes the following considerations under the three key elements of a reform package as described in the Government's election commitment that are commonly described as the 'three pillars' of reform: Regionalise, Unitise and Rationalise.

### Regionalise

For the purposes of consultation with industry, the CMSFRAC agreed to partition the MSF into four (4) zones of management with two options proposed for industry consultation. The proposed zones essentially align as closely as possible with the biological stock boundaries of King George Whiting and Snapper with some consideration also given to the dynamics of the fleet, and reflect South Australia's distinctive West Coast, Spencer Gulf, Gulf St Vincent/Kangaroo Island and South East regions.

The proposed zones also align with existing Marine Fishing Area reporting blocks to ensure the continuity of the primary source of fishing catch and effort data collected since 1983. Consideration was also given to the historical spatial fishing areas or 'natural fishing boundaries' to minimise any potential displacement of licence holders who may fish across zones.

### Unitise

The CMSFRAC agreed to the fundamental principle that the sustainability of fish stocks is paramount and the harvesting of fish has to be constrained within total catch limits. It has previously been agreed that the four primary species (King George Whiting, Snapper, Southern Garfish and Southern Calamari) should be managed towards achieving a Total Allowable Commercial Catch (TACC) in all zones and the CMSFRAC agreed that a decision making framework should be further developed to help inform a tiered management approach for all MSF species within each zone with Tier 1 (unitised and transferable fishing shares) at the highest level.

An Individual Transferable Quota (ITQ) management system was assessed by the CMSFRAC as the management option which best met the principles of Ecological Sustainable Development (which is the key objective of the *Fisheries Management Act 2007*), through removal of the incentive to 'race to fish' and by reducing effort creep, restricting the activation of latent effort on primary species, providing greater flexibility to fishers to adjust their business activities and driving economic benefits over the longer term.

However, it was also recognised that an ITQ management system was not overwhelmingly supported by industry and is not necessary or appropriate for all species or for all regional stocks. If ITQs are to work for the MSF, they need to be a part of a broad management system that includes an appropriate mix of ITQ catch management (output controls) and other management measures, such as seasonal closures, area closures and gear restrictions (input controls). In some situations, it may be more appropriate to constrain fishing effort on Tier 1 stocks through Individual Transferable Effort units (ITEs) as a means of managing the total catch.

Three principal management strategies can be implemented within the reform package with varying levels of application. Each strategy would be designed around an established TACC or Recommended Biological Catch (RBC) for the stock of interest and applied using a tiered management approach, descending from a highly regulated individual transferable share unit management system (Tier I), to an input controlled

performance monitoring system that assesses the stock against prescribed reference points and indicators.

The decision-making framework to determine the necessary and appropriate management arrangements for each species should be flexible enough to adjust the management strategies when required. For example, while some stocks of Southern Garfish may be assessed as a Tier 1 species in some zones, it may be assessed as a Tier 2 species for other zones. Similarly, for an under-utilised species that emerges as a targeted species in some zones, these species may, over time, need to transition from a lower Tier management strategy to a Tier 1 strategy to minimise its sustainability risk.

The draft Consultation Paper included a discussion on issues relating to allocating share units (ITQs or ITEs) to individual fishers but did not prescribe any allocation formulae. The CMSFRAC agreed that the establishment of an independent allocation advisory panel (IAAP) is critical to investigate and determine the most appropriate method to allocate share units. The appropriate time to establish an IAAP for the MSF is when the decision is made to adopt the new management framework for the fishery. For example, if an ITQ (or ITE) system is adopted as the preferred management framework for identified Tier 1 stocks in the MSF, then an IAAP should be immediately established to provide independent advice to government on the fairest and most equitable method and formulae to allocate shares between participants in the fishery for each fish. An IAAP would include three members with expertise in law, economics and the fishing industry.

### **Rationalise**

The CMSFRAC agreed to a two-phased process to achieve a minimum of 30% reduction in the number of licences and to support the restructure of the fishery.

The phase 1 approach proposed by the CMSFRAC recognises there are a number of licence holders within the fishery that are unable, or unwilling, to endure the reform process which is likely to extend over multiple years. The CMSFRAC proposes an early opportunity for licence holders to exit the fishery through a Government funded voluntary licence surrender program prior to any allocation of fishing shares.

Should the phase 1 approach not yield sufficient licence removals a phase 2 approach proposed in the Industry Consultation Paper (and supported by CMSFRAC) is to implement an open-market trading scheme that would allow fishers to choose either to invest in the fishery and purchase share units from others who may choose to divest in particular share units or exit the fishery.

Under the phase 2 approach proposed by the CMSFRAC, Government funding assistance could be provided to promote and support the rapid trading of share units between willing buyers and sellers. If a licence holder, having traded all of their share units from their licence then wishes to surrender their licence and exit the fishery they could be financially assisted by the government and removed from the fishery.

Under both options, the industry's contribution to the rationalisation approach is through licence holders choosing to invest and accelerate an adjustment through purchasing share units from others in the fishery.

## **The 7-step pathway to reform**

In summary, the Industry Consultation Paper proposed a strategic framework to reform the Marine Scalegfish Fishery that includes the key elements of a reform package, namely:-

1. Provide an opportunity to fishers to exit before the reform process begins, through a voluntary surrender of licences funded by government
2. Create management zones based on biological stock structure of primary species, to provide effective management to meet the needs of the regions
3. Establish sustainable catch limits for relevant species based on all available information
4. Apply a tiered approach to species management in each region through the application of a decision making framework; ranging from an individual transferable share unit system constrained by a Total Allowable Commercial Catch for Tier 1 species through to the monitoring of fishery performance and applying input and effort controls only for Tier 2 and Tier 3 species
5. Allocate share units for Tier 1 species
6. Provide an opportunity for fishers to adjust their fishing business by participating in a government subsidised and supported trading system to maximise share unit transactions, and that may include the voluntary surrender of licences
7. Provide an improved regulatory system to allow on-going autonomous adjustment and flexibility to adjust business practice, and efficient management and administration.

## **Consultation**

The Industry Consultation Paper was released on 2 September 2019 for a 6-week consultation period ending 11 October 2019 to seek feedback and submissions relating to the reform proposals.

A series of regional consultative meetings were undertaken over the week commencing 16 September, with all licence holders invited to attend at least one meeting. Approximately 230 people attended meetings held at Yorketown, Wallaroo, Port Pirie, Ceduna, Port Lincoln, Cape Jervis and Port Adelaide. A synopsis of the meetings are provided in separate documents.

In addition:

- 21 individual submissions were received (noting 11 of these were in a template form, and one submission included a petition with the signatures of 72 licence holders).
- 7 submissions were received from industry associations and other organisations.
- 139 feedback forms were received – these have been collated and summarised in a report.

The responses received provide some quantitative information where respondents indicated their preference on some options, as well as a diversity of comments, concerns and suggestions in response to particular proposals. Each of these seven steps are considered in turn, taking into account a preliminary assessment of the tone and content of the feedback and submissions received from relevant stakeholder that are summarised in the dot points preceding the recommendations of the CMSFRAC.

## **1. Provide an opportunity to fishers to exit before the reform process begins, through a voluntary surrender of licences funded by government**

- This proposal received very strong support through the consultation process and was seen as a necessary component of the reform package.
- 70 of the 129 respondents (56%) who were licence holders in the MSF indicated they would consider offering their licence for surrender in an initial rationalisation process.
- It was regularly suggested that the proposed reduction of 100 licences is likely to be insufficient, with the MFA Industry Forum suggesting that upwards of 200 licences was a more realistic rationalisation target.
- Preliminary analysis undertaken through the FRDC Research Project Working Group (BDO EconSearch) shows that under recommended sustainable catch limits for primary species, it would be necessary to remove around 150 licences to achieve a positive economic return from the fishery given the current structure of the fleet. Once this study has been finalised, further direction can be provided on the required level of rationalisation in the fishery.
- There was also strong support for the opportunity for fishers to exit the fishery at a later stage of the reform process (following the allocation of units). Associated with this is a need for more information on options (likely unit allocation and licence values) to assist with decision making.
- The process for determining the values of surrendered licence is a critical factor, with the MFA Industry Forum suggesting a fixed-value offer by government of \$450,000 for a net licence, and \$250,000 for a line licence would be required to achieve the necessary rationalisation targets. Further, it is generally accepted that all licences, including amalgamated, un-amalgamated and 'B Class' licences should be valued similarly. Industry members on the CMSFRAC agreed and supported this proposal.

## **Recommendations**

### *The CMSFRAC*

- 1. Recommends a two-phase approach to achieve the removal of at least 150 licences from the commercial Marine Scalefish Fishery, with*
  - *Phase 1 providing an early opportunity for licence holders to voluntarily exit the fishery, prior to any allocation of units, through a government-funded voluntary licence surrender program*
  - *Depending on the success of Phase 1, a Phase 2 buyout process providing an opportunity for licence holders to voluntarily exit the fishery, after unitisation and allocation of units, through a government-supported unit trading and licence surrender program.*
- 2. Recommends that government refers to the studies undertaken by BDO EconSearch on the number of licences in the defined regions to deliver positive economic returns to the state and regional communities when determining regional rationalisation targets (net and line licences) and associated funding required to support the voluntary licence surrender process.*
- 3. Recommends that the Phase 1 licence surrender program be undertaken as early as possible in the 2020/21 financial year.*

4. *Agrees there should be no discrimination in values in terms of the amalgamated status of a licence that is being offered for surrender.*
  5. *Recommends that an independent Licence Rationalisation Advisory Panel, involving independent legal, financial and industry expertise be appointed to oversee and provide probity on the voluntary licence surrender and supported share unit trading system process.*
- 

## **2. Create management zones based on biological stock structure of primary species, to provide effective management to meet the needs of the regions**

- This proposal received widespread support. It was seen as necessary to create separate zones of management, principally to provide separate management arrangements on different biological fish stocks but also to reflect spatial differences in coastal habitats, infrastructure and pressures placed on fishery resources through growing coastal populations and sectors that access the marine scalefish stocks.
- While there was support for the partitioning of the fishery into four regions to capture the distinctive West Coast, Spencer Gulf, Gulf St Vincent and South East regions, there remains some refinement required in determining the South East/Gulf St Vincent boundary
- On the question whether a licence should be zoned or retain a state-wide access, some strong opinions were expressed on both accounts, with 54% supporting the latter option.

## **Recommendations**

### *The CMSFRAC*

6. *Recommends regional scenario 'Option 1' as the basis for the future management of the fishery, with some further work to be undertaken to refine regional boundaries.*
  7. *Recommends state-wide access other than where access to species in individual regions is limited through an allocation.*
- 

## **3. Establish sustainable catch limits for all species based on all available information**

- There was strong support for the principle that sustainability of stocks is paramount, and that this principle should also apply to other fisheries that have shared-access to marine scalefish species, including the recreational sector and the other commercial fisheries.
- There was strong support for establishing Total Allowable Catch (TAC), Total Allowable Commercial Catch (TACC) and Total Allowable Recreational Catch (TARC) shares that reflect the current sector allocation of catch shares for relevant species including the four primary species
- There was an overwhelming sentiment that it is important for a robust and regular measurement of recreational catch, and for commensurate monitoring and management of recreational catch, and for that sector to be constrained within a TARC.

## Recommendations

### *The CMSFRAC*

8. *Recommends that SARDI Aquatic Sciences develops recommended biological catch (RBC) limits for key fish stocks that are assessed annually for each region based initially on maximum sustainable yield estimates and recommends precautionary TACs, TACCs and TARCc using all available information.*
  9. *Recommends that a quantitative survey of recreational fishing in South Australia is required to provide robust estimates of current recreational effort and catches of multiple species for each region.*
  10. *Recommends that the commercial Marine Scalefish Fishery sector retains its current allocation for all marine scalefish species.*
- 

#### **4. Apply a tiered approach to species management in each region through the application of a decision-making framework; ranging from an individual transferable share unit system constrained by a Total Allowable Commercial Catch for Tier 1 species through to the monitoring of fishery performance and applying input and effort controls for Tier 2 and Tier 3 species**

- While the concept of tiered approach to the management of fish stocks was supported, there appeared to be some confusion on how the proposed decision making framework was to be applied and what management strategies were appropriate within each tier. At its last meeting on 23 October 2019, the CMSFRAC agreed further refinement of the decision making matrix was required, and an improved description of the management strategies applying in each tier is necessary. It was agreed however, for the concept to be adopted as a part of the reform package.
- While there is a preference towards unitisation (ITQ or ITE) management contained in the Government Fisheries Reform Policy Statement, the Marine Scalefish Fishery Strategic Review completed in 2016, the 2016 Commonwealth Productivity Commission Report, the CMSFRAC's Terms of Reference, the CMSFRAC ESD assessment of ITQs vs ITEs that identified ITQs as the superior option, and the need to drive improved profitability and stock sustainability levels in the fishery, the CMSFRAC agreed that ITQ management would not suit all species/stocks which is why an objective decision making matrix is needed to inform the selection of stocks to be managed under Tier 1.
- There was a high level of opposition to the application of ITQ (or ITE) management for stocks of primary species from the West Coast and southern Yorke Peninsula regions in particular which both prefer a modernised input controlled system set to a target catch level. There is a higher but mixed level of support apparent in the gulfs for ITQ management of the primary species including from the net sector.
- It was generally accepted that the four primary species (King George Whiting, Snapper, Southern Garfish and Southern Calamari) for gulf waters would need to be managed at the highest level of management (Tier 1), with a TACC and an allocation of transferable effort units or catch units being the most appropriate management strategy.

## **Recommendations**

### *The CMSFRAC*

11. *Recommends a tiered management framework be adopted for all regions of the fishery through a decision-making framework applied to regional stocks that has a TACC with a transferable unit-base system of management for Tier 1 species.*
  12. *Recommends engaging relevant experts and stakeholders to advance the development of the management decision-making rule from its conceptual design to an agreed and endorsed management tool*
  13. *Recommends, based on a preliminary application of the decision making matrix, that Spencer Gulf and Gulf St Vincent stocks of Snapper, King George Whiting, Southern Calamari and Southern Garfish should be managed at Tier 1.*
  14. *Recommends that the government constrains the recreational sector to a TARC for those stocks that are managed under commercial Tier 1 arrangements.*
- 

## **5. Allocate shares units for Tier 1 species**

- There is widespread concern over the level of total allowable commercial catch (TACC) or total allowable commercial effort (TACE) that will be set for Tier 1 stocks and the method of allocation of units that might be applied, in addition to the increased management costs and resultant licence fees that will apply.
- These are details that will need to be provided to industry in the next round of consultation once the government's response to the proposed reform process and associated level of commitment to fund these is known.
- With regard to determining a formula and method for allocating shares, there was widespread agreement that this task should be informed by recommendations from an independent panel of experts (legal, economics and industry) that involves consultation with industry to understand and appreciate the complexities of the fishery.
- There was also support for an allocation formula to be determined prior to the initial buyout of licences to enable a more informed choice on whether to remain in the fishery or to exit.

## **Recommendations**

### *The CMSFRAC*

15. *Recommends that an independent Allocation Advisory Panel (IAAP), involving independent legal, economic and industry expertise be appointed to consult with industry and recommend to government a fair and equitable method to allocate unit shares between participants in the fishery for any species that are to be managed under Tier 1 arrangements.*
  16. *Recommends that a decision is made on the allocation formulae prior the Phase 1 voluntary licence buyout to enable licence holders to estimate their allocation of Tier 1 species.*
-

**6. Provide an opportunity for fishers to adjust their fishing business by participating in a government subsidised and supported trading system to maximise the transactions of share units, and that may include the voluntary surrender of licences**

- This proposal was strongly supported with a number of caveats.
- There was also a strong desire for the fishery to retain its small family-owned regional business structure with the retainment of a stricter owner operator policy, and that there should be sufficient restrictions to limit participation only to existing licence holders (suggesting no further transfers of licence ownership until the reform process is completed) and to discourage corporatisation of the fishery.
- There were concerns expressed over the apparent lack of financial capacity of many licence holders to re-invest to recover their previous catch levels
- It was recognised that it provides a second opportunity to voluntarily exit the fishery, and to financially assist licence holders remaining in the fishery to restructure their fishing business.

**Recommendations**

*The CMSFRAC*

- 17. Recommends the adoption of the supported trading proposal as described in the report from the independent economists to provide an opportunity for licence holders remaining in the fishery to restructure their fishing operations, and if required, to facilitate a phase 2 voluntary surrender of licences by fishers willing to exit the fishery.*
- 18. Recommends that the supported trading process does not occur prior to the final settlement of the allocation of share units.*
- 19. Recommends that there should be a freeze on the transfer of licences for a period that covers the process of allocating of share units and conducting the supported trading program.*

---

**7. Provide an improved regulatory system to allow on-going autonomous adjustment and flexibility to adjust business practice, and provide efficient management and administration.**

- There was a strong sentiment expressed in the feedback received on the proposed reform packaged described in the Industry Consultation Paper that it lacked the detailed information to support decision making.
- There is also a need to identify and quantify the range of economic and social benefits likely to flow to regional communities from the reform process to substantiate the case for government investment.
- Concerns were expressed about the costs to industry, particularly the recovery of management and research costs through licence fees to those remaining in the fishery, and a need to manage this to ensure fairness and equity across the sectors that share access to the marine scalefish species.

**Recommendations**

## *The CMSFRAC*

20. *Recommends that the reform package includes the following government assistance to support the implementation of reform:*
- *Buy-out of excess licence capacity*
  - *Assisting remaining licence holders to restructure their fishing business through participating in a supported unit trading program.*
  - *Keeping individual licence fees capped at the current level while ensuring the provision of current management services*
  - *Assisting licence holders to adopt and adapt to new technologies that are necessary to support modern management arrangements*
  - *Funding upfront and transitional costs associated with the implementation of a new management regime for a four-year period.*
21. *Recommends that following implementation of the reform, a focused independent review is undertaken of research and management inputs, cost attribution and cost recovery in this fishery.*
22. *Recommends that other commercial catch sectors (i.e. Rock Lobster) be integrated into the commercial MSF to control latent effort in the fishery and provide concomitant controls on catches of MSF species, especially for Tier 1 and Tier 2 stocks.*
23. *Recommends that Government consider the current and projected financial viability of fishing operations, the economic and biological carrying capacity of the fishery, and the projected net economic returns and the likely regional benefits (including jobs).*
24. *Recommends that once the decision is made to adopt the new management framework, a new round of consultation with industry be undertaken to ensure industry input into the design of the specific details of the new arrangements, including any regional variations that are required.*
25. *Recommends that to support the next round of industry consultation the CMSFRAC provides a detailed proposal to industry on the specific arrangements that will apply at the regional level of the fishery, for the following:*
- *A application of the tiered management framework (including unit management) for each stock/region*
  - *Ongoing compliance, research and management costs and nominal licence fees (base fee and \$/unit) associated with the application of the tiered management framework*
  - *The level of Government support for licence buy-out, fee relief and other financial assistance*
  - *Government proposals for managing the catch of Tier 1 stocks by the recreational sector*
  - *Proposed integration of other commercial catch sectors into the reform process*
  - *The proposed process/timelines for unit allocation decisions and licence buy outs including the implementation and role of an Independent Allocation Advisory Panel and an Independent Licence Rationalisation Advisory Panel.*
-

## **Next Steps**

The CMSFRAC noted with interest the work being done by the independent economist and BDO EconSearch to identify and quantify the range of economic and social benefits likely to flow to regional communities from the reform process beyond having sustainable fish stocks and improved social licence and wellbeing in the industry. There are widespread benefits likely to be generated by these reforms including substantial jobs growth that stems from (among other things) improved profitability levels for scalefish operators, greater economic activity from suppliers, and increased commercial and recreational fishing related regional tourism that provides a compelling case for government to invest public funds in the proposed reforms for this fishery. This work is being finalised at present and will be presented to government after being noted by the CMSFRAC and PIRSA.

In particular the CMSFRAC considered that the proposed Phase 1 voluntary licence surrender rationalisation process coupled with adequate government funding is crucial for this reform to progress and transpire.

The CMSFRAC considered a proposal from the Chair to cover the next steps in the process including timelines for seeking a government position on the main elements of the reform and in particular the level of funding support to be provided by Government, which is critical for industry to move to the next steps of the reform. The Chair proposed that once this had occurred, further work was required to workshop and refine the decision making matrix for Tier 1 species, and that a new round of consultation with industry in the second quarter of 2020 should include detailed costing and cost-benefit analysis to justify proposed management arrangements for each region. This consultation would clearly need to be informed by the government response to this report and an outline of the proposed buy-out and unit allocation process along with more detail on how the integration of other commercial catch sectors and the recreational sector with the proposed reforms will be progressed.

The CMSFRAC supported the view of the Chair that a new round of industry consultation should commence once a clear government proposal is able to be put that includes detail on the proposed process and timelines for allocation and buy-out of licences and (most importantly) the level of government funding assistance to be provided to support these measures.

Following a clear indication of the Government support to be provided to industry, it is proposed that further consultation with industry occurs on the application of a refined tiered management approach along with associated costs and benefits to industry and licence holders, as well as government proposals for assessing and managing the recreational and other commercial catch sectors.