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Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO MARINE FISHERIES AND AQUACULTURE

MS M CILENTO, Presiding Commissioner

TRANSCRIPT OF PROCEEDINGS

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5 **MS CILENTO:** So because we do have a few guests, I'll work my way through all this. Apologies for a little bit of the formality. Thank you everyone for coming this morning to our public hearings for the Productivity Commission inquiry into marine fisheries and aquaculture following the release of our draft report in August.

10 I am Melinda Cilento. I'm the Commissioner overseeing the inquiry. Most of the people in the room know me. The purpose of the hearings is to facilitate public scrutiny of the Commission's work and of course to get feedback on the draft report. We've had hearings already in Brisbane earlier this week, and we'll be conducting further hearings next week in Fremantle, aiming to get a final report to government as per the terms of reference by December of this year.

15 That report will be made available - sorry, people will be automatically advised of the release of that report if they have expressed their interest. The report will go to government and will be released up to 25 parliamentary sitting days after the completion of the report.

20 We like to conduct most of these hearings in a fairly informal manner, but I do need to remind participants that a full transcript is being taken, so that means there's no comments from the floor, and obviously participants are not required to take an oath but should be truthful in their remarks.

25 Just today, because we're doing phone discussions, for those of you who are sitting here in Canberra, all of the mics above you are the mics that you'll be using, so if you could try not to make too much noise or rustle around or move papers or things like that, that will assist in an accurate transcript being taken.

30 For those of you here in Canberra, to comply with occupational health and safety legislation, in the unlikely event of an emergency requiring the evacuation of this building, you should follow the green exit signs to the nearest stairwell, which is out this way. Please don't use the lifts, and follow the instructions of the floor wardens at all times. If you believe that you would be unable to walk down the stairs it is important that you advise the wardens, who will make alternative arrangements for you. Otherwise be advised that the assembly point for the Commission in Canberra is the corner of Marcus Clarke and Rudd Streets, which is this way. Thank you.

40 I think that's all I need to do by way of introduction. I would like to acknowledge the traditional owners of the land on which we are meeting, and pay my respects to elders past and present. Then we'll start today's proceedings with Brian Jeffriess from the Australian Southern Bluefin

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Tuna Association.

5 Brian, if you might like to introduce yourself and then begin by making a statement either in respect of your submission and views, or specifically in regard to the recommendations of the draft report?

10 **MR JEFFRIESS:** Thanks, Madam President. Well, I - it's a very, very good report. I think it puts the industry, government, other interests - identifies where we're at with fisheries and aquaculture management and will be a very, very good foundation for almost requiring people to make some decisions.

15 There are certain weaknesses in the Australian system, and one of those is the intergovernmental system doesn't really work at the speed it should, and this report identifies a whole range of areas where improvements can be made.

20 The real issue I first of all wanted to discuss today quickly is Southern Bluefin Tuna, and one of the reasons the government obviously gave this reference was to try and get some direction on what resource-sharing principles really should apply. Then I'll go onto a number of relatively minor issues which I think we have a basic disagreement with some of the draft recommendations.

25 The thing about resource sharing and Southern Bluefin Tuna is that this is a real-life example where governments have to make a decision in the next 12 months, basically, about a significant resources sharing issue which has been building up for some time, so it's not in the theoretical field, it really is a real-life example which is descending upon us.

30 ITQs, which is one of the foundations of the report, and government policy, the - really a product of a predecessor of the Productivity Commission - that is, the IAC. Bluefin Tuna in 1984 was the first in Australia to be ITQed and one of the first in the world.

35 An interesting example, it's an international fishery under AN RFMO, it's an Australian managed by AFMA for the wild catch and then again South Australian jurisdiction for the value adding component, that is, the farming, so it stretches right across the spectrum.

40 The next point is that ITQs and all the potential advantages of it identified by the IAC in 1984 have worked perfectly in SBT. The industry rationalised. The South Australian component of the industry moved from I think 60 per cent to over 90 per cent within a couple of years, and it's continued to rationalise internally. There's been no adjustment assistance,

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and that's one of the government drivers for ITQs.

5 The quota was cut by 70 per cent in 1989 and again by 25 per cent in 2009, but the industry has never sought or received any adjustment assistance. There's been long period of very low prices, but again never sought or received adjustment assistance.

10 The reason for that is quite simple. We accept those things as normal business risks in the course of business. There's no way that the community or government should subsidise an industry which has been given the rights in perpetuity and exclusively.

15 That's a principle we hold and we've been very careful not to breach that principle over the last 30 years. The last point that did work is the industry, because of those perpetual rights, did invest in high value added product, and what we see in Australia now is a good example of that.

20 We're now stuck with the problem that the stock is recovering. The quota is being increased. But it's still only 40 per cent or less than 40 per cent of the original level. Another part of that recovery is quite a dramatic expansion of recreational fishing, particularly in Victoria, South Australia and Tasmania.

25 Now, as I say, it's a real-life example of what the Commission's report on resource-sharing identifies. The - our problem with the draft report on this issue is the report does a very good job of identifying a lot of parts of the pathway to resource sharing in Bluefin. The report identifies the legislation, identifies that there needs to be a national quota for recreational fishing, and identifies also how that might be done, i.e.
30 through catch tagging or some type of voucher system or some equivalent.

35 But what it does not do is identify how you would apply the reallocation principles to this particular fishery. Now, I know that it's not necessarily the Commission's job in any of their industries they analyse to get down to this level of detail, but I think in this case to increase the credibility of the analysis it really needs to do that. The background to the current situation is clear. As I say, a lot of the issues have been identified by the Commission in the report, but how you will actually re-allocate the quota, et cetera, and the implications is not clear.

40 Just to finalise that, what we have in this industry is a perfect example of a collateral value of ITQs. That was the principles identified in 1984 by the IAC. What we have in Bluefin Tuna is we use the quota as almost the sole collateral for both capital borrowing, for operating borrowing,
45 operating cost borrowing, and for currency hedging, which is a

requirement in an almost 100 per cent export industry which gets paid in a foreign currency.

5 The bottom line is that, you know, it all relies on the integrity of the catch shares. As soon as you breach those - that principle and you reallocate without some kind of - call it adjustment assistance, compensation, or whatever it may be, then the whole foundation of the ITQ system in this fishery is lost.

10 So the bottom line of all that is that the Commission needs to really outline where - how this might happen. We don't think it's really enough to just - to outline a pathway as far as they did.

15 Just three other quick issues, lesser issues, that is - what the Commission comments on is the rationalisation of the EPBC legislation, the way it's applied to fisheries. Number two is this recommendation on explicit mortality limits for TEP species. And thirdly, the question of the fish name standard.

20 So I'll comment on that if - but that's the end of my introduction, anyway.

MS CILENTO: Thank you, Brian, that's, I have to say, pretty helpful in terms of allowing me to focus a few questions if I could.

25 **MR JEFFRIESS:** Yes.

30 **MS CILENTO:** I guess one of the things that would be really useful for us just as a starting point to understand is you sort of - in your comments and your submission you sort of have talked a bit about how the industry has transitioned and the sorts of variability in catch and quota that it has managed through - you know, through a number of decades, really, as all part of the sort of normal course of business, and it would just be interesting to understand your thinking about how you see the recreational catch and the implications of that for quota in the context of those other
35 sort of movements over time?

40 **MR JEFFRIESS:** Well, the recreational catch is identified by the government, and to some extent the original IEC was only about - was less than 20 tonnes in 1984. The initial commercial quota was 14,500 tonnes, and now as of last night, 6,000 tonnes, so yes, it's nearly 40 per cent. But the recreational catch in the last three years has expanded to a very substantial level where it's above the level of some of the members of the RFMO itself, and this is under constant scrutiny.

45 The issue of how it's happened, it happened almost programmed by the

original IEC recommendations, which are - when you look at it in historical retrospect were extraordinarily predictive, and as I said, it was the first in Australia, and was the first for a long time to be ITQed, and secondly, it was one of the first in the world and has proven a literature model ever since.

The normal course of business as we interpret it is you - even at the international level where the quota cuts have been largely a product of the Japanese over-catch which was identified in 2006 and led to major restructuring of the international fishery. So again, that type of thing, as external to our ability to control it as it was, was certainly the normal course of business, and you can imagine the extent to which it grates us sometimes where (indistinct) industries in Australia because there's price fluctuations or whatever it may be and you've over-invested, really cry for government assistance and sometimes receive it. That's the reality of everyday politics in Australia. That's up to those industries. But we've made a very deliberate policy over all those years.

Now, the people who did that original investment in 1984 and to a wave of investments in the 90s and then continued large-scale autonomous adjustment are really essentially the people who are now the last part of this generation, and there's generational change, but the principles remain the same.

I think it's hard for people to understand how much the - how successful the model's been in terms of going to the bank every day, borrowing. We have a six month grow-out. The industry's based on capturing about 300,000 fish a year, at 15 kilos each, bringing them into Port Lincoln, essentially, and growing them out. That requires, obviously, large-scale borrowing for catching the fish, the grow-out period for feed and staff, and the harvesting itself.

So again, the last point there has moved to high value added. That's been able to invest in those things. They're the business realities of - probably this is an extreme example of where it has worked down to perfection because of the value-added component, but if the reference is about improving the productivity and competitiveness, that ITQ as collateral is the foundation of that.

People are not going to be able to say to a bank, "We're going to borrow for a larger boat, a large pontoon off-shore," or whatever it may be in our case unless that collateral has real integrity and can withstand the kind of bank scrutiny that we get put under.

So that's how it works - - -

MS CILENTO: If I could just - just on that - - -

5 **MR JEFFRIESS:** I'm not saying the industry's going to collapse overnight, but if, for example, the reallocation - which is necessary, it has to take place to identify - or sorry, account for the recreational catch, but how it takes place is the issue.

10 **MS CILENTO:** Yes. If I could just - I think that's a really important point, and I'm interested in, you know, what you think the key aspects of the system are that enable that collateral to have the value that it does. I mean, is it the duration - is it the fact that the system has been in place for so long and it gives a degree of certainty that financial institutions can look to a track record of income and revenue flow, notwithstanding price
15 fluctuation?

I mean, it is interesting sort of for us to understand a bit better what you think the specifics of the system are that have given it that credibility, if you like. And related to that, I wonder whether - you know, it's a well-
20 informed sector, people know what's happening, whether or not the need to - you know, the growing rec catch, the need to deal with that has already been reflected at all in the appetite of financial institutions and what they're looking for by way of, you know, surety and security?

25 **MR JEFFRIESS:** All they care about - and banks are not on every industry they lend to obviously extremely well-informed. To some extent, it depends on whether you pay your interest bill that quarter. When they delve into "how is that sector going", there's to some extent a limited amount of information. So the way that they account for that is no
30 different from the way they lend against - to buy a new house: what is your equity in it?

So banks will sometimes lend up to 60 per cent of the implied value of the asset, the quota, sometimes 30 per cent. We've had situations where
35 they've loaned up to 70 or 80 per cent. Now, the inherent problem with ITQs is that value of the quota, what really is it? If there's marginal trading, is that marginal trades reflective of the true value of the 100 per cent of the quota?

40 They're the points that banks grapple with all the time and that we correspond with them on. The value of quota has gone from, say, \$300,000 a thousand statutory fishing rights back to now 60 or 70,000, and they're the kind of risks, business risks, that businesses take and banks have to respond to.
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5 But it's like how they value, Melinda, an agricultural asset. If you ask them how they value a wheat farm, they'll say maybe the average asset value over 10 to 15 years, without necessarily identifying whether a particular asset for fruit growing or something is going better, structurally, than an aquaculture asset or something like that.

10 So it's a complex mix of drivers that the banks have, but the one underlying certainty is that industries like this, because of the collateral, because of the value adding, significantly rely on that. Now, the final question of whether the current controversy or impending controversy over reallocation within this sector to the recreational - to cover the recreational catch is - no, the answer is that that hasn't really come on their radar yet.

15 People can see in the newspaper every day about the catches that - particularly in Victoria, but the actual impact on potential reallocation really hasn't - you know, isn't in their mind as yet. Because the industry, although it's marginally profitable at the moment, is very low prices for longer. Everyone is, because we've saved through the good times, are
20 able to cover their commitments to the bank and able to raise enough equity to be able to borrow for operating capital, the hedging each year.

25 But when you think about it, Australia made the commitment again yesterday to start covering this recreational catch by December 2017 for the 1980 - sorry, the 2018 season. So it's right on us, and you know, will become obviously a significant issue with government and the lenders, you might say, if it runs on.

30 **MS CILENTO:** Yes. The reason for the question, Brian, was to try and - it sort of feeds back to this fundamental point I think that you've raised, which is really what do you think the most important - what principles should apply in the reallocation that - to enable the value of that quota to be retained or for there to be some certainty about it so that, you know, the collateral aspect of it is not undermined unnecessarily?

35 **MR JEFFRIESS:** The actual acquisition of the quota or the reallocation really has to be under the normal commercial principles, and the - you know, the quasi-property status that ITQs have. There's no other substitute for that.

40 Now, what is the channel for that? I think the draft report's done a good job raising the issues of recreational organisations being the channel, the holder of the holdings, that type of thing. That's fairly innovative stuff, and we've tried to convince the key recreational association to enter that
45 sphere, and for example become the distributor of the catch tags or

vouchers or whatever it may be.

5 Their response to that is responsible but fairly predictable. They don't want to be the ones who tell people the tags have run out for that year or whatever it may be. That's something that really needs to be identified. Now, government - obviously government in this case to some extent has to probably be the funder of the acquisition of that quota. You can play with the legislation, you can actually politically finesse things, but at the end of the day if there's anything else but a normal course of business
10 purchase of that quota or leasing or whatever it may be to cover that recreational catch then the whole - well, the large part of the collateral value will be undermined, and with, you know, the kind of consequences you would normally get if a whole town goes broke, so to speak.

15 **MS CILENTO:** And you - so just on that last point you made, I mean, you talked about acquisition of quota or the leasing of quota. I mean, do you have a view about what the right mechanism would be to achieve the outcomes that you're after?

20 **MR JEFFRIESS:** I think the first - there's two things need to run in parallel, and the draft report does quite a good job of outlining some of that. First of all is the level of the catch really depends on the bag limits and the boat limits, possession limits, et cetera, and they're identified for each state in the report.

25 Now, what we will be asking in our written submission is to ask the Commission to comment on those. For example, the average size of fish caught recreationally is about between 15 kilo and 150 kilos, and that's identified in the report. Now, whatever is the target and driver of
30 recreational catch, whether it be for personal consumption or sports fishing or whatever it may be, fish of, say, averaging even 15 kilo is not for personal consumption, and a significant majority of it will be thrown away because you can't - unless you're holding it at super-low temperatures, which is not done in Australia, then that fish is wasted after
35 two or three days. It goes off.

So the actual bag limits need to be rationalised severely. New South Wales has done it. Victoria, South Australia and Tasmania need to reduce the bag limit, daily bag limit, from two to one, so that would put a reality
40 check on what exactly the total catch needs to be.

The second step or parallel step to that is to - the government has instituted this system. The draft report describes, well, the Commonwealth has ultimate control over recreational cash and
45 commercial catch. The Commonwealth has seen clear not to participate in

that emerging higher catch. It's really, without sticking it too much on the government, this is their decision, this is their responsibility, and how they choose to fund it and then ongoing service it is something that only they know.

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The last point here is about - there's a very good summary in the draft report about how you value particular sectors, the recreational sector. For example, the travel method and other methods when you combine them, if, as identified in the Ernst & Young report for Victoria, if the recreational value of, say, a 15 kilo Southern Bluefin Tuna is \$150 to \$300 per fish, then it identifies exactly what could be paid for having a tag or voucher and the right to catch it.

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So then how it's funded, it can only be funded, to my mind, by government, and secondly the ongoing servicing of that asset and responsibility and - really should be paid through that tag system. So they're the practical realities of it. Not necessarily what people want to hear and governments want to hear, but they are first of all the principles of it, and secondly the realities of it.

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MS CILENTO: Yes. I guess - that all makes sense. I guess I'm just trying to understand what sort of compensation existing quota holders might be looking for.

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MR JEFFRIESS: Well, we're already having those conversations, and obviously there's - the government has a number of options. So that's what we're exploring. I mean, the way it's put in the draft report is that discussions need to take place between the recreational, commercial and government sectors, and that's exactly what is happening.

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And there's certainly no outcomes of those. As I said, the actual discussions we were having with the recreational sector have really been civilised, and productive to some extent, but at this stage recreational organisations are not really in a position to administer or organise funding or whatever it may be.

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That's the reality of that. So it's really left with government. Now, we're having those discussions with government, and obviously they're looking at their options. But as I said, the timescale for doing this, Australia has formally committed to start to cover whatever the recreational catch may be in the next three or four years from December 2017, so it's not very far away.

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MS CILENTO: Okay. You did mention a couple of other issues. EPBC. Why don't we just have a quick chat about that, if that's all right?

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One of the things we were interested in is trying to get as much evidence as possible of where there are inefficiencies within the current processes and how they might be streamlined. Any views you have on that and examples around that would be quite useful for us.

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MR JEFFRIESS: Right. Well, the first one, as I said, the comments in the draft report on the rationalising of the EPBC Act, it's not a big financial cost of having this parallel AFMA and Department of Environment processes, and Department of Environment have been, I think, very responsible over a lot of years in terms of - and very consistent in the way they've administered their part of that, but the fact is that first of all it's a duplicative process, and secondly it exposes the industry to the triple jeopardy of a number of different parts of the EPBC Act and at the same time satisfying the AFMA legislation, the ESD requirements.

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You can imagine, for example, we harvest 90 per cent of our product annually in July-August. Our WTO or export permits expired in mid-July this year. Now, people can say to us, well, it was almost certain they'd be renewed. Well, they haven't been. The actual - the decision has been postponed for - until mid-October, and probably mid-November.

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Now, if you're sitting in a big industry with well over a thousand families in a regional centre dependent on the industry and its continuity and the harvest it's just not a situation that's reasonable.

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The point made in the draft report is wrong, that because the AFMA and the industry liaise on the management plan itself that this somehow creates a conflict of interest of AFMA, and the examples of NOPSEMA are given. I could give also the example of the Fair Work Ombudsman and the Fair Work Australia. They're similar ones, and I'll do that in some detail in the draft report.

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But the current situation is - while it's not expensive, in fact it's cheaper for us to have Department of Environment doing it, because it's not cost recovered, but there's no walking away from the fact that it does - is duplicative and creates that triple jeopardy.

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We don't see that this problem that the draft report identifies in other cases, for example for Tasmania aquaculture development, of conflict of interest between both being the policy maker and the regulator really can't be solved by much simpler ways as it is in Tasmania, for example, with the aquaculture lease expansion by an independent - in that case independent report on whether the - what the implications are for that expansion.

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5 So we'll go into some detail of that and give you analogies in the written answer. The second issue of the explicit mortality limits is a major problem that we face every day, and it's not a Bluefin Tuna problem. We don't have by-catch. That's not an issue that is a problem for us at all, but we've thought a lot about it and participate in a lot of fora. It's not - to have explicit mortality limits, first of all they can be exceeded just by accident. Secondly, it could, if rigidly enforced, and it would need to be, stop a whole fishery overnight in mid-season or whatever it may be. It's not really the way to do it.

10 The way to do it is what's raised in the draft report, is individual accountability, and that's what happening, so people can identify that an individual boat is not operating in an eco-friendly way, action can be taken against that individual boat without stopping the whole industry. And again, there's plenty of analogies within the public sector, in AMSA, with safety management systems for each boat, that type of thing.

MS CILENTO: Can I just follow on - - -

20 **MR JEFFRIESS:** Third thing is - - -

MS CILENTO: Sorry, can I just follow up on that, Brian, just before you - I think - - -

25 **MR JEFFRIESS:** Yes?

30 **MS CILENTO:** One of the things that we were trying to address there is - you know, we had a lot of people say that there's basically just - you know, any interaction is not acceptable, and we're trying to strike a balance between recognising that interactions are difficult to avoid, there is a cost associated with doing that, but at the moment it seems to be any interaction at all is something to be avoided.

35 And we were just trying to get to what the best outcome is in recognising and incentivising the right behaviours, as you said, from individual boats and the like, and getting to a better balance of risk and reward, if I can put it that way. So that was the intent.

40 And so if it's not what we've proposed, is there a way in which we can better incentivise individual accountability in a cost effective way and monitor for that and all the rest of it?

45 **MR JEFFRIESS:** That's the key question. I think that's happening anyway by cultural change, but there are obviously instances where it's not. But second, it's individual boat accountability. I always thought that

was an idle dream, but it's really happening in everyday practice in, for example, the two fisheries which have on-board cameras. So that - on every boat, rather than 10 per cent physical observer coverage by human beings.

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And that system is actually working. Now, it's not necessarily applicable for every fishery, but it can cover a significant number of them, so that individual boat accountability and forced improvement programs, et cetera. And the Commission to some extent has identified that by mitigation measures. Need to be - the industry needs to adopt those, and is adopting them, et cetera.

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Because one of the drivers there which is the substance of your question, one of the drivers there is really industry associations. For example, the Northern Prawn Industry Association is very successful in monitoring and reporting to government. That kind of co-management is being successful. So it's an aggregate of different things that are working, but it's certainly happening out there without these explicit mortality limits except on, for example, the Geelong Star is a difficult issue for government. Now, the issue of them only being one dolphin mortality would lead to exclusions from major fishing - large fishing areas. It's really a good example of where this is not realistic.

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And where interactions are inevitable, totally accidental, quite - very, very, very small scale, but it leads to the shut down, virtually, of major operations. Now, whatever one's view of the Geelong Star and large scale capacity trawlers, that's not good fisheries management, and that's clearly identified in the vast report. We just don't think explicit mortality limits industry wide are the solution to it, and we'll go into some detail about that.

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MS CILENTO: I think what would be helpful is, if you can, is - I think we're actually on the same page in terms of what we're trying to achieve, and the way we've sort of talked about it is trying to get to a better understanding of what the sort of "as low as reasonably practicable" is, so that there is inherent risk, and how you manage that in a balanced and cost-effective way from everyone's perspective.

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So if you've got - if it's not - if you don't think it's this, and some views on how we could achieve it, and particularly if you've got examples of where industry associations are playing a constructive role in achieving a better outcome, that would be very helpful for us.

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MR JEFFRIESS: Okay, thanks. The third thing is this Australian fish name standard, which the Commission's done a very good concise job on

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analysing the COOL issue, the country of origin, and things like an Australian fish name standard.

5 I understand the issue, and more red tape or whatever it may be, but the problem with the - not - the standard not being compulsory is what is an option for anyone to resolve the false description that is so common in, you know, consumer circles and sometimes in industry - or the catching industry itself.

10 We have had real-life experience of this, for example, where the mis-naming of Longtail Tuna was called by various companies as Northern Bluefin Tuna. Now, when you look at the options or alternatives to having a compulsory standard, they really to go - the only option is to go to the ACCC. Now, that's a very tortuous process. It's not a good use of
15 the ACCC's time. We might have won that particular battle, because the mislabelling was so clear cut, but for normal associations and individuals to do that is a big call and not a good use of public funds, I don't think, through the ACCC.

20 So the standard, a compulsory fish names standard by experts - and most of these things are pretty clear cut. You know, you can tell by the look of a fish what it is, what its description - its scientific name should be. Can only be achieved - well, most cost effectively achieved through a compulsory standard against the alternative of ACCC action or whatever
25 it may be.

So it's really a comparison. How do you achieve the outcome most cost effectively and not wasting the time of a very important organisation like ACCC? So the standard does address that issue, and I don't see any other
30 alternative but to make it compulsory.

MS CILENTO: Just on that, if you've got information about the process with the ACCC and what that entailed, that would be useful for us also.

35 **MR JEFFRIESS:** Okay, thanks. So that was all I had, Melinda. There's a lot - I mean, it's a very, very good report. I think when people refer to it as a very good reference document, probably within the Commission, well, what's the point of spending all this time and money on a reference document?
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But I think what it does is, for example, very clearly identifies the cost of regulation. As one example, the 14 per cent in Australia average and 7 per cent in New Zealand, albeit with different federal structures or whatever it may be, but for example - and it refers to the Australian Marine Managers
45 Forum, which has really, up until now, been - hasn't really achieved what

it might have achieved given the level at which it operates, et cetera, and the need for more cost-effective national management. Not national management, but better coordination between the current jurisdictions.

5 You know, it's a very important coordination - well, data coordination, standards coordination, document which people just can't ignore. Because people can say, wherever they're coming at it from, this is the reality of what it's costing. There's plenty of case studies in the draft report about how to do it better. It's not something people can walk away and say, well - or just ignore.

15 **MS CILENTO:** Well, thank you very much for that. I'm sure the team that's worked long and hard on it will appreciate that feedback. And thank you for your time, and I look forward to receiving your submission and reflecting a bit further on some of the issues you've raised.

MR JEFFRIESS: Okay. Thanks, Melinda.

20 **MS CILENTO:** Thanks for that.

MR JEFFRIESS: Bye.

MS CILENTO: Bye.

25 **MS CILENTO:** Hi Tristan, it's Melinda speaking.

MR SLOAN: Hi, Melissa.

30 **MS CILENTO:** How are you?

MR SLOAN: Pretty good for a Friday morning.

35 **MS CILENTO:** Well, thank you for joining us. We've obviously released our draft report, and happy to take your comments either on that or any more general observations you'd like to make about the work we're doing.

40 **MR SLOAN:** Yes, look, the overall report from the perspective of the Amateur Fishermen's Association was received to us. Certainly, you know, the acknowledgement that recreational fishing effort is a large contributing factor to the use of fisheries resource, and there needs to be greater management and recognition around that. So that was - that was certainly welcome.

45 We did have somewhat of an issue with the recommendation for

recreational fishing licences. I'm not sure if you know the history of the Northern Territory when it comes to fishing licences. It's become a very political issue over the last couple of years. I suppose the main reason around it, the NT tourism economy is so heavily dependent on recreational fishing. It's a \$100 million economy, right after oil and gas, which is the biggest one.

We have, I suppose, a relatively small population in relation to the rest of Australia. I mean, the Territory's population is only about 225,000, and in our last survey, which was 2011, we registered 40,000 people classifying recreational fishing as their prime recreational activity. So certainly a very large user group for Northern Territory fishermen.

MS CILENTO: Do you know - just - sorry, go on?

MR SLOAN: No, you go, yep.

MS CILENTO: I guess the interesting issue for us is just to try to understand a little bit more what their specific objections are in terms of, you know, whether it's the administrative burden of the licensing system, or if it's the concerns you'd have around what licensing fee might apply, and I guess that's against the backdrop of really us wanting to advocate for licensing not so much as a revenue raiser - not as a revenue raiser but as a means of trying to get additional information around recreational fishing activity so that it can better be incorporated into fisheries management.

So I guess the three questions I have are, you know, is it the administrative issue, is it the licensing costs, and if not a licence, do you have any ideas about how we might better inform fisheries management of recreational take and priorities?

MR SLOAN: Look, it certainly isn't the cost. I can clarify that straight away. I mean, if you look at a yearly licence in New South Wales - and I was a recreational fisherman in New South Wales for many years - I think it was \$25 for a year, and most fishermen, especially boat based fishermen up in the Northern Territory, would probably spend in excess of \$100 per day to go fishing. That's per day.

So \$25 a year isn't a burden for the average recreational fisherman. As I said before, if you look at our statistics, we have 40,000 recreational fishermen in the Northern territory at \$25 per year, that only works out to a million dollars, so there's really no revenue in it for Northern Territory fishermen.

(indistinct) boat ramp up here to build costs about \$6.5 million, so there's - it certainly isn't - well, we certainly don't see it as a revenue raising opportunity. We do agree there would be some, I suppose, scope for research regarding it, but probably one of the major points I made, with the Northern Territory's extremely large Indigenous population, and it's got the biggest population of, you know, Indigenous and traditional owners in any state or territory in Australia, it may skew the research results quite significantly.

You know, we look at, say, a town like Katherine in the Northern Territory, which up to a third of the population including the town camps are Indigenous, and a lot of these people, in fact all Indigenous people in the Northern Territory, have the customary right to fish as a cultural activity.

So what you're really looking - and I'll just use Katherine as an example as well. If you were to bring in a recreational fishing licence, you looked at the Katherine River, statistically you'd only get two thirds of the actual research on recreational fishing applicable, and that's counting adults only as recreational fisherman, because similar to other licensing systems in other states, children under the age of 16 are excluded and obviously pensioners are excluded as well on the licensing system.

So what we're really like to see if a licence was introduced for the Northern Territory is a licence that covers all recreational fishing effort, exclusive of age or Indigenous heritage. We're not saying you would need to charge Indigenous for a licence. We'd certainly have to respect their cultural rights to fish. But there would need to be some way of accurately capturing all the effort for recreational fishing to make some management decisions and inform any future science.

If we didn't do that, really, you know, as my background as a fishery scientist, I don't think there's any real research of management implications could be drawn out of it, unless we capture the whole of the recreational fishing effort.

MS CILENTO: Yes. I mean, I think - I think we're on the same page, in that we've identified the need for both more information around recreational fishing as well as Indigenous and cultural fishing activity, and there's no doubt that in the Northern Territory the latter is very significant.

So if - I mean, if we - if the licensing - if a recreational licence is introduced in conjunction with efforts to better understand Indigenous catch and take, are you saying that you would be supportive of that?

MR SLOAN: We would be, bearing in mind there are significant roadblocks for that, really, really big roadblocks. I mean, the Northern Territory government struggles with driver's licences, it struggles with car registrations. We don't have boat registration, nor do we have boat
5 licences either, one against recognising the huge amount of our Indigenous population and the difficulty in policing and managing that.

To put your idea into perspective, there's 15 water police for the whole of the Northern Territory. 15. And at any one time, only eight of those are
10 actually operational. The others might have been having time off, they might be second to other duties, they might be mentally unwell for duty, or, well, physically unwell, in many cases.

To effectively administer, manage and regulate a licence system, as I said,
15 the Northern Territory can't even do it with car licences or car registration today. They haven't even - they will never - to this stage will never attempt to do boat licences or boat registration, once again because they recognise there isn't a financial contribution for it, and the management and administration is almost impossible.

20 So while we are supportive, there's some really, really big questions around whether it will be economically feasible, and whether they'll be able to - if the Territory was to govern or administer a licence system on behalf of the Commonwealth, as was suggested, whether it would be
25 actually feasible, and whether the results and the research that came out of it would be applicable and be able to be used.

MS CILENTO: Do you have - thank you for those comments. Do you
30 have a view on how a licensing system might best work for tourists?

MR SLOAN: Well, that's - I mean, it depends. If they fish by themselves, obviously we look at a similar operation to what they have in southern states where you can go to your local tackle shop or a servo or even, you know, motels as well that sell - sell three, five, seven days
35 licences.

It's different to actually use the service of a fishing guide. So there's 96
40 fishing guides currently operate to run a business. Sorry, let me rephrase that. There's 96 tour fishing operating licences in the Northern Territory, with often multiple fishing guides working under that one licence.

They would, I would assume, incorporate any recreational fishing licence fees into their fee structure, similar to what they do when they, say, operate in Katherine National Park, so you would pay \$300 to employ the
45 service of a fishing guide for half a day, and then they would add the cost

of entering to Kakadu National Park on top of that service charge.

5 **MS CILENTO:** Okay. And if it's not - if we go back to the sort of original intent of licensing, which is to try and get a better handle on what activity is taking place, if it's not a licensing regime, what do you think the best alternatives are?

10 **MR SLOAN:** That's an excellent question, and obviously we tossed it around our committee, and you know, we've got 6,500 members and we've struggled with this for the last four or five years. Because we recognise there is a need for more research. There is a need to capture data in the recreational fishing population, how much fish they catch, the economic contributions to the community, the impact on the Territory lifestyle, and so far we've drawn a blank. And so have the last three
15 successive Northern Territory governments as well. And I'm not sure whether the current one has had an epiphany on how to best do it either, but it certainly has been a heavily debated issue for many, many years with no obvious solution at this stage.

20 The only solution that has been touted as possibly reasonably successful is incorporating some type of, you know, fishing licence with a boat licence. So right now you don't need a licence to operate a power boat in the Northern Territory. There's no speed limits. There's no blood alcohol limits. Basically anyone at any stage of a day or night can hop in a boat
25 without any qualifications and drive it.

30 The government has deemed - I suppose this government, the previous government, has a very "softly, softly" approach towards boat licensing, because they've had political kickback in the past, but more and more the idea is gaining traction with the general recreational fishing community.

35 What we would simply do, and this is, as I said, an idea that's slowly warming up, is the fixed boat licences to trailer registration. So while you're not required to register your boat or have a boat licence in the northern territory, you are obviously required to have a trailer registration, the assumption being that a boat would sit on the trailer, and then you would attach some type of fishing licence to the actual boat.

40 The reason behind this is there's a very, very, very minimal amount of land-based fishing that goes on in the Northern Territory. The vast majority of it is boat-based, the reason being we have such huge tidal movements. You're looking at eight metres plus. You always have the presence of crocodiles. You know, the threat of crocodile attack is very real. Every year on average three fishermen get killed by crocodiles in the
45 Northern Territory, predominantly standing on the bank, and also you've

got obviously access as well. Northern Territory parks, and the small CBD area around Darwin and Palmerston is very remote and very hard to access, and when you do put boats in the water you are fishing boat based. It's not off the land.

5

MS CILENTO: Yes.

MR SLOAN: So what we have tossed up, and we've seen a bit of warmth from the general public and from various political parties, is the prospects of a boat licence. If you were to somehow capture recreational fishing effort, we would allocate a recreational licence per boat.

10

This has been recognised by NT Fisheries. All the fishing surveys they do, recreational fishing surveys, none of them specifically target land-based fishermen. They're all done at boat ramps, because they recognise that 90 plus per cent of fishing effort in the Northern Territory is boat-based.

15

MS CILENTO: How many boat ramps do you have in the NT?

20

MR SLOAN: That's a real - well, official boat ramps? We have - because that's a really - a boat ramp up here is defined as somewhere you can put your boat in the water, which can be a very broad definition.

25

MS CILENTO: So you can't get your eight fisheries manager guys to go out there and start surveying boat ramps?

30

35

40

MR SLOAN: You can in the more populated areas, so major townships, the bitumen roads and designated concrete ramps you can. I mean, you're looking at Darwin, Palmerston, Katherine, Groote Eylandt, Nhulunbuy, those type of areas, have actually good designated boat ramps. As I mentioned before, there is a high cost in building a boat ramp. You're looking at on average \$6.5 million. Unlike in southern states, we have a huge tidal movement, 8 metres plus, so you really need to almost quadruple the cost of boat ramps, you know? Say on the south coast of New South Wales, a big tide, a full moon tide, is two metres. So the cost for a Northern Territory boat ramp is four times that of what you would find in the southern states, and then you have to put stuff in such as crocodile prevention barriers, disposal bins so people don't dump their fish carcasses in the water to attract crocodiles, enough lighting that it's safe to launch a boat without being attacked by a crocodile, et cetera, et cetera. The costs really mount up.

45

In the greater Darwin zone, off the top of my head we've got 12 boat ramps, designated concrete boat ramps with secure parking, adequate

lighting and pontoons for launching and retrieving your boat. Outside of that, I would hate to take a guess.

MS CILENTO: Yes. Do you survey your members at all?

5

MR SLOAN: We do. Yes, we do an annual survey before our AGM, and we basically run on - I suppose we survey based on past projects. So every annual general meeting we will propose half a dozen projects as part of our strategic plan, split into short-term, long-term, and extremely long-term, normally election cycle, which is four years, and then prior to the AGM we survey our members to see what their thoughts are and whether they have recognised any additional work we need to be doing to accurately represent recreational fishing.

10

15 In saying that, that's why I can confidently say to you, look, the public sentiment around recreational fishing licences is slowly changing in the Territory, certainly in the last 12 years, predominantly driven by people who've moved to the Northern Territory for work or for the lifestyle, where they come from southern states where recreational fishing licences are already in place and they can see the benefits.

20

MS CILENTO: All right. I didn't have any other questions. Did you have anything else that you wanted to raise with us?

25

MR SLOAN: No, that was it. I only had a couple of very short, very brief points. Just to put the Northern Territory, I suppose, into perspective in comparison to the other states, we really have a unique situation up here, and that, as I said, may influence the recommendation of that productivity report into research.

30

We recognise and we're certainly supportive of the majority of the report, and we certainly recognise that there is need for more research, and we welcome that. The actual structure or how we go about it, as I said, is certainly a complex problem in the Northern Territory, and I don't think we can really use a one size fits all solution.

35

MS CILENTO: I appreciate that perspective. Thanks for taking the time to speak with us today.

40

MR SLOAN: My pleasure. Enjoy the rest of your Friday.

MS CILENTO: Cheers, you too.

MR SLOAN: Thank you, bye.

45

MS CILENTO: Done. It's morning tea time.

ADJOURNED

[10.30 am]

5

RESUMED

[11.09 am]

10 **MS CILENTO:** I said this in the morning but I'll tell you that in the event of an emergency you should look for the green exit signs, look for and listen to the floor wardens, don't use the lift, and we'll meet over there, outside. If you can't use the lift, you need to tell the floor warden.

15 **MS OGIER:** Right. And that floor warden will wear a hat and will know
- - -

MS CILENTO: I am assuming it would be a green hat.

20 **ASSISTANT:** Red hat.

MS CILENTO: Red hat.

25 **MS OGIER:** Okay, thank you.

MS CILENTO: They will make themselves known to you. Thank you for coming. This is going to be pretty informal, so more a conversation around your thoughts and reactions to the draft report. I should advise you formally, though, that we do record lots of the proceedings, and so
30 whilst you don't take an oath, there is an expectation that you will be truthful in all that's said.

And so, apart from that, thank you for joining us, and over to you, to either opening statement, or I'm happy for you just to go straight into
35 thoughts on the report and recommendations.

MS OGIER: Thank you. Thank you very much, Melinda. We thought we'd start by, well, thanking you for the opportunity to come up and to present. We are also putting in a written submission, but we felt that this
40 opportunity would present would highlight or emphasise some of our intent and the points we make in it.

I'll firstly introduce ourselves. So I'm Dr Emily Ogier. I say my last name slowly because it gets mispronounced. And I'm a social scientist. I
45 work in marine industries, and we work - both Klaas and I represent and

work for the Institute for Marine and Antarctic Studies, which is a research institute affiliated with the University of Tasmania.

5 Klaas is a resource assessment scientist who works quite directly with quite a number of our high-value fisheries in Tasmania, but has also worked in the Torres Strait and works with some Victorian fisheries also. And back to myself, I actually wear a number of hats too. As well as being a social scientist with a focus on policy and governance, I also have a role in coordinating the FRDC's social sciences and economics research
10 coordination program nationally, and my husband also is actually an active Tasmanian commercial rock lobster fisherman, so just to name those interests up. We don't, however, own any quota in that fishery, if that's an important clarification, or any entitlement.

15 So going on from that, we felt that you - that IMAS is in a unique position to comment on the matters in the report, and that position is - we argue that from a couple of points. So IMAS within itself as a research institute encompasses multiple disciplines. So I work across the Oceans Policy and Governance Program, but there's also a substantive fisheries and
20 aquaculture program in which both Klaas and I work.

We - so we have people with legal specialities, policy, political studies, but also economics, resource economics, social sciences, and fisheries - more classic fisheries biological sciences. But IMAS is not only a
25 research institute in the classic sense. It also has a really significant role in science provision for the state Department of Primary Industries, Environment and Water, which is the management agency charged with managing fisheries, and so in fact through the FMRC Sustainable Resource Management Collaborative Agreement I think is the term
30 between IMAS and DPIWE, the department just mentioned.

Through that agreement, IMAS actually supplies all of the fisheries assessments, and that is now including social and economic assessments of those fisheries and aquaculture sectors, so we argue that on this basis,
35 and our direct relationship with our agency, we have a high level of knowledge in relation to research, in relation to policy and policy advice, or the policy formulation processes, but also the operationalising of a lot of those drivers into - and we provide a lot of assistance in decision support for operationalising a number of those policy drivers.

40 And IMAS is increasingly being contracted to work with - in Victoria for EcoDev, the department there. We do some work through contract for the Commonwealth, for Queensland and for South Australia and for Western Australia. So we have quite an extensive understanding of what's going
45 on nationally.

5 The scope of IMAS' comments in relation to the recommendations,
comments and findings, so we are primarily coming at this from a
position of a public research agency. So our premise is - what we are
wanting to discuss are the premises and supporting information
concerning fisheries policy, management and assessment and resource
economics. That's our - if you like, the scope of our considerations. And
we're drawing on evidence from our own research - both Klaas and I
practice as researchers as well as science providers, science knowledge
10 providers - our experience in international case studies and also
background in resource economics amongst some of our colleagues.

15 So that's our background. The first point we'd like to raise is that IMAS
supports the vast majority of the draft recommendations, and we list that
in our written submission and the findings. There are a number that we do
not support, and that's what we wish to discuss today, but in general the
majority are strongly supported by IMAS.

20 The first point we want to raise is not so much in relation to not
supporting any particular recommendation, but is relating to one of the
premises we think which underlies a lot of what's recommended in the
report.

25 And that relates to the lack of recognition of the legislative goals of
generating community benefits, and it does have inferences for draft
recommendations 2.1 - sorry, 2.2, 3.1, 4.1 and 6.2. And the basis for this
comment comes from some - a research project that I'm leading which I
am unfortunately yet to fully report looking at fisheries management and
legislative objectives and how these are operationalised and then their
30 interactions with high level policy.

35 And that research has found that an explicit reference to generating of
community benefit to the wider community is stated in eight out of our
nine jurisdictional level pieces of primary legislation for fisheries
management, and that three of that eight actually reference that
community benefit be achieved through allocation and three of the eight
through the management of commercial fisheries, so having some bearing
on the private benefits.

40 **MS CILENTO:** Is it possible for you to say which ones they are?

MS OGIER: Yes. So of the eight of the nine stating community benefit,
the only one that doesn't is Queensland.

45 **MS CILENTO:** Yes.

5 **MS OGIER:** It says ESD. And I think it would actually be a fair inference that the concept of ESD includes - I think it's wellbeing to the national community or the regional community.

MS CILENTO: Yes.

10 **MS OGIER:** But the others actually explicitly mention community benefit. The three out of the eight - I have actually got it on my laptop, and I could pull it out perhaps while Klaas is speaking.

MS CILENTO: That's - it would be interesting to know - - -

15 **MS OGIER:** Well, I could insert that in our written submission, if you like.

MS CILENTO: That would be great, yes.

20 **MS OGIER:** Yes. So an important difference here, though, is the way in which these points are argued in the Commonwealth piece of legislation. And our primary point is that - the point we are raising in relation to community benefit relates to the states and territories, of which we have a great deal of familiarity, and the situation is really quite substantially different in the Commonwealth, where they have actually quite explicitly interpreted that concept of community benefit through the notion of maximum economic returns and that mechanism of delivering it.

25 However, we don't think that's the case whatsoever in relation to the states and territories, and therefore we have - we do not support some of the recommendations relating to tools and the recommendations for implementation of ITQs more widely, as well as trading between recreational and commercial harvesters, because we cannot find evidence to suggest that that results in equivalent increased gains in community net benefit as opposed to the generation of gains in private benefits through greater privatisation.

30 35 Just back to what is in those pieces of legislation, in the states and territories there is reference to private benefit, and that is an objective, like - or at least reference to supporting commercial fisheries. However, all of those objectives, none of them refer to an actual goal for those commercial fisheries in achieving efficiency.

40 45 If there is any kind of reference in that area, though, usually in regard to achieving viable commercial fisheries or that commercial fisheries are able to pursue industry development but are explicitly constrained by the

need to also consider the delivery of wider community net benefit.

5 So essentially we're arguing that we think an antecedent significant gap
prior to the consideration of any of these tools is that these state and
territory jurisdictions still need to actually have some - identify some
explicit mechanisms for how they are generating these broader community
benefits, and that this needs to be determined prior to creating quota
markets and other types of instruments. And that therefore has
implications - it justifies to some extent our responses to some of the
10 further recommendations in the report.

15 So we're really supportive of a much more nuanced view with regard to
considering which benefits in what form, is it through allocation, is it
through resource rents or other forms of rent capture, and then who those
benefits need to be distributed to prior to any decision about the quota
markets, just to reinforce that point.

20 So - and in particular, actually, we - IMAS strongly supports draft
recommendation 2.1 in relation to harvest strategies and the request for
further information about how to determine limits to catch and target
reference points.

25 However, we feel that this need to much more explicitly operationalise
how commercial - sorry, community benefits are going to be obtained
from the management of fisheries needs to be resolved prior to the
development of target points. That in kind of best practice fisheries
management, reconciliation of those objectives is achieved prior to the
setting of target reference points.

30 **MS CILENTO:** Can I just interrupt?

MS OGIER: Of course.

35 **MS CILENTO:** Just one quick question.

MS OGIER: Yes.

MS CILENTO: Based on your research, who does this well?

40 **MS OGIER:** Yes, that's a very good question. So even before that, just
to cite an anecdote, one manager, a very, very highly regarded manager
who's currently chair of the AFMF's sub-committee on fisheries
management, stated very clearly that their greatest struggle is how to
optimise social and economic benefits for their fisheries.
45

MS CILENTO: Yes.

MS OGIER: They don't have a clear handle on what those benefits constitute and then how - what looks like optimal - - -

5

MS CILENTO: Yes. So I kind of get the - I get your point, which is - so I think one of the things we identify in the report is that there is just this complete lack of clarity around how you even value some of these other benefits, and that there - and maybe we need to think about whether we've done this clearly now, but we have tried to say - what we are trying to say is that there needs to be clarity around the fact that these objectives exist, and we're pretty clear in saying they're not all monetary, and there needs to be a process for ensuring that they are appropriately factored into fisheries management decisions.

15

I gather from what you're saying that one, that doesn't go far enough, and two, it's maybe not in the right process, and that that all needs to be determined before you start talking about what the optimal allocation - - -

20

MS OGIER: Yes, that's right.

MS CILENTO: - - - or fisheries management technique is. But are there people - I mean, are there other jurisdictions overseas or people that you - is there an example that you can point to where you say, "Here's a process that works, or where we think they're sort of starting to get it right, or that demonstrates that it can be operationalised"?

25

MS OGIER: Sure. I'm not as familiar with overseas examples, and I think Klaas is going to refer to a couple of those examples.

30

MS CILENTO: Sure.

MS OGIER: But that's more in relation to how to go about gaining some kind of rent, I think.

35

MR HARTMANN: The resource rent allocation.

MS CILENTO: Yes.

40

MS OGIER: Yes. But in relation - in Australia, I think, South Australia and Western Australia are pursuing these with quite considerable depth. I wouldn't argue that - they wouldn't argue they had any resolution on it, but in South Australia they have both objectives of achieving wider community benefit through the allocation process as well as generating wider community benefit from the management of the commercial

45

component of the fishery, and they also have in their ESD risk assessment process, which is a prior step to the formulation of any conceptual objectives. They do consider wellbeing of regional communities et cetera.

5 But it still hasn't really come down to the level of measures or anything that could be really incorporated into sort of a trade-off, I don't think. So operationalised to that point of directly informing decisions in a sort of a semi-quantitative fashion, I wouldn't say it's at that point.

10 **MS CILENTO:** And is that - you know, they're sort of objectives. Are they clearly - the documents that we can point to that sort of say, "This is what's happening," or, "This is the intent", or - - -

15 **MS OGIER:** The intent is stated, yes. I think a lot of fisheries management jurisdictions - I mean, they recognise this as a gap or an absence of - it's certainly not really reported a lot in their fisheries assessment reports. There's a fair bit of economic reporting in - for South Australian fisheries, but we'd argue they don't necessarily - the indicators used do not necessarily give you a measure of community net benefit in
20 the way that we're describing it today.

But it's a move in that direction, and Tasmania is going to be attempting that too within the next year. But that's at the reporting level, not necessarily at the management level.

25 **MS CILENTO:** Yes.

MS OGIER: Western Australia they are - they have included social and economic operational objectives in their six latest harvest strategies. But
30 again, what they have done, which is admirable, is quite tightly define those benefits that they see being derived, and I think in the case of social benefits - in one case it was the absence of - no, I'll have to check on that, I'm sorry. But it's probably - they're working with what they've got, and it's still a fairly narrow take on those social and economic benefits.

35 **MS CILENTO:** Sure.

MS OGIER: But at least they - if you like, the mechanics of it are there. They're incorporated those objectives into their harvest strategies. And in
40 the case of Western Rock Lobster it's actually explicitly in their harvest strategy too, that they have a first objective of highest precedent, which is their sustainability objective, and once that's achieved the setting for the TAE can be - or is it TAC now, sorry? Yes, is actually adjusted according to social and economic objectives, which are greater levels of employment
45 and greater levels of locally available supply of that product.

However, they're also reviewing that because I'm not sure that they feel that that's a mechanism that's delivering the outcomes intended.

5 **MS CILENTO:** So that's WA?

MS OGIER: Yes.

10 **MS CILENTO:** Yes, okay. Sorry to interrupt.

15 **MS OGIER:** No, that's fine. So essentially the point I'd got to, I've actually addressed that point, that we feel that in the development of harvest strategy policy one of the points that has to be stressed is that these questions need - around what constitutes the type of community benefit that jurisdictions wish to pursue, for its jurisdictional community need to be resolved.

20 And we're by no means trivialising that task. We acknowledge the difficulty of it.

25 **MS CILENTO:** Can I ask a question? You might want to - you might be answering it later, but I guess one of the questions then is if there's scope to improve the efficiency of fisheries management, and I'm not trying to trivialise the observations you've made about private versus community benefit, but I mean, the community - this community benefit piece will presumably take some time to operationalise. Is it your view that progress on the sort of more efficiency sort of objectives should not be pursued until the community benefits are articulated?

30 **MS OGIER:** Yes, we do come to this point.

MR HARTMANN: Yes, I'll sort of get into that in a moment.

35 **MS CILENTO:** Yes, sure.

40 **MR HARTMANN:** But yes, so one of the concerns I guess I have is if you sort of launch forwards down the path of establishing an ITQ you allocate this access right to the resource, and it becomes very difficult to unwind that process down the track to meet these sorts of objectives if you did establish what they are.

45 **MS OGIER:** But in some cases, and I think we cite this in the written submission, there are some fisheries overseas which are not pursuing ITQs, but they have used their allocation policy, and they have - they give precedent to their Indigenous or customary allocation and their

recreational allocation using concepts like utility, and they - that has precedence, and only then, with what the residual is allocated - - -

5 **MS CILENTO:** So a community quota allocation.

MS OGIER: No. No, I think that's a - that's just a entry - - -

MR HARTMANN: So yes, they give priority access to recreational or first nations sectors, and then whatever's left is for the commercial sector.

10 **MS CILENTO:** Yes, then.

MR HARTMANN: And that may be then - that portion may then be allocated through an ITQ system.

15 **MS OGIER:** Or auctioned or whatever system.

MR HARTMANN: Or whatever the case may be.

20 **MS OGIER:** Yes, that's right. And so in some - for some jurisdictions that's a defensible mechanism for delivering community benefit, it's simply through the allocation mechanisms.

25 **MS CILENTO:** Yes.

MS OGIER: And then that commercial sector is - there's no questions about, in some cases, resource rent or other mechanisms. That is their mechanism.

30 **MS CILENTO:** Yes.

MS OGIER: So we're not stipulating which one, we're simply saying that's - it's at that point, it's a fundamental kind of antecedent question, I think, to some of these instruments, and that certainly the creation of any kind of market for quota, these issues need to be resolved, we think, prior to that.

40 And perhaps if there are these other mechanisms of capturing community benefit in place then there would be no barriers, necessarily or no policy based reasons not to pursue an ITQ in pursuit of efficiency if there are demonstrable community benefits being captured or gained through other mechanisms.

45 But your point, Melinda - we also do believe that in Australia we have a lot of excellent existing management tools, and often these are questions

of full implementation of some of these tools and the required political will to do so. And we again don't want to trivialise that either. I mean, our multi-jurisdictional situation in Australia makes having the strength of, if you like, ministerial push in certain directions, it gets diminished across the different jurisdictions. It's a very complex arena in which to make - to take leadership, I think.

MS CILENTO: And would you like to now or will you in your submission highlight the sorts of tools that you think we should be relying more on?

MS OGIER: It's in our submission, but I think Klaas is going to cover that.

MR HARTMANN: Yes, allude to that.

MS OGIER: Sure. Allude - yes, that's a good point. So that's essentially the - that's my predominant point based on the work I've been doing, and I think our next point, Klaas - - -

MS CILENTO: Yes.

MR HARTMANN: Yes, what I wanted to talk about was more that issue then once you have - once you've got an allocation for the commercial sector, how you go about managing the commercial sector, and in particular regarding the resource rents.

MS CILENTO: So this is - if I can give myself a title, it's how to better manage commercial for community benefit?

MR HARTMANN: Sure, yes, yes, yes, that sounds fair enough.

MS CILENTO: Yes.

MR HARTMANN: So first of all I want to discuss the draft finding 3.1. So our sort of feeling is that there's a lack of recognition of the negative impacts that arise from implementing an ITQ. Now, you know, first of all just sort of a quick one, in general our feeling is that maximising efficiency for Australian fisheries doesn't deliver the benefits to the Australian consumers and public as you might have with other primary industries such as cheaper milk from dairy efficiency, and that's due to the large international trade of seafood as compared to some other products, and the reliance of - and you know, the sort of strong preference from Australian consumers for cheaper overseas products than some of our valuable domestically produced fish species. So that benefit there is

probably not a large one.

Now, there are a broad range of reasons why ITQs haven't been adopted more widely on a sort of global scale - - -

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MS CILENTO: Sorry, could I just - - -

MR HARTMANN: Yes?

10 **MS CILENTO:** So if we've got a market where the consumer preference isn't there for some of the higher value product which is exported, then presumably the more efficient management you adopt would be the right outcome, provided you've got a vehicle for redistributing rents?

15 **MR HARTMANN:** Yes. So yes. So I will talk about the resource rents in more detail in a second.

MS CILENTO: Yes, that's fine. Yes, no, that's right.

20 **MR HARTMANN:** But exactly, it increases the resource rent, but then the question is who benefits from that.

MS CILENTO: Yes.

25 **MR HARTMANN:** And whether that benefits the public. So sort of on a - on a global scale, there are a broad range of reasons why ITQ haven't been widely adopted, even in, you know, some fisheries, some large value fisheries where they've, you know, seriously been considered. I'm going to just mention a few of those issues, which largely relate to privatisation
30 and the complexity of actually ensuring community benefits from the stock.

35 So one of the real challenges which often is just sort of - hasn't been given anywhere near the amount of thought it should have been is the initial allocation of the property rights to a public resource, which in many cases has essentially been gifted, so based on catch history or past participation in the fishery, that ongoing access right for perpetuity in many of our existing ITQ systems has effectively been gifted.

40 Now, the tradability component of the ITQ system inevitably leads to some degree of separation of ownership and fishing, which isn't necessarily a bad thing in terms of efficiency, but when you have that flexibility in the ownership of that access right and geographic sort of location or - of those owners, you can have some strange outcomes.
45

So increasingly in some of our quota fisheries the quota is owned interstate from a state perspective or overseas, so it's an increasing aspect in many of our valuable fisheries. So - - -

5 **MS CILENTO:** And what's the problem with the interstate ownership?

MR HARTMANN: So it depends again on the definition, as Emily was talking about, of community benefit. So in Tasmania, as I understand it, the public is defined as residents of Tasmania.

10

MS CILENTO: Okay.

MR HARTMANN: So if you're aiming to maximise the public benefit to the community, which I think is in fisheries management plans or - yes? Then if - you're aiming - if all the - if, in the extreme case, all the quota owners reside interstate then there's no public benefit to maximising the resource rental. And similarly for international ownership of quota.

15

Now - so in a lot of - yes. So if you then increase the efficiency of a fleet, effectively what you're doing is reducing things like employment, number of vessels, and in order to be able to increase the resource rent, which, you know, is the main mechanism by which that happens in fisheries, and so you are increasing that transfer of the resource rent to whoever happens to own it at the cost of employment and local industry and local activity, particularly in sort of regional fishing ports.

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MS CILENTO: Can I - - -

MR HARTMANN: Yes?

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MS CILENTO: Have you got, or would you be able to include in the submission direct - sort of pointing as to some references that might actually demonstrate the impact of the ITQs on employment and vessel numbers in places where they've been implemented?

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MR HARTMANN: I can include some examples. I don't know off the top of my head of any sort of larger surveys.

MS CILENTO: Yes.

40

MR HARTMANN: Sort of, you know, you could do a study globally or internationally but, you know, in most of our fisheries that I'm aware of there's been, yes, pretty rapid decreases - - -

45 **MS CILENTO:** Yes.

MR HARTMANN: - - - in vessel numbers and in employment.

MS CILENTO: Yes.

5

MR HARTMANN: And you know, there are some examples internationally with very nice analyses of the number of fishing ports reducing post ITQ introduction and - yes. So - and I mean, effectively that's - if you're seeking to increase the efficiency of a fishery, the main cost is the cost of going fishing, so if you want to increase efficiency then that's actually what you're trying to achieve. You're trying to reduce employment, you're trying to reduce the amount of capital that's in the vessels and so forth.

15

So it's not - you know, it's not disparate to that, but then if you are seeking to increase that efficiency and you want to maximise public benefit, you have to think about where that resource rent is flowing. So a lot of the sort of efficiency improvements we discuss and which are often supported by publicly funded or subsidised science and management increases the wealth of the quota owners at the cost of employment.

20

And so, you know, in our view it's critical that that flow of the resource rent is considered explicitly in that case. So for example, you know - quick example in Tasmanian Rock Lobster fishery post-ITQ introduction that the ITQ has increased in value substantially, so now at the moment the value of all the quota units would be about \$500 to \$600 million, and there's been increasing separation of ownership from actual fishing activity, which also leads to some interesting management problems where when you are trying to get a - so when management tries to seek industry feedback on proposed management arrangements that might increase efficiency of the fishery you get very split opinions. So these people that are leasing their quota and don't stand to benefit from the property right becoming more valuable will oppose changes that increase efficiency, as they see it as a threat to future employment in the industry.

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So you're mis-aligning that incentive there for fishers to also pursue efficiency improvements. So on that one, our recommendation really is to - for the Productivity Commission to find - to include a recommendation for the establishment of quota management systems, but more broadly, so inclusive of but not constrained to ITQs for fisheries where they're not currently in place.

40

So what needs to happen is to avoid the initial gifting of the public asset to private companies, as has occurred in the past and has been the primary allocation mechanism, and to ensure that our property - there are

45

appropriate mechanisms in place to capture the resource rent, thereby maximising the public benefits, so hence being consistent with the legislation.

5 **MS CILENTO:** Klaas, can you - and one of the things that we've grappled with, because we did grapple with this a little bit, is how you - this might be operationalised in a way that actually ultimately delivers that benefit through the - and whether it's a resource rent tax or whatever.

10 **MR HARTMANN:** Yes.

15 **MS CILENTO:** And we sort of bumped up against - I guess there's maybe a little bit of chicken and egg in a lot of the fisheries, because poor - inefficiencies are weighing on the commercial reality of the fisheries, so if you went to them and said, "We want to redistribute - we're going to improve efficiency and redistribute rents," the first reaction is, well, there aren't any rents to redistribute.

20 **MR HARTMANN:** Yes. So that gets to another point I want to make in a little bit, which - I mean, when you look at any fishery that currently sits on the quota, the actual value of all the quota units is the net present value of the fishery. So even if the accounting profit for a lease fisher might be zero, because they're paying lease or for a quota and again might be very low because they're paying interest on all the capital they've had to
25 borrow to acquire the quota, whatever the value of the quota units is is actually the value of the fishery, so that's, you know, the net present value of that string of resource rents.

30 And there are quite a number of fisheries around Australia where that's large. You know, just in Tasmania, the Rock Lobster fishery is around that \$500 million value. So - - -

35 **MS CILENTO:** But if you look - I mean, again, are there examples where you could point to overseas where you think there's a similar economic reality - - -

MR HARTMANN: Yes.

40 **MS CILENTO:** - - - that's - where there is a system in place to effectively capture those rents?

45 **MR HARTMANN:** Yes, so one example that I like is in Chile they have a system where - in some of the fisheries where the quota is auctioned off every 10 years for a 10 year period. So it's auctioned off by the state, so thereby capturing that resource rent, and it's for a 10 year period, so a

- business has a certain assurance about its, you know, medium-term involvement in the fishery, and also to avoid sort of, you know, really big changes. It's only - it's 10 per cent of the quota that's auctioned off each year.
- 5 But effectively, if that is implemented and works properly and you have a good auction market, then you would be recovering the full resource rent to the state.
- 10 **MS CILENTO:** And the full resource rent on that proportion of the - on the 10 per cent?
- MR HARTMANN:** Well, on the full quota. So every year 10 per cent of it is auction off - - -
- 15 **MS CILENTO:** I'm sorry, yes, all right, yes.
- MR HARTMANN:** Yes. It's not just 10 per cent that's under that system, but every year 10 per cent of the quota is auctioned off, so that -
- 20 you know, the 10 per cent that's just expired is auctioned off.
- MS CILENTO:** And do you know how much revenue that's generated for them?
- 25 **MR HARTMANN:** So I don't - I don't have any details of it. It's not an area I've actively researched. Just - I've seen it discussed, and I think there are some issues around the efficiency of those auction markets.
- 30 **MS OGIER:** Okay. I mean, we do have an example in the written submission provided by another colleague in which one per cent of the Rock Lobster TAC is retained by IMAS for research quota.
- MS CILENTO:** Yes.
- 35 **MS OGIER:** And that is auctioned off every year. It takes a couple of phone calls, and it recovers about 350K a year. And if that were taken to that sort of - even, like, a 10 per cent level or something like that it would be considerable.
- 40 So - and I mean, I guess that one per cent has no direct bearing on profitability of firms.
- 45 **MR HARTMANN:** Yes. So I mean, that - the example I mentioned is an ambitious one where you're trying to recover the full resource rent from the resource, whereas if you are aiming lower and just recovering a

small proportion of the resource rent there are numerous examples, like this one Emily's mentioned.

MS OGIER: Or the abalone royalty deed.

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MR HARTMANN: Yes.

MS CILENTO: So what was that, sorry?

10 **MS OGIER:** Tasmanian abalone royalty deed. So they pay - it's
currently 5 per cent in royalties each year through a deed. So that's - that
actually both strengthens their property right. I mean, generally property
rights for fisheries in Australia are more like quasi property rights, but the
15 royalty deed for abalone essentially makes it a much more bankable
property right.

But it requires that quota unit holder to pay a 5 per cent of their quota unit
price as a royalty deed payment once a year, and that returns to the state to
cover - it's an interesting one. It's not officially a cost recovery
20 mechanism, but it - our understanding is that it's used to offset partially
the costs of management. But it's called a royalty payment.

MR HARTMANN: Yes, so that's one of our recommendations in our
written submission, is that a royalty or a royalty lease system is applied to
25 fisheries, so similar to mining or forestry, which would ensure that any
efficiency gains that you appropriate through something like ITQs provide
community benefit. So if it's on a percentage profit basis or percentage
value basis, as is the case here - - -

30 **MS CILENTO:** I hate to be sounding like a squeaky wheel, but anything
that you can point to where it's been implemented effectively - - -

MR HARTMANN: Yes, so the Tasmanian example.

35 **MS OGIER:** So we've got a couple of examples in there, yes.

MS CILENTO: Yes.

40 **MS OGIER:** And I think, too, Klaas, we discussed a point earlier that it's
important too that that initial allocation often happens at a time when a
fishery is just coming out of a developmental phase, and its measured
value is ostensibly quite low, but as we saw historically with Rock Lobster
and abalone in Tasmania, but then across time and under current market
conditions you can anticipate the long-term forecast for a number of
45 Australian fisheries is going to be - they're going to increase in

profitability, and so there's a lost opportunity there if we don't - if we regard them as currently too unprofitable in their early exploratory phase to use any - implement any of these mechanisms it's very difficult to retrospectively implement them.

5

MR HARTMANN: Yes, and I think that's happened in a number of fisheries, where at the time of the initial allocation the fishery was not particularly profitable, so it wasn't seen as such as a big loss to the public to just allocate those rights on the basis of catch history, and subsequently down the track as the fishery has become more efficient or the markets have picked up it's turned out to be a very valuable resource and a very valuable right that was gifted.

MS CILENTO: And just out of interest, what would your response be to fishermen who would argue that yes, they acknowledge that the resource that was gifted has now proven to be quite valuable but partly that also reflects the investments that they've made and the innovations that they themselves have developed and all the rest of it, and the thorny issue of how you account for that or compensation or otherwise.

20

MR HARTMANN: Yes, I mean, compensation is a tricky one. I mean - and really the problem occurred at that initial allocation, and it's hard to unwind it. I think there's no good answer for once you have allocated something how you then, down the track, recover something.

25

So there are some examples sort of - some fisheries, for example, mainly in other sectors where that property right is diluted. So for example in a fishery you could say, okay, every year there will be a certain number of new units of quota that will be issued, and the TAC will be divided by a larger number of units of quota, and those units of quota would be auctioned off or, you know, they would be owned by - used for research or for management purposes, and that slowly sort of recovers some of the public benefit from the resource.

30

Yes. So the issue of - yes, the intellectual property one in terms of, I guess, market development or understanding of fishery grounds is another challenging one where I think that having a quota allocation as limited lifespan is a nicer arrangement, so there's an understanding that a firm has an access for a certain number of years so, you know, what they put into it they'll get out over that period.

35

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And if that's presented up front then I don't think there's a problem because they're aware of what the conditions are. It's just once you've allocated it, changing that down the track is a challenge.

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- 5 **MS OGIER:** And some of that market research, for example, too, is quite subsidised or matched through public funds as well, through AusAid - sorry, DFAT and other - you know, arrangements to match industry contribution, so it's not entirely industry investment.
- 10 **MR HARTMANN:** Yes. So that's a good point, which I sort of raised a little bit before, is that a lot of the science and management that occurs to increase the efficiency and increase the value of the fishery is in part subsidised by the public as well.
- 15 **MS CILENTO:** Yes.
- 20 **MR HARTMANN:** So I know a lot of our research funding is subsidised at a federal level. It isn't all industry paid.
- 25 **MS CILENTO:** So given that most of what the resource that we're talking about have been allocated, and they are - it's an issue of reallocation, and the implications of how you might better manage and deal with that, does that have any - like, because I take the points if you're sort of - if you're sitting here now and you were going to do some things differently, particularly knowing that some things have become very valuable including there's an export market, but - so what are the implications for how we do things when it's a reallocation decision?
- 30 **MR HARTMANN:** So I guess my first comment on that one would be that these comments were largely sort of, you know, largely talking in the context of draft finding 3.1 - - -
- 35 **MS CILENTO:** Yes.
- 40 **MR HARTMANN:** - - - which was pushing the introduction of ITQs - - -
- 45 **MS CILENTO:** Yes.
- 50 **MR HARTMANN:** - - - across a broad range of fisheries. So there the allocation isn't secure as once you have an ITQ system.
- 55 **MS CILENTO:** Yes.
- 60 **MR HARTMANN:** So I think there before you launch into that and allocate secure property rights, that's where you need to think about it.
- 65 **MS CILENTO:** Yes.
- 70 **MR HARTMANN:** The - but to answer your question, once you do have

- that secure property right then, yes, it's a challenge. And you know, one - there are different ideas. One concept I liked, but it hasn't progressed, was if you - there might be a certain management control, management measure you can relax, like an input control and an output control fishery, to make fishers more efficient which would, you know, increase the resource rent, and you could auction off the right to fish with that relaxed input control, so you'd recover the additional resource rent. So there are mechanisms like that that are possible.
- Another one - I mean, a lot of fisheries are subsidised through research and through management, so moving to something like cost recovery wouldn't in my view be a sort of inequitable move. That would at least reduce that level of public subsidy.
- MS OGIER:** Because it's just earlier, some of those mechanisms you talked about about purchasing the - well, purchasing the ability to pursue certain fishery strategies, if you like, is already being investigated, I think, around some biodiversity constraints, I think, too, so where you pay a higher level of - I don't know the details, I'm sorry, but you pay - essentially the operator - a firm pays a fee to fish in an area with a higher ecological risk of fishing activity.
- So anyway, I guess it's like - maybe that's more of an offset concept or a compensatory kind of concept.
- MS CILENTO:** Yes.
- MR HARTMANN:** Yes.
- MS CILENTO:** Or a selection - - -
- MS OGIER:** Yes, that's right, yes.
- MR HARTMANN:** Yes. So I guess across a few of the issues we've discussed, it's sort of ongoing work and ongoing research into management tools, and - which then I guess is a little bit unclear in terms of putting out a productivity report - - -
- MS CILENTO:** Yes.
- MR HARTMANN:** - - - on where you go in an area where there isn't a clear answer yet, and my biggest concern there would be where you have that recommendation that is to further secure that property right, which then reduces your options in the future of applying new tools as you establish them.

5 **MS OGIER:** And I'm not aware of - I actually think a lot of Australia's fisheries are not yet under what you'd call very secure property rights arrangements as yet. I mean, Queensland's undergoing a lot of reform. In Tasmania it's three of our fisheries, I think, but we've got sections of fisheries that aren't, and some emerging developing fisheries that are likely to be possibly quite profitable in the future, like the sardine fishery, which is not yet.

10 **MR HARTMANN:** Yes.

MS OGIER: So there are opportunities. There's still - - -

15 **MS CILENTO:** I guess it is an interesting conundrum about, you know, how people perceive the strength or otherwise of property rights.

MS OGIER: That's right, yes.

20 **MS CILENTO:** And it depends on the circumstance of which they're arguing their property right as well, so we hear different and sometimes conflicting views.

MS OGIER: That's right, and all we've got is legal precedent, in a lot of cases.

25 **MS CILENTO:** Yes, yes.

30 **MS OGIER:** Another quick point, too, that - you are raising very valid points about the industry's concern in the face of some sort of retrospective attempt to recover rent, and I can see those. But I'd also argue, and I don't as yet have any substantive evidence, but that some of the basis for the reduced social acceptability of some of our commercial fisheries operators I think lies with the lack of ability to demonstrate community benefit. And so that's not necessarily a defence of any particular mechanism of capturing it, but there's simply no way to articulate or measure or more importantly evaluate whether that community benefit is sufficient, given access to a common pool resource.

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40 So I actually think there are indirect benefits to - or there's indirect value for the industry in some more explicit recognition of the fact - most fisheries, there are some form of community benefit being generated, but how - that question of optimising is probably where the tension lies.

45 However, I think this - I mean, in the case the fisheries we're mentioning, no - it's never raised in sort of the public debates, the fact that there are

some forms of rent capture (indistinct), and I think that's an under-utilised argument.

5 **MR HARTMANN:** That was one of the - you know, in a fishery that has had a lot of public attention, in the Small Pelagic Fishery, it was one of the big critiques of the introduction of the (indistinct) was, you know, what are the benefits to the public, and, you know, people were concerned that there would just be a small number of international people working on the vessel, and that would be pretty much it as far as the public benefit went.

10

MS OGIER: Along with taxation, yes.

MS CILENTO: Yes, all right. Anything else?

15 **MR HARTMANN:** So one other thing I wanted to just briefly mention was - so there was a few recommendations, 2.2, 4.1, 6.2, that sort of talk about a range of different management tools that you might apply. And particularly around the recreational sector. And for a lot of those, we feel that the correct management tools are in place in terms of things like bag
20 limits, daily catch limits, those sorts of things, but often it's the lack of the political - well, I guess the management's will or desire and the lack of guidance by management objectives to set those at appropriate levels, rather than that there's a lack of the right management tool with which to do that.

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So things like, you know, the recommendation to more widely look at tagging, you know, our feeling is that there are existing management tools that do a better job.

30 **MS CILENTO:** Including for higher value species?

MR HARTMANN: Potentially. So just in general I think our - our feeling was that in the report there's not enough of a recognition that there are valid existing tools, they're just not being applied well enough. Rather
35 than, you know, having to explore new tools to examine those.

MS CILENTO: Okay.

40 **MS OGIER:** And we also really endorse the use of harvest strategies for - so a triple bottom line approach to harvest strategies that would encompass recreational catch but also concepts of utility into setting the reference points. And there was also that related concern about the support for trading between recreational and commercial harvesters, and I think our point there being that's the same point in relation to ITQs, that
45 prior to that there needs to be some resolution of how the recreational

benefit is construed. Does it have precedence over the commercial allocation?

5 And that that - all of that would need to be resolved, and there'd have to be a different mechanism then for capturing community benefit if in some ways this recreational component was to be almost quasi-privatised or potentially privatised, given that the commercial sector could buy it out.

10 **MR HARTMANN:** And there are lots of international examples where recreational allocation takes precedence.

MS CILENTO: Yes, I guess we were sort of envisaging that that's an opportunity for rec to get more.

15 **MR HARTMANN:** That's an added value judgement, that they're on equal footing, whereas in a lot of international sort of circumstances the recreationals get sort of first access after - often after the Indigenous people, yes.

20 **MS OGIER:** Customary, yes.

MR HARTMANN: Rather than having to negotiate with the commercials.

25 **MS CILENTO:** Yes, okay. Great.

MR HARTMANN: Yes. Yes, so that was - - -

30 **MS OGIER:** What about the question about profit?

MR HARTMANN: I did talk about that.

MS OGIER: You did? Yes.

35 **MR HARTMANN:** Before, yes. So just I guess just to reinforce that, our profit of full equity issues - so one of the justifications for the Commission's decision not to recommend the capture of resource rents was the low value of Australian fisheries.

40 **MS CILENTO:** Yes.

45 **MR HARTMANN:** And some of the economic analyses on which that was based were based on profit of full equity, so the idea that the quota lease fees or bank interest on the capital used to purchase quota is actually included in that economic analysis, so when you look at that, it devalues

the fishery substantially compared to looking at the actual - at the net present of the profit strength in the fishery.

5 So you know, if you looked at a fishery like Tasmanian Rock Lobster worth, you know, \$500 million in terms of net present value, but if you actually looked - did that economic analysis on an individual business you'd come up with a much, much lower amount.

10 So yes, so there are a lot more - there are - - -

MS CILENTO: So you don't think that a fisher should be allowed to deduct the cost of production?

15 **MR HARTMANN:** Well, if you're trying to establish the value of a fishery, it's not about the cost of production, it's about the cost of leasing the quota. So if you're trying to value the overall fishery, that - it should be the value of the landed product minus the fishing costs, excluding the resource rent component, which is leasing and quota.

20 So if you add up the value of all the quota units in the fishery, what it would cost to buy your quota units, that's the value of the fishery, which is effectively what the market has decided the future profits coming from the fishery are worth. Whereas some of the Yukon Search analyses that were relied on looked at the profit minus your - the amount that the quota costs to lease in, so you would expect a very - if it was a fully - you know, if it was a fishing market, you would expect that that would actually be zero, you come up with a zero amount at the end of it.

25 **MS CILENTO:** And if you look at schemes overseas, that's the basis on which they're - an effective resource rent tax on fishing elsewhere, that's the basis on which they would collect the resource rent tax?

30 **MR HARTMANN:** I mean, there are a broad range of mechanisms there, so there's no generalisation there. But just in terms of - I guess the point here is that the justification for not collecting - one of the justifications for not collecting resource rent was that the fisheries aren't that valuable, and our counter there is actually they are, it's just how you measure it, and that bit of paper that says you can access the resource and you can capture it, in terms of, you know, one state fishery alone, is \$500 million, so that's a substantial value.

35 And it's just - yes. So it's just - our concern was that using something like the Yukon Search reports can lead to a bit of a misleading perspective on that.

45

MS OGIER: Yes, and that that measure is appropriate in other contexts, but from a resource economics point of view, valuing the - - -

MR HARTMANN: Yes, yes, absolutely.

5

MS OGIER: The value of the product, of the common pool resource, sorry, that a different measure is more appropriate.

10 **MR HARTMANN:** Yes. So that is a decision that in South Australia they've made on how they want the fishery to be evaluated economically, but in the context of deciding how big the possible resource rent is, of which you might like to collect a portion, that's an inappropriate way of measuring it.

15 Yes. Yes, so that was the main thing I just wanted to reiterate there, was that there are actually many valuable fisheries, so collecting resource rents from them is a feasible thing to examine. And also that it doesn't need to be a complicated mechanism. So as Emily mentioned before, there are things like research quota allocation that provides a very simple way of
20 collecting part of the resource rent.

Overseas there is, you know, some examples where fishing licences for SBT, for example, have increased dramatically in Indonesia to recover more of that resource rent for the public.

25

MS CILENTO: Okay, well, thanks for your time.

MR HARTMANN: Thank you.

30 **MS CILENTO:** When might we expect your submission?

MS OGIER: It's due at the end of today, isn't it? We'll be working on it shortly.

35 **MR HARTMANN:** Yes. It's mostly written, we're just - we'll address the comments you've requested.

MS OGIER: We'll add these to the comments, yes.

40 **MS CILENTO:** Yes, great.

MR HARTMANN: Yes.

45 **MS CILENTO:** I mean, with all the work we do, it's always helpful, I mean, for, you know, evidence or pointers to where this has been done,

because it won't surprise you that - I mean, a priority for us is to actually try to make recommendations that we think are able to be implemented, and implemented in a way which actually delivers the result that you're after.

5

And so where there's examples and you've highlighted some, but that's useful for us to consider.

10 **MR HARTMANN:** Yes, yes, yes. So I mean, that's one of the problems where there are a lot of open questions that remain in terms of how best to do things.

MS CILENTO: Yes.

15 **MR HARTMANN:** And it's an active area of research, so there's not - -

MS CILENTO: No, no, no.

20 **MR HARTMANN:** It's not necessarily that it will remain unanswered forever.

MS CILENTO: Yes, yes.

25 **MR HARTMANN:** So there are better answers coming down the track. So I guess my main concern is that things aren't locked into a situation where once better solutions become available you can't implement them - -

30 **MS CILENTO:** Yes.

MR HARTMANN: - - - without disadvantaging someone substantially.

35 **MS CILENTO:** Yes. Thanks for that.

MR HARTMANN: Thank you.

MS CILENTO: All right. We're ahead of schedule. Very efficient.

40

ADJOURNED

[12.04 pm]

45 **RESUMED**

[1.45 pm]

MS CILENTO: Thanks for coming in, Allan.

MR HANSARD: Thank you, no problem.

5

MS CILENTO: So we'll resume the hearings. Just for the sake of occupational health and safety, in the event that we have to evacuate, please proceed to follow the green exit signs down the stairs and out to the street. Please don't use the lifts. If you're unable to use the lifts, make yourself known to a fire warden, and if the fire warden's there you should of course listen to them at all times.

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The muster point is over that way, once you get out onto the street, or you can just follow us. Sorry.

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MR HANSARD: Sounds a great idea.

MS CILENTO: I try to do the right things here. So thanks for making the time to come and speak with us today. Happy for you to make any introductory observations, or just go directly to comments on the draft report.

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MR HANSARD: I'd like to make an introductory statement, if that's okay.

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MS CILENTO: Sure.

MR HANSARD: It's just short.

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MS CILENTO: Yes.

MR HANSARD: And then I'm happy to take questions or discuss any issues therefrom, okay? Okay. Can I kick off, or - ready to go?

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MS CILENTO: Please do.

MR HANSARD: Okay. Thank you for the opportunity to address the Productivity Commission's public hearing for the inquiry into marine fisheries and aquaculture. I am here representing the Australian Recreational Fishing Foundation (ARFF).

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The ARFF was formed in 2012 to unite recreational fishing representation around Australia. ARFF members and supporters include all national recreational fishing organisations, the fishing tackle and boating industries. It also includes the key recreational fishing organisations at the

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state level. This is why we say ARFF represents recreational fishing community.

5 ARFF welcomes the Productivity Commission's draft report for the inquiry into the marine fisheries and aquaculture. ARFF welcomes the statements made in the draft report on the need for greater recognition of recreational fishing by governments, and in particular for fisheries management.

10 It should be noted that the broader community is recognising the range of benefits recreational fishing brings to our nation, as is evidenced by Australia's first national Gone Fishing Day that will be held this Sunday on October 16.

15 It is the view of ARFF that recognition of recreational fishing in Australia needs to be translated into real action in relation to implementation of appropriate processes within government. These processes should recognise the significant economic, social and environmental benefits of recreational fishing to Australia and provide genuine engagement and
20 consultation on policy, development and implementation.

In this theme, there are some issues we wish to raise with the inquiry, and we'll be providing greater detail on them in our written submission. The first is government recognition of recreational fishing. And I note the
25 objectives of the Fisheries Management Act in these statements.

We note that as an election commitment, the current government has stated that they will recognise commercial fishing, Indigenous fishing and recreational fishing within the Fisheries Management Act 1991. We
30 would like to see this implemented as soon as possible.

Perhaps just as important is ensuring the objectives of the act and any changes to the objectives or other parts of the act are appropriately reflected within the respective government departments and processes. To
35 this end, we would suggest reviews of the following: the Department of Agriculture in relation to how it deals with the development of recreational fishing related policy and implementation; the Australian Fisheries Management Authority in relation to how it includes recreational fishing into the development and management of Commonwealth
40 fisheries; the Fisheries Research and Development Corporation (FRDC) in relation to how it establishes priorities, funds and coordinates research into recreational fishing issues; the operations of other departments where they have an associated responsibility for developing and implementing policy that impacts on recreational fishing activities.

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5 I would like to also now refer to information on recreational fishing. The draft also raised the issue of available relevant information relating to recreational fishing in Australia. ARFF agrees that this is an area that requires immediate attention. The level of economic, social and scientific information relating to recreational fishing at the national level is poor, given the popularity and breadth of economic and social engagement.

10 State level information is better. However, it is our view that information gathering in many states is not sufficiently developed to allow confidence in making key policy or fisheries management decisions for recreational fishing. ARFF recommends that a national survey of key economic, social and environmental information be undertaken immediately. We also recommend that the survey be sufficiently planned and funded to allow a maintained timed series of key national information to be establish. We recommend that this also be linked to improving information at the state level.

20 I would like to now move on to decisions on the Commonwealth and marine reserve system. ARFF is also concerned about how decisions about recreational fishing are made by other key departments within the government. A case in point is the current review of the Commonwealth marine reserve system. Decisions made about the system can have significant implications on the future of recreational fishing in Australia. It is disappointing that the independent scientific review into the CRMS did not address the government's policy on marine reserves.

30 In our opinion, the recommendations on access to reserve zones did not reflect the government's policy, and also did not appropriately account for the economic, social and environmental implications of their recommendations.

35 For example, though the review recommended that recreational fishing be excluded from over one million square kilometres of ocean, including many iconic recreational fishing spots, they concluded that there would not be any significant impacts of such a recommendation. This conclusion ignores the significant size of recreational fishing in Australia, the associated communities and businesses that underpin recreational fishing throughout Australia, and the significant impact on potential future development of recreational fishing in Australia (option value).

40 I thank the Productivity Commission for the opportunity to appear today, and remain willing to provide any further information to the Commission as required.

45 **MS CILENTO:** Thank you for that, Allan. If I can just start by sort of

just talking a bit more about the issue of collecting sort of relevant information, we made some recommendations in there about survey and timelines for repeat surveys and the like. Were they broadly in accordance with your suggestions or your thinking about what needs to happen?

MR HANSARD: Yes, I think at the national level it's important that - obviously the timing of the surveys is important. I think five years is probably okay to begin with. We'd probably suggest that in the first cut it might be worth doing it, say, three years - doing it every three years.

The reason for that is we don't actually know the variability of these key numbers, and setting it every five years may not necessarily be appropriate in the first instance, and until we actually test this in a timed series way we have no idea of knowing whether five years is appropriate or not.

MS CILENTO: Okay.

MR HANSARD: The other key thing here is that we have noticed in the past that there's been an ad hoc approach to actually collecting this data at the national level. It's been quite ad hoc. We strongly recommend that any future development of a survey take into account the ongoing maintenance of a time series of this. This means that there needs to be commitment over time to undertake the survey over a period of time. Like, it just can't be one shot, it needs to take into account the maintenance of the data and so it can be collected periodically and it has the funds to be collected periodically.

If we don't do that, we're in the same situation as we've had in the past where it becomes an ad hoc process which is not really very satisfactory.

MS CILENTO: Yes. So one - so there's a number of different elements of sort of information gathering, if you like, that we've sort of touched on in the report, and one is about the sort of - the fishing activity itself and where people are fishing and how often and catch and all the like. The other thing that we've sort of - we raised in the report and something we sort of grappled with, I have to say, a little bit is how do you get a sense of what the value - sort of broader value or benefit of recreational fishing is to the community and to the economy? Have you got any views on what the best way is to get your hands around that?

MR HANSARD: Look, there have been attempts to actually determine or estimate the value of recreational fishing through various parts of the chain, and this is probably the thing where we need to do some work, and that's in relation to setting up an appropriate framework to assess the

economic value.

5 ABARES has recommended one way of doing that, and has put forward an approach to do that. But I note some of the other states have also undertaken economic studies and have come up with other approaches. I think whatever happens going forward, we need to make sure there's consistency at the national level as well as the state level, so they can be matched up.

10 I'll give you an example. You know, the value of recreational fishing has been estimated before nationally at around about two to three billion dollars, you know, roughly. There was a recent report done in Victoria that estimated that within the state alone the value is over \$7 billion, so we need to be very careful that we set up a method and a framework that is
15 consistent, I think, and provides consistency not only at the state level but matches also with the national approach as well.

MS CILENTO: We feel - - -

20 **MR HANSARD:** Does that answer your question, or - - -

MS CILENTO: Yes. I mean, we - you'll see in the report we make known our views on some of the approaches that are taken to calculating that value, but if there are things that you think are worth us being more
25 aware of from your perspective in terms of how that might be done or the types of issues - the types of information that should be gathered in a consistent way, both from understanding the activity itself but also the value, that would be useful to include in your submission.

30 **MR HANSARD:** We probably recommend at the national level that the ABARES approach be adopted as the framework. You know, we were involved through the FRDC project that determined that, and that's quite a sound approach.

35 I think there again it comes back to the real value of that will be getting a time series of it and being able to actually see the changes that occur over time, and actually what's happening to recreational fishing not only at the national level but, you know, through the state levels as well. So you know, that would be our recommendation on that.

40 **MS CILENTO:** Sure. You talked about the need for different government departments and processes to sort of better reflect and take into account recreational fishing activity. Did you want to add to that now? I mean, I was particularly interested in the comments around
45 Department of Agriculture and AFMA.

5 **MR HANSARD:** Yes. You know, obviously recreational fishing needs to be taken into account as a user stakeholder in the resource. In the past I think we've commented that we don't think that's been appropriately done. It's been basically - if you have a look at the - so the Department of Agriculture, AFMA and even the FRDC have really focused on the commercial sector, and so though they've, you know, professed to take into account recreational fishing, we don't think probably it's been appropriate to the way they've done it to actually take into account the size and contribution of recreational fishing as a user stakeholder.

15 An example would be, say, the MACs and RAGs in AFMA. I think if you have a look at those MACs RAGs, they are made up of a number of commercial fishers, but not, say, one observer or one member from the recreational fishing community. That's probably not sufficient, and also we question whether the MACs and RAGs are the best way to go in relation to actually bringing stakeholder input into the management - the development and management of these fisheries. We'd probably like to see, say, as part of a review of AFMA, that addressed, and explored whether that is the appropriate way to actually develop and manage fisheries, given that they've now said that they want to bring in not only commercial fishing but Indigenous and recreational fishing into the act.

20 **MS CILENTO:** What would be your preferred sort of alternative to those sorts of arrangements?

25 **MR HANSARD:** We'd like to explore that with the government. Obviously there is a number of ways you could go about it, but I suppose what we'd like to see is that whatever process is set up, that it's genuine, that is - provides appropriate engagement, not only in policy development, which is important, but also in implementation as well. We think that they are two key things.

30 And that doesn't mean just consultation with us. It means actually real genuine engagement in relation to reflecting our views into fisheries policy and the way it's implemented.

35 **MS CILENTO:** There are a couple of other sorts of recommendations throughout the report that touch on or have implications for recreational fishers, including some of the issues around compliance and how we might achieve enforcement of regulations, but also what the appropriate types of management strategies and controls are in higher value fisheries. Did you have any comments on either of those?

40 **MR HANSARD:** This is in relation to, I think, the comments you were

making in relation to licensing as well, was it, or - - -

5 **MS CILENTO:** Licensing is an issue that everyone has picked up on in this sector. I mean, I think we were highlighting that from the perspective of largely using it as a vehicle for gaining information. But we also touch on how you get the compliance and enforcement and management right in terms of not having endless resources to ensure that people are doing the right thing, so we've talked about the balance between the risk of being caught, for want of a better description, and the sorts of penalties that might apply. Is that something that's of interest to your organisation, or that you've got - - -

10 **MR HANSARD:** Definitely. Our comments in relation to that is, you know, recreational fishers are, like, quite heavily regulated now. In some instances it could be argued that we are more heavily regulated than the commercial sector.

15 There always is this issue about compliance, how you actually monitor and regulate what goes on on the water. I think that's - more than anything, that comes back to being able to communicate appropriate messages about that to the recreational fishing community, and we would probably prefer to see that used as a way to perhaps get some - get change if there's needed to be change in relation to that, than putting more heavy regulation on or increasing the level of patrolling, for example.

20 Like, recreational fishers by nature understand, you know, their environment around them, and they largely do comply with a lot of regulations, input and output regulation. Obviously there's a lot of us, and I think a lot more can be done in relation to education of recreational fishers in relation to that.

25 Now, on that level, we've recently just released a code of practice for recreational fishers, and that's all about having respect for not only the fish they catch but also the rules, also the environment that they interact with, also others that they interact with as well. And that's all about bringing in some self-regulation, if you like, in relation to the way that we conduct ourselves in relation to the fishery and the environment.

30 Perhaps, you know, in the first instance we'd probably rather see that as an approach than moving into more heavily regulated and patrolled approaches.

35 **MS CILENTO:** How did you communicate the code of practice, or how do you plan to communicate the code of practice?

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5 **MR HANSARD:** Well, interestingly we've only just released it, but we aim to do it basically by a number of ways. We have - as you said, there is the national Gone Fishing Day on Sunday, and we're using that as a major launch for it. But there's one thing in relation to - there's a couple of things in relation to communicating with recreational fishers. There are licences, and we're working with the state governments to actually make sure that when people renew their licences they're aware of the code.

10 And the other thing is, is that there's one thing in a recreational fisher's life that they do, and they do go into tackle shops, okay? And we have connection with tackle shops right throughout Australia, so we're starting a campaign to actually get the code put out through the stores so when you come into a stores and buy some gear, we would like the store attendant to be saying to you, "And do you know there's a national code of practice?
15 And do you know if you abide by this you're protecting, you know, the future of recreational fishing in Australia and looking after, you know, our unique fishery for future generations?"

20 **MS CILENTO:** I didn't have any other questions. Did you have anything else you wanted to add?

25 **MR HANSARD:** No. I'd just probably like to reiterate that I think we do acknowledge that the government has recognised that they have to do more about recreational fishing. We do recognise that they, you know, have wanted to include us in the act. But for us, that will be only as effective as that translates through to how it is then enacted by the departments, because being in the act is great, but actions will actually really determine that, how effective that is.

30 And noting the act at the moment, if you read the objectives of the act, I'm sure you have, you'd have to question a little bit whether those objectives are really met now, because very much if you read them in the broader sense they're about maximising the economic value of the fisheries for all Australians, for all stakeholders, and you'd have to question whether the
35 process at the moment that we see actually really does that.

Perhaps the government's response in relation to wanting to recognise recreational fishing and Indigenous and commercial in the act actually is recognition that that - you know, that something needs to be done there.

40 **MS CILENTO:** Yes. It's certainly a point that we make, I think, throughout the draft report in terms of acknowledging that there's different types of value that derive from fishing, some of it clear and monetary, but also the broader societal and cultural values that accrue to
45 recreational fishers and Indigenous customary fishers in particular.

5 It sort of goes back to the conversation we were having earlier about, you know, what the best way is to try to account for that, particularly when it's not clear cut, and the benefits are many and varied, and would be across recreational fishing, much less including other groups of fishers in that, so I think, you know, one of the strong points we try to make is at the very least there needs to be clarity about the fact that there are those broader considerations that need to be taken into account, and there needs to be a process to ensure that that's done in a consistent way, and I suspect that that will evolve over time subject to the information that's available.

15 **MR HANSARD:** Also, if I could comment too, I think we did appreciate what the draft did do in exposing some of the - what we consider would be essential steps to put recreational fishing on more of an equitable footing with other user groups, and that's particularly in relation to the frameworks for, say, resource sharing for instance.

20 The actual framework to actually set up a resource sharing mechanism that takes into account the value of use of that fishery is very important to us. At the moment, we've touched on - we don't think the data's there.

25 The other thing is we - you know, I know ABARES has been doing some work in relation to this area in relation to, you know, what is the framework for resource sharing, but we think there's a lot more work that needs to be done in relation to not only the theoretical representation of that, but how do you practically then implement that into a fishery in a practical sense? How do you actually operationalise it? And what do you need to actually do that?

30 And there's some key issues there, I think. A lot of what you've said in your draft report relates to that, you know, and are key elements of that.

MS CILENTO: Yes.

35 **MR HANSARD:** So you know, we would encourage, you know, you to also, you know, look further in relation to that, and perhaps explore what are those key elements that you would need to do to underpin a framework that would allow, you know, appropriate resource sharing between all stakeholders of the fisheries.

40 **MS CILENTO:** And do you have sort of, you know, principles from your organisation or that you think should apply that we should be thinking about in that next step about how to operationalise these things, or - - -

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MR HANSARD: Yes, we do. I haven't them here, but we will certainly be able to put them to you in our submission. They're all very much about recognition of the value, though.

5 **MS CILENTO:** Yes.

10 **MR HANSARD:** And this comes back to some of the discussion we had a little bit earlier about, you know, the value of recreational fishing, what is it. It is an activity - a lot of people don't value recreational fishing based on the fish they catch. In fact, they let them go half the time.

15 **MS CILENTO:** Yes.

20 **MR HANSARD:** If you valued recreational fishing on the value of the likely catch then it'd be minor compared to the actual true economic value. But there's also the social value, and there's also, I think, the option value. I did talk about option value in relation to the way we consider, particularly in relation to planning processes, and marine park planning processes are a key one - I think we're often lost in those sorts of processes, and they don't consider that there actually is an economic, social, environmental cost associated with the decisions they make on us. They seem to think, oh, well, you only just fish, but they don't consider that, you know, we have, you know, businesses and communities that actually underpin our activity, and that our activity is growing, and that value to the community will grow too.

25 Say for example tourism. I think Tourism Australia estimated that 5 per cent of the people that come to Australia actually fish, come here to fish, and I think rough estimates were that's valued around about 50 - no, \$500 million a year. You know, that's not insubstantial. And that could potentially grow quite a lot. So just even on that aspect of it, you can see the value of recreational fishing can be quite significant, and could be quite significant to a lot of communities where those activities occur.

30 So we just really think there can be a lot more work done in relation to setting up frameworks within government when they are assessing these sorts of planning processes aimed at trying to capture the value of recreational fishing more in that planning and decision-making process.

35 **MS CILENTO:** Well, thank you for that.

40 **MR HANSARD:** That's all right.

45 **MS CILENTO:** And we'll look forward to your submission. I have been asking people when we might expect submissions, with the team

reminding me that submissions close today.

MR HANSARD: Yes, we actually have asked for an extension. We would really appreciate if we had until the end of the month.

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MS CILENTO: I'm looking around thinking our final report is due in December, so the comment we make to everyone, the sooner you get it in, the more we can take it into account.

10 **MR HANSARD:** Okay, point taken, thank you.

MS CILENTO: Thank you.

15 **ADJOURNED** [2.17 pm]

RESUMED [3.22 pm]

20 **MS CILENTO:** Hi Harry, it's Melinda speaking. How are you?

MR PETROPOULOS: (indistinct)

MS CILENTO: I'm sorry, I didn't catch that name?

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MR PETROPOULOS: (indistinct)

30 **MS CILENTO:** Thank you for that. Thank you for joining us, and I really appreciate you joining us a little bit earlier than planned. Thanks for accommodating us. Just before we start, I should just remind you that we are recording this for the purpose of making a full transcript, so just so that you're aware of that, and obviously you're not required to take an oath or anything like that, but there is a reasonable expectation that you would be truthful in your remarks, if I can put it that way.

35

MR PETROPOULOS: Yes, I understand.

40 **MS CILENTO:** Fair enough. I'm happy for you to just sort of make some introductory remarks or go straight into any feedback that you might have on the draft recommendations and report.

MR PETROPOULOS: (indistinct)

45 **MS CILENTO:** Thank you.

MR PETROPOULOS: (indistinct)

MS CILENTO: You're a little bit distant, but we can hear you?

5 **MR PETROPOULOS:** (indistinct) I think there's been some good work done. We agree with all recommendations except the recommendation - recommendation 9.1.

10 **MS CILENTO:** Okay. Would you like to explain your thinking behind your position on 9.1?

15 **MR PETROPOULOS:** We think - it's an esoteric discussion, but I think we've been campaigning for a long time, as have other associations in other states, to have origin labelling applied across the country, certainly in our state.

We think there are enormous consumer benefits in having that labelling clarified. As you know, Northern Territory's (indistinct) it recently. We don't accept the argument that the food safety of the discussion is already catered for in Australia, so therefore country of origin labelling isn't required.

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25 **MS CILENTO:** I guess one or two other people have sort of made the same observation to us. I guess the question that I might start with is that if there is such a compelling benefit, if you like, and the costs are limited, I'm interested in why you don't think the voluntary uptake has been greater than it has?

30 So I guess, you know, one of the things we always grapple with is voluntary versus mandatory.

35 **MR PETROPOULOS:** Well, I think part of the answer lies in the fact that nearly all of our seafood is imported. 69, 70 per cent is from Asia, and I think - we think the country of origin breakthrough in labelling would make Australians, certainly South Australians - would make them - would allow them to become more informed and would allow them to make better choices.

40 We think that there's little industry compulsion to actually move in that direction because it is going to be - it is (indistinct) to a degree, and as we found in Northern Territory, it wasn't easy, but once it's introduced I think that there are downstream benefits.

45 **MS CILENTO:** So just on that, I mean, I guess it would be interesting to know if you've got some evidence based on the food labelling within

supermarkets, for example, to show that that's led to a change in consumption patterns consistent with that which you're arguing for food for immediate consumption?

5 **MR PETROPOULOS:** Well, the only retail exposure we have in South Australia through our association is through a small group of supermarkets called Adelaide's Finest Supermarkets, and we've run a campaign with them since about November last year, and through more effective labelling and through more effective promotion, on-site promotion, in seas on-site promotion I should say, they've almost doubled their sales.

15 **MS CILENTO:** Do you think, Harry - I guess the interesting question for us is the extent to which that improvement in sales reflects the labelling as distinct from the more proactive promotion would be something that we'd be interested in.

20 **MR PETROPOULOS:** Well, that's a good point. I think it's hard to tease out one from the other, but I think there's definitely a contribution in terms of the labelling. And it's also borne out by the fact that they want to have another three year association with us. We've just signed contracts just recently. And labelling is an integral part of that.

25 **MS CILENTO:** Yes. Again, I think I come back to the question around the voluntary nature of that arrangement and the mutual benefit from that as distinct from requiring all outlets to have to undertake the same labelling process.

30 **MR PETROPOULOS:** Well, we do it for fresh seafood. Why wouldn't we do it for processed food?

35 **MS CILENTO:** So I guess I'm wondering if you've done it with that supermarket chain, has it been something that you've thought about undertaking through a select group of restaurants, for example, or other sort of outlets which sell food for immediate consumption where you've engaged in a similar sort of labelling and promotion campaign, and whether you've seen the same results there, or whether you've thought about that at all, and if not, what do you see as the difference for you in, you know, for sale - for retail sale versus for immediate consumption.

40 **MR PETROPOULOS:** I think we have thought about it, and we've got some ideas and some plans to roll out independently of any labelling done at the national or state level. But we're just a humble small association that has got limited resources. For us to actually undertake that sort of project it would really drain us of any disposable income we've got. We

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really see it as the position of government to actually enact that sort of process.

5 **MS CILENTO:** Yes, I guess it would be helpful for us if there was any
sort of evidence that you could provide about the - what you think were
the benefits of the labelling aspect versus the promotional aspect, because
again, I'm sorry if I sound like a broken wheel, but there is some cost
associated with imposing the labelling requirement, and if, in your
experience, what's happened is that it's largely the promotional aspect, I
10 think what we would expect is that the results wouldn't be consistent with
what you've experienced or are outlining for us today, and it would - you
know, for us we're always having to approach this from the perspective of
a net benefit basis, which does need to take into consideration the cost
aspects across all producers.

15 **MR PETROPOULOS:** I agree, and I think we're not going to solve that
issue today, but I think we're happy to engage with the Commission or
any other interested party to explore that and to put some statistics around
the argument.

20 But I guess it comes back to first principles. We're of the view that
certainly in South Australia the mix of imported versus locally sourced
seafood isn't optimised by any stretch of the imagination. We think
(indistinct) we think there's slippage within the industry. We accept and
25 agree that Australia as a nation would never be able to come self-
supporting in terms of its seafood needs, but we don't accept that the
current mix is actually optimised.

30 So we think anything you could actually do to promote local seafood and
to give people the choice, an informed choice in terms of whether we're
going to have a piece of bass or piece of garfish for dinner tonight, we
think that's a good thing. And we actually want to encourage that sort of
dialogue in the community.

35 **MS CILENTO:** Fair enough. If there's any evidence that you've got,
either from Australia or elsewhere, about the benefits that have accrued
through labelling, that would be useful. I guess the other thing that we
focused on in our inquiry is the cost base in the sense of more broadly,
and I was just wondering whether - I know you've observed that you
40 support the recommendations, but whether there's anything that we've
missed or you'd like to add to it in terms of reducing, you know, costs or
unnecessary regulations within the sector, which of course would then
help in terms of price competitiveness, which of course is one of the
issues that we hear about in terms of imported versus domestically
45 produced product.

5 **MR PETROPOULOS:** Well, look, there's a couple of points that we would like to make, and again, notwithstanding that, we accept the recommendations (indistinct) talked about. We think that the report probably underscores the importance of the whole cost recovery debate. I know you've looked at it in detail, you've made some suggestions and observations, but - and this may be endemic to South Australia, but we - we actually think the system is broken, and cross-subsidisation is occurring, we think it's quite rampant. This whole issue of uncontested R&D arrangements (indistinct). These are all things that should be dealt with explicitly and dealt with firmly, so that people - certainly licence holders within the state and other states I assume can have transparency and can actually make informed decisions about whether or not their industry is actually sustainable from an economic point of view.

15 I know you make the point, and you've made it reasonably well, but I don't think - we'd like to underline that point in a more tangible sort of way.

20 **MS CILENTO:** So apart from emphasising that point, is there anything that you think we may have missed in the arguments that we've presented there, or things that we could go further on?

25 **MR PETROPOULOS:** You've identified that there's an issue. We'd like to, I guess, re-emphasise that it's not only an issue, it's actually quite a significant barrier to the industry's fishing sustainability. I don't think that point is made quite as emphatically.

30 **MS CILENTO:** Okay.

35 **MR PETROPOULOS:** Now, you might disagree, but from a South Australian perspective 85 per cent of our time is dealt with challenging, questioning, debating, complaining about cost recovery, and it's quite a distraction (indistinct).

40 **MS CILENTO:** So just to make sure I've got that last comment right, so you're saying that the bulk of the time that you spend in engaging with the fisheries managers and regulators is around debates around the costs of the division of services?

45 **MR PETROPOULOS:** Absolutely, and in fact we've just left one AGM here for the abalone (indistinct) again cost recovery features prominently in all the proceedings. It's - everywhere we go there is this strong antipathy towards (indistinct) and their current approach to cost recovery, which I think is quite unhealthy, and I'm not sure whether it's (indistinct)

driven or if it's being, you know, passed down from the minister. Irrespective, it really is a drain on industry's resources and should be addressed, and I think your report certainly accents the point. We'd like to just emphasise again that for this state it's a big issue. And if we can't
5 get past that issue, it's really hard to see how the industry can actually progress.

MS CILENTO: Okay. If I can just go back to the point we started in terms of mandatory labelling, are there any barriers or disincentives for
10 you to collaborate across industry with the food services sector to actually better promote or label on a voluntary basis?

MR PETROPOULOS: No, look, we can do that. That's - we have done that to a degree in the past. Not on a concerted basis, but we have done
15 that, and I agree with you, I think that's a very good suggestion.

MS CILENTO: Okay. Is there anything else that you wanted to add in respect of any of the other recommendations or findings in the report?

MR PETROPOULOS: Just a point of clarification. I've got (indistinct) but in part of your report, the body of your report you said that - you made the reference to South Australia - sorry, the Commonwealth and South
20 Australia being seen as almost the exemplars in terms of marine parks and zoning process. And again, forgive me, I haven't got my notes with me, but you can - I think you'll see (indistinct).
25

MS CILENTO: Well, why don't we - without debating that, why don't you let me know what your observations would be about that process?

MR PETROPOULOS: Oh, well, I think the potential for having got that right was significant. We have a progressive act. We've got some smart people, both in government and in the various fisheries. But the whole marine park process I think was hijacked in the end and I wouldn't want to sit - I wouldn't want South Australia to be seen as the exemplar in
30 terms of the process.
35

There was a scathing parliamentary inquiry, upper house committee. There were a whole bunch of calamitous issues around the marine park discussion at the time, and so I wouldn't want to hold South Australia out as being the exemplar.
40

MS CILENTO: All right. Are there specific suggestions that you wanted to make in regard to how to improve that process, or would you point to someone else who's doing a better job of that?
45

5 **MR PETROPOULOS:** I'm not sure who's doing a better job, but we had an awful experience in South Australia. I think that came back to duplicity and came back to lack of goodwill in terms of the participants involved, so it's just a small point. I think if you just take South Australia out of that statement, we'd be happy.

MS CILENTO: And anything else - - -

10 **MS ROMEO:** May I add a couple of points? It's Franca Romeo here, the executive officer for Wildcatch.

MS CILENTO: Thank you, Franca.

15 **MS ROMEO:** I'd just like to clarify that the process with marine parks with the lag process was a very good process. Where it fell down was you had members of the industry, members of the community, government department, all working together to come up with an agreed or an agreed way forward. What then happened - that process was fantastic, but what
20 then happened was the department just came in and said, "Well, no, what you guys have come up with is not enough, and so we're going to do what we want anyway, so that process was (indistinct).

MS CILENTO: Okay, thanks for that clarification.

25 **MS ROMEO:** And the other part I'd like clarified too was on cost recovery and the comment Harry made, and it touches on one of the other things that was recommended with regards to the recreational sector and recreational licensing. If we can't get a consistency in the interpretation and application of cost recovery for the commercial sector sorted, it's
30 going to be very difficult to convince another sector to take on the same model.

MS CILENTO: Okay, that's a good point. Thank you for that. Is there
35 anything else you wanted to add, Franca?

MS ROMEO: No, that's it from me, thank you.

MS CILENTO: And Harry, any other observations on anything else, any
40 of the other findings or recommendations in the report?

MR PETROPOULOS: No, I think we're good.

MS CILENTO: And are you going to be putting in a submission on the
45 draft report, or - - -

MR PETROPOULOS: I thought we - - -

MS CILENTO: Have you?

5 **MR PETROPOULOS:** We can do that.

MS CILENTO: That was actually just for my information. If there's nothing that you wanted to add above what you've - the comments you've made today, that's fine.

10 **MR PETROPOULOS:** Okay, that's good.

MS CILENTO: All right, well, thank you for your time.

15 **MR PETROPOULOS:** Again, thank you for doing the work.

MS CILENTO: Okay, thanks very much.

MR PETROPOULOS: Okay, bye bye.

20 **MS CILENTO:** Bye.

AUTOMATED VOICE: Harry has left the conference.

25 **MS CILENTO:** Hearings are closed and adjourned until Monday in Fremantle.

30 **MATTER ADJOURNED AT 3.43 PM UNTIL
MONDAY, 17 OCTOBER 2016 AT 9.30 AM**