

Research Project title:

Informing a response to concerns about the potential impacts of the *Commercial Fisheries Reform Program* on the viability of NSW fishing co-operatives and therefore the catching sector

Background:

After considering the recommendations of an independent review into NSW commercial fisheries policy, management and administration, the NSW Government announced the *Commercial Fisheries Reform Program* on 14 November 2012. The key reform elements will mean changes to the structure of the commercial wild harvest fisheries and management arrangements, the consultative framework and governance.

In terms of structural adjustment, the main changes will involve:

- Linking shares in each share class to resource access (catch or fishing effort), thus providing a system for autonomous adjustment;
- Implementing a \$15.5 million exit grant program to provide an enhanced opportunity for fishers to exit the industry or particular fisheries and for those wanting to remain to acquire shares during a (temporary) period when there will be considerable downward pressure on share values;
- Applying a new (transitional) fee structure and amount from July 2013 to move towards cost recovery and so that fees better reflect the access to the resource;
- Streamlining existing fishing controls to remove those that become redundant once the share linkage has been determined and commenced, to help the remaining fishers operate in a more efficient manner.

Decisions on the form of share linkage and the initial total catch or effort levels will be made by the end of 2013. The exit grant process will occur through 2014 and the share linkages will commence around the end of 2014.

While it is still early days in the reform process, several fishing co-operatives have raised concerns about the potential impacts of changes on their viability. Some of the issues raised include:

- Indications that the viability of some co-operatives is already tenuous;
- Claims that any loss of seafood supply or a decline in the co-operative shareholder base could lead to reduced viability and/or closure of some co-operatives;
- Varying views on what the financial requirements and obligations of co-operatives are, should shareholders leave a co-operative;
- Concerns that co-operative closures will threaten the ongoing operation and viability of the commercial fishing industry (to which it provides certain services) contrary to the objectives of the *Reform Program*;
- Concern about the potential impacts of the 'fish receiver review' which may influence the rules applying to, and the way the fish is handled from its point of capture to point of sale.

There is a lack of current information available to be able to assess the above views and concerns. This desktop study aims to fill some key information gaps and provide a better basis for an informed discussion about future policy, which will be the next step in the process.

This study will require the cooperation of fishing co-operatives in providing relevant shareholder policies, constitutions, annual reports, financial information, etc. in a timely manner. Information not provided will be unable to be incorporated in the report and will risk not being taken into account in the future policy discussions. Note that any parties who are exposed to detailed financial information on identifiable entities will be required to enter into confidentiality agreements.

Terms of Reference:

This desktop study will:

1. Summarise the main elements/outcomes of and responses to relevant previous studies completed and publications relating to the operation and viability of NSW fishing co-operatives;
2. Identify the main revenue/cost factors that influence the operation and viability of NSW fishing co-operatives;
3. Summarise (in broad terms) the present financial position and vulnerabilities of each of the existing NSW fishing co-operatives;
4. Review relevant legislation, rules, constitutions and/or shareholder policies to summarise the liability of co-operatives should the membership base decline;
5. Consider (using existing information) the possible impacts of structural changes to NSW commercial fisheries on seafood supply and overall co-operative viability;
6. Consider the potential impact of co-operative closures on the harvest sector, including examining how industry has responded to any closures of cooperatives that have occurred over the last few years; and
7. Examine if and what role government has in supporting or ensuring the ongoing operation and viability of NSW fishing co-operatives, in the context of a deregulated fish marketing system and COAG agreements promoting market competitiveness.