Lessons from the Inter-sectoral Recreational and Commercial fishery re-allocation in NSW

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The paper

- Examines the changes in inter-sectoral (recreational and commercial fishers) re-allocation in NSW and seeks to gain lessons from the events of 1999-present.
In 1997 NSW Gov’t belatedly implemented limited entry on commercial fisheries;
In 1999 recreational fishers pressured the gov’t for fuller access also.
This resulted in the Closure of Botany Bay & Lake Macquarie to commercial fishing and ~30 coastal estuaries became “Recreational Fishing Havens” - areas of RF access only.
Sectoral background – The commercial fishery

- Poor management history with belated limited entry;
- In the 1990s “business rules” had reduced 2,400 commercial licences to 1,650 by 2000, but still many producers had small turnovers and marginal profitability;
- “70% of fishers in NSW were not in the position to pay cost recovery charges” (IPART, 1996).
- Lesson 1: “Economic impacts from the lack of commercial capacity restraining measures in previous decades, haunts most current fishery management decisions in NSW” Dominion (2002).
- Industry restructuring was needed for the CF.
Sectoral background – The recreational fishery

- Limited management history with species bag limits;
- Frustration among anglers at falling catch rates, blamed on commercial fishers;
- No mechanisms to be involved in fisheries management until post 1997 when they were an adjunct to the CF MAC system, and had one policy committee;
- A belief that ~500,000 anglers in NSW were not having their recreational expectations met..... Change was required
Who should fish the fish?

Figure 1: The optimal allocation of effort and catch between recreational and commercial fishers

Net Marginal benefit (comm.)

Net Marginal benefit (rec.)

Effort (Rec) → E*

Fish (Rec)       F*

Effort (Comm) ←

Fish (Comm)
**Exclusive Access case**

- (a) shared access
- (b) exclusive access to one sector
- Much espoused, little estimated!
Inter-sectoral allocation framework (ISAF)

An ISAF should have:

- Common currency between sectors (catch, effort, or access (sharing vs. partitioning));
- Autonomously adjusting and reciprocal;
- Low transaction costs and transparent;
- “winners can compensate losers”, (econ. efficiency);

Lesson 2: Allocation frameworks are designed, being less likely to emerge from systems with a poor management history.
Theory and practice in NSW case

- **Lesson 3:** Empirical studies should happen before spectre of re-allocation stirs up user passions and field work may have respondent bias;
- **Lesson 4:** An quick economic appraisal cannot fill the gap left by the lack of a transparent inter-sectoral allocation framework;
- **Lesson 5:** A desktop economic study in these circumstances will likely indicate the direction of re-allocation, but not the magnitude (estimation problems).
Q - Can the management regime in place reduce 20% of Comm. fishing effort? ...a binary view- 0, 1(industry fishes, industry does not)...hence sub - areas go to one sector;

Lesson 6: Even if precise allocation %s were available between sectors, implementing them reduces to area partitioning due to lack of control (need ITE’s or ITQs to be specific)
Wider multiple benefit-cost accounts

- **Public finance** - licence revenues and compensation to CF + RF infrastructure;
- **Industry/Consumer** - net gains in the private sector;
- **Economic impact** - increases expenditures on RF inputs reduction in expenditure on CF inputs;
- **Environmental impact** - litter, bush fires, habitat etc;
- **Social impact** - non money values, community, lifestyle;
- **Political** - perceptions and votes;

**Lesson 7: Beware** - in the absence of a mature ISAF, the political account is king!
What happened in NSW?

- Bays and estuary areas (or parts of them) were closed to CF creating RFHs;
- A recreational fishing licence was introduced and the proceeds used to compensate commercial fishers displaced from new recreational fishing havens (RFHs);
- This has some elements of an ISAF, but there was a strong sense of injustice among commercial fishers...why?
The RF licence

- The RF licence was introduced and has been popular (justifying original belief of under allocation to the Rec sector).

- 2001-02: 375,000 sold, $6.5m revenue
- 2004-05: 550,000 sold, $10.0m revenue

- RF licence captured a willingness to pay for RF access and was used to fund the buyout of $20m of commercial fishers in the RFHs;

- Let's try and analyse what this did and could do to long term inter-sectoral reallocation.
What has happened to sectoral access?

Figure 3: A hypothesised analysis of initial and sequential steps in NSW after commercial fisher buyouts against the optimal allocation of effort and catch between recreational and commercial fishers.
The situation

- The RF licence funds enabled the government to initiate commercial buy outs from RFL funds;
- The buy out was not for industry restructuring *per se*, but was for specific areas i.e. not equal impact across the C.Fleet; CF felt aggrieved;
- The previous diagram suggests the RF licence is an adjustment mechanism that can keep removing C. fishers after the “optimum” mix has been reached - this causes CF angst!
NSW reallocation compared to theory

1. Common currency between sectors (catch, effort, or access (sharing v partitioning));
2. Autonomously adjusting and reciprocal;
3. Low transaction costs and transparent;
4. “winners can compensate losers”, (econ.efficiency);

1. No common currency, only access with sector partitioning; No CF restructuring outside reallocation scheme;
2. Government arrange adjustment. Limited reciprocity;
3. Mixed transaction costs, but low transparency;
4. The rec. fishing licence funds adjustment enabling fishers to leave.
Conclusions

- Lesson 8: Gov’t should not mix general CF restructuring needs with re-allocation via a RFL (did this happen in NSW?)
- Lesson 9: A reallocation mechanism such as the RFL lacks key parts of a ISRF; NSW has made little effort to develop a ISRF before or after the adjustment; They now have powerful key elements of an ISRF and should move forward.
- Lesson 10: Don’t rush to be a commercial fisher in NSW – see lesson 1…economic restructuring of the commercial industry is still an issue.
- What is the end going to be?.. 
  
  ..............its too early to say!
Contact NMSC

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