Chapter 4

Concerns about the economic and social consequences of the *Geelong Star*

4.1 As the previous chapter demonstrated, it is evident that there are significant public and stakeholder concerns about the risk to the marine ecosystem presented by the operations of the *Geelong Star*. This chapter will consider the evidence received about the social and economic consequences of the activities of the *Geelong Star*.

4.2 The committee received evidence that outlined the economic benefits that factory freezer trawlers such as the *Geelong Star* provide. Other submitters, however, questioned the claims made about these benefits and argued that the *Geelong Star* negatively affects other areas of economic activity. For those stakeholders, the purported economic benefits arising from the *Geelong Star* do not appear to outweigh the potential environmental, social and economic costs. This chapter outlines and discusses the different views received about these matters.

Advantages of factory freezer trawlers for fishing operations

4.3 Before outlining the claims and counterclaims received in evidence regarding the economic benefits and costs associated with the *Geelong Star*, it is helpful to discuss why holders of statutory fishing rights for the SPF seek to bring factory freezer trawlers to the fishery.

4.4 The key advantages that a factory freezer trawler presents for the operator of the vessel relate to the quality of the fish product and the trawler's ability to stay at sea for longer periods than other fishing vessels. The ability to process, freeze and store the fish that is caught can optimise the quality and value of perishable product, particularly for the SPF, which is 'characterised by small oily fish that are easily damaged and readily decompose'.[1] On board freezer storage and processing ensures the product 'remains at its premium quality for consumption'.[2] The frozen product is shipped to export markets, usually in West Africa.[3]

4.5 Evidence from Professor Caleb Gardner of IMAS confirmed that, based on experience prior to the *Geelong Star*, it was not financially viable to access the fishery without the ability to process and freeze the fish on board. On this matter, Professor Gardner made the following observations on the market dynamics for fish:

> It is a competitive marketplace for fish. Fish is traded globally. Surprisingly, to a lot of people, the price of most of our fish species

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1 Department of Agriculture and Water Resources, *Submission 12*, p. 27.

2 Commonwealth Fisheries Association (CFA), *Submission 15*, p. 2.

3 Seafish Tasmania, *Submission 22*, p. 12.

> globally has been declining. There is a perception that the world is running out of fish, which you do not see reflected in the price of most of the fish species. The price of prawns globally has been declining. The price of salmon has been and also the price of a lot of the white-fish fillets. That is simply that the supply of fish has been increasing faster than global population and that is because aquaculture has been so effective in the last 20 years.[4]

4.6 ABARES noted that in recent history, net economic returns in the SPF 'are likely to have been low, reflecting low levels of effort and high latency (uncaught quota) in the fishery'. ABARES added that the closure of a processing factory in Eden in 2010 is also considered to have contributed to the low net economic returns in the SPF. However, ABARES stated that:

> Catches and gross value of production (GVP) are expected to substantially increase as a result of the entry of the *Geelong Star* in the 2014–15 season.[5]

4.7 It was suggested that the SPF is a valuable fishery, although prior to the *Geelong Star* the value of the fishery was not realised. AFMA submitted:

> AFMA understands that if all TACs in the SPF were caught, the value of the fishery would be in the range of $50 million – $70 million, making it one of Australia's more valuable fisheries.[6]

4.8 The Commonwealth Fisheries Association (CFA) argued that ABARES data indicates that all Commonwealth fisheries generated a gross value of production (GVP) of around $338 million in 2013–14, with four fisheries, which did not include the SPF, accounting for 76 per cent of total fishery GVP.[7] The CFA argued that:

> It is important to note that these high valued fisheries that provide an economic return to the community all operate with fishing vessels that have the capacity to either store, process or freeze product on board.[8]

4.9 The CFA also advised the committee that several other fisheries have freezer processing vessels.[9]

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4 Professor Caleb Gardner, Fisheries Scientist, Institute for Marine and Antarctic Studies (IMAS), *Committee Hansard*, 15 April 2016, p. 47.

5 Department of Agriculture and Water Resources, *Submission 12*, p. 29.

6 Australian Fisheries Management Authority (AFMA), Response to *Submission 143*, Attachment A, p. 3.

7 The fisheries were the Northern Prawn Fishery, South Eastern Shark and Scalefish Fishery, the wild-catch sector of the Southern Bluefin Tuna Fishery and the Eastern Tuna fishery. CFA, *Submission 15*, pp. 5–6.

8 CFA, *Submission 15*, pp. 5–6 (emphasis omitted).

9 The fisheries referred to were the Great Australian Bight Trawl Fishery, Western Tuna and Billfish Fishery, East Coast Deepwater Trawl Sector, Heard Island and McDonald Islands Fishery and the Macquarie Island Toothfish Fishery. CFA, *Submission 15*, p. 6.

4.10 The Northern Territory Department of Primary Industry and Fisheries warned against limiting the 'cold-storage capacity of commercial fishing vessels' on the basis of the diminished economic return or limited range of operation of the fishery that such action would cause. The department explained:

> From a resource access and optimisation perspective, providing capacity for commercial fisheries to fish in areas remote from recreationally important or customary fishing grounds diminishes conflicts, competition for resources and the risk of localized depletion that may be caused by heavy use or the 'race to catch the fish'.[10]

4.11 The Small Pelagic Fishery Industry Association (SPFIA) also argued that the use of a factory freezer trawler follows fisheries policies pursued by the Australian government to encourage operations that are more efficient. The SPFIA submitted:

> The use of larger vessels with fish processing capacity that take advantage of scale economies to produce higher value products at low per unit cost are a direct response to the incentives purposefully created by the Commonwealth Government for industry to operate efficiently.[11]

Employment and effects on other economic activities

4.12 The key economic benefits from the *Geelong Star* include direct and indirect employment and income generated from activities in the SPF that would not otherwise have been undertaken. AFMA argued that Australia benefits from large freezer trawlers operating in the AFZ as a result of employment, the supply of provisions and fuel, the carrying out of repairs and maintenance, supplying transport, and potentially in wholesale and retail markets. AFMA argued that such benefits are 'a positive contribution to Australia's rural and regional exports, and is consistent with the government's economic policy'.[12]

Overall economic contribution of the Geelong Star

4.13 In its November 2015 submission, Seafish Tasmania advised that, over a year, 'the *Geelong Star* is expected to generate around $15 million of income for the regional economy'.[13] Regarding employment, Seafish Tasmania stated that the crew of the *Geelong Star* 'comprises 31 people, of which 24 crew members are locally recruited, many using employment agencies in the Geelong area where unemployment is relatively high following the closure of several large manufacturing plants'. With the use of crew rotation, '48 locally recruited crew members in total…are

10 Northern Territory Department of Primary Industry and Fisheries, *Submission 73*, pp. 5–6.

11 Small Pelagic Fishery Industry Association (SPFIA), *Submission 27*, p. 5.

12 AFMA, *Submission 18*, p. 5.

13 Seafish Tasmania, *Submission 22*, p. 12.

employed on the vessel on a month on month off basis'. The main officers on the vessel, such as the captain, are Europeans who hold subclass 457 visas.[14]

4.14 The SPFIA argued that the regional economic benefits for the trawler's current home port, Geelong, 'are considerable'. It explained:

> There is a large range of services provided to the vessel and substantial quantities of goods such as provisions and fuel that are sourced from local suppliers. There is direct employment on the vessel with almost 50 jobs for locally recruited crewmembers, and indirect support for people employed by the providers of services to the vessel.[15]

4.15 Non-industry stakeholders, however, were sceptical of the benefits arising from the direct employment offered by the operator of the *Geelong Star*. For example, Environment Tasmania offered a contrary perspective on the jobs figures provided by Seafish Tasmania. It submitted:

> The social and employment benefits of having a factory freezer vessel operating in Australian waters are very small. The total number of jobs associated with this fishery, including crew and related land-based jobs, is likely to be less than 55, with the most skilled crew positions such as captain, engineers and deck officers, which come with the vessel from overseas.[16]

4.16 The frustration shared by a variety of stakeholders regarding the economic contribution of the *Geelong Star* was clearly articulated by Mr Jon Bryan from the Tasmanian Conservation Trust, who made the following pithy observation:

> It is interesting that this whole process and all the kerfuffle about the small pelagic industry and the *Geelong Star* is going on, because we are talking about a business operation which employs fewer than the average McDonald's restaurant and has very marginal economic benefits with great economic risks to regional economies.[17]

4.17 Mr Bryan also argued that AFMA will face pressure from commercial interests to allow a greater amount of quota species to be caught as the fish species in the SPF is 'a low-value, high-volume commodity—the more you can catch, the more you make'. Based on experiences in foreign jurisdictions, Mr Bryan noted that

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14 Seafish Tasmania, *Submission 22*, p. 12. Subclass 457 visas enable employers to sponsor overseas skilled workers to work in Australia on a temporary basis if an appropriately skilled Australian worker cannot be found. Holders of a subclass 457 visa may work in Australia in a skilled occupation for up to four years. Department of Immigration and Border Protection, *Temporary Work (Skilled) (subclass 457) visa*, www.border.gov.au/Forms/Documents/1154.pdf (accessed 19 September 2016), p. 3.

15 SPFIA, *Submission 27*, p. 19.

16 Environment Tasmania, *Submission 145*, p. 6.

17 Mr Jonathan Bryan, Marine Spokesperson, Tasmanian Conservation Trust, *Committee Hansard*, 15 April 2016, p. 21.

whether such increased fishing activity is sustainable 'may or may not be relevant to people involved'. Mr Bryan commented:

> There are many fisheries around the world where people have treated them as mining operations where you get in, get as much as you can out as quickly as possible and, if the fishery collapses, then that is the way it goes. Hopefully Australia can manage its fisheries better, and I would hope that that is not a situation that would be allowed to develop here.[18]

Employment arrangements

4.18 The committee explored the use of subclass 457 visas for the key positions on the vessel. Mr Peter Simunovich, Director, Seafish Tasmania, confirmed that the *Geelong Star* uses seven 457 visa holders, with 'usually…three or four' on board at any one time. The visa holders occupy the senior positions in the operation, including 'chief engineer, captain, deck boss and factory manager'. When asked why the *Geelong Star* uses 457 visa holders given there are Australian seafarers out of work, Mr Simunovich replied:

> Our intention is to be fully Australian operated. We do not want to be sending crews backwards and forwards to Europe, but that will take time. These are not jobs that people just step into. The more general jobs on board, and even the mates on board and the second engineers, are all Australian recruited, but these are complex operations and—pardon my French—you really have to be careful of screw-ups.[19]

4.19 Mr Simunovich added that training individuals for these key positions on the *Geelong Star* would take an estimated one to two years. He further added that the operators of the vessel:

> …are learning as well. Every trip we do, we are learning as we go. We are in a very different environment and different fishery. There is learning all around. But our intention is to have a fully Australian-sourced crew.[20]

4.20 AFMA acknowledged that fishing vessel crewing arrangements for fishing vessels 'has been a concern for some members of the public'. AFMA advised that the Department of Agriculture and Water Resources is 'undertaking a review of the policy on the use of foreign fishing vessels which is relevant to this matter'.[21]

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18 Mr Jonathan Bryan, Marine Spokesperson, Tasmanian Conservation Trust, *Committee Hansard*, 15 April 2016, p. 25.

19 Mr Peter Simunovich, Director, Seafish Tasmania; and Member, SPFIA, *Committee Hansard*, 15 April 2016, p. 4.

20 *Committee Hansard*, 15 April 2016, p. 4.

21 AFMA, *Submission 18*, p. 7.

Foreign ownership

4.21 In addition to the use of subclass 457 visas, the foreign ownership of the vessel and the implications of this for the benefits for the Australian economy were noted. Environment Tasmania argued that, compared to other Australian fisheries, the SPF is a 'low value fishery' and that the economic benefits to Australia are further reduced due to foreign ownership of the vessel and fishing entitlements.[22] Similarly, the Western Australian Game Fishing Association (WAGFA) provided the following perspective on the economic benefits and financial position of the *Geelong Star*:

> WAGFA believes the economic benefit of the 'Supertrawler' would be significantly smaller than the headline amount of $30m revenue based on a quota of say 16000tpa at $2/kg. A back of the envelope figure would take out $15m as ship charter, $5m for processing and transport costs for exporting product and a further $5m as operating expenses in foreign currencies. This leaves perhaps $5m remaining in Australia. Likely much less than the destroyed economic benefit lost through the recreational fishing and tourism sectors.[23]

4.22 IMAS scientists also recognised that a trade-off exists between potential economic benefits and foreign ownership. Professor Craig Johnson from IMAS observed that there are 'economic and environmental grounds for using a factory trawler to catch small pelagics' because it ensures the fish caught is suitable for human consumption. Nevertheless, if the trawler:

> …is foreign owned then a lot of that revenue ends up going offshore. It is an Australian resource, but the revenue ends up somewhere else. That is a significant trade-off, and people have to make judgements about that as a policy.[24]

4.23 Seafish Tasmania countered that foreign involvement is necessary for the SPF to be utilised and for an Australian industry to develop. Mr Simunovich stated:

> One of the main issues of operating and why we need the foreign involvement is that we can learn how to fish here, but we are a very small part of the world—small pelagic—but still, these are large tonnages. The infrastructure required to move this product in some of those places I talked about is very difficult. You need the infrastructure, you need to set up. You cannot just do it in isolation. You are not selling a little—I am not trying to be rude, but a few cases of a prime product. This is a large volume product.[25]

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22 Environment Tasmania, *Submission 145*, p. 6.

23 Western Australian Game Fishing Association (WAGFA), *Submission 60*, p. 2.

24 Professor Craig Johnson, Head, Ecology and Biodiversity Centre, and Assistant Director, IMAS, *Committee Hansard*, 15 April 2016, p. 41.

25 Mr Peter Simunovich, Director, Seafish Tasmania; and Member, SPFIA, *Committee Hansard*, 15 April 2016, p. 10.

Concerns about the impact on other fishing activities

4.24 The optimism about the contribution of the *Geelong Star* to the Australian and local economies expressed by the vessel's operator was not shared by most submitters. Several submitters who doubt that there are net economic benefits from the *Geelong Star* contrasted the economic contribution of the *Geelong Star* with potential losses other fisheries or industries may experience.

4.25 Environment Tasmania argued that, if the operations of the *Geelong Star* negatively affect other fishing activities, the jobs that could be at risk should be taken into account. It submitted that the SA sardine fishery supports 'around 170 local jobs' and there 'has been ongoing concern from the SA sardine industry that factory freezer trawlers in the SPF will impact on the health of the sardine fishery due to unintended bycatch of sardines'.[26]

4.26 However, the validity of concerns about the sardine industry was questioned by AFMA. AFMA made the following observation:

> The FV *Geelong Star* has taken less than ten tonnes of sardine bycatch in waters off South Australia. As the South Australian Sardine Fishery TAC is 35,000 tonnes, there could have been no practical impact on the sardine fishery by the fishing activity of the *Geelong Star*.[27]

4.27 The ARFF expressed concerns about possible consequences for recreational fishing activity, which it suggested could offset any economic benefits directly attributable to the *Geelong Star*. It submitted:

> Expenditure on recreational fishing injected into local businesses on the south coast of NSW is estimated at $395 million a year…Recreational fishing also generates an estimated 1808 jobs in the region. The potential impact of the *Geelong Star* on recreational fishing or other resource users on the south coast of NSW has not been assessed. However, if the *Geelong Star* were to have a 5 percent negative impact on recreational fishing on the south coast alone (without considering the impact on other resource user groups), the economic loss will exceed the total value the *Geelong Star* brings to the Australian economy (anecdotally estimated at $20 million a year) and lead to the loss of over 90 jobs in the region.[28]

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26 Environment Tasmania added that AFMA has 'failed to address this concern and sardines have been caught and dumped since the *Geelong Star* has been operating'. *Submission 145*, p. 6.

27 AFMA, Response to *Submission 143*, Attachment A, p. 3.

28 Australian Recreational Fishing Foundation (ARFF), *Submission 134*, p. 16. The potential effects for recreational fisheries were also noted by the Conservation Council SA (see *Submission 148*, p. 5) and WAGFA (*Submission 60*, pp. 2–3).

4.28 Submitters explained that these are difficult to quantify as there are varying estimates regarding the value of the sector. As Mr Allan Hansard from the ARFF noted:

> This is the trouble with recreational fishing; there are a lot of estimates out there. We would like to work with the government to get some good estimates. If you refer to the estimates that are around, I think the government has put estimates of $10 billion on it.[29]

4.29 Mr Hansard added:

> To give you an idea of how variable this is, there was a recent study in Victoria that estimated the value in Victoria alone to be around $7.3 billion. I think the point here is that it is quite large. What we do know from some other studies is that in certain areas, particularly where the SPF is being fished, the values are quite high, even at a local level. There was a study done in New South Wales on the value of fisheries on the south coast…the output value for the south coast of New South Wales is $395 million a year and employment is about 1,800 people.[30]

4.30 Mr Hansard commented that these figures only consider recreational fishing, and do not include 'tourism and other uses, so it is a partial assessment of the value' that could be linked to recreational fishing and tourism overall. These potential wider effects notwithstanding, Mr Hansard argued that the economic consequences of any negative effects from the *Geelong Star* for the recreational fishing sector alone are likely to be significant. Mr Hansard stated:

> …even if that vessel [the *Geelong Star*] has a small percentage impact on the returns to recreational fishing, you can see that it would quite quickly be larger than the actual value we are receiving from the full effort of the commercial fishing right around Australia.[31]

4.31 Mr Hansard concluded that, if the implications of the *Geelong Star* across all fishing activities in Australia are taken into account, 'we are pretty confident that…the value of the impact on recreational fishing could be quite a stage larger than the commercial value that we are receiving from that fishery'.[32]

4.32 The size of the recreational fishing sector was recently noted by the Productivity Commission, which in an August 2016 draft inquiry report on marine fisheries and aquaculture observed that there are 'millions of recreational fishers' in Australia.[33] Moreover, the Commission noted that studies in most state and territories

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29 Mr Allan Hansard, Managing Director, ARFF, *Committee Hansard*, 15 April 2016, p. 30.

30 *Committee Hansard*, 15 April 2016, pp. 30–31.

31 *Committee Hansard*, 15 April 2016, p. 31.

32 *Committee Hansard*, 15 April 2016, p. 31.

33 Productivity Commission, *Marine fisheries and aquaculture*, Draft report, August 2016, p. 105.

indicate a recreational fishing participation rate of around 20 per cent of the population considered.[34]

4.33 The Productivity Commission's draft report stated:

> Recreational fishing is sometimes, but inaccurately, seen as an inconsequential adjunct to commercial fishing. This neglects the scale of recreational activity and its large social value to the community, with millions of Australians fishing each year. There is also a local economic flow-on effect in servicing this recreational activity, from accommodation and boat servicing to bait supply. Recreational catches also now rival or exceed commercial catches for some species, and recreational fishing practices can have adverse effects on non-target species (bycatch) and ecosystems. The rising sophistication and affordability of scanning technology and vessels has particularly increased fishers' ability to fish further from shore and more intensively.[35]

4.34 Of relevance to some of the issues integral to this inquiry, the Productivity Commission further noted:

> The demand for access to certain fishing areas or species by the recreational fishing sector has contributed to significant tension in some jurisdictions. The extent of competition for resources is hard to assess as there is relatively little information on shifts in activity and catch. This limits the current scope to objectively reflect demand for recreational fishing in decisions on access to marine resources, and/or in the provision of additional services for recreational fishers.[36]

34 Productivity Commission, *Marine fisheries and aquaculture*, Draft report, p. 107.

35 Productivity Commission, *Marine fisheries and aquaculture*, Draft report, p. 16.

36 Productivity Commission, *Marine fisheries and aquaculture*, Draft report, p. 16.