



9 April 2020

Committee Secretariat
Joint Standing Committee on Trade and Investment Growth
PO Box 6021
R1.109 Parliament House
CANBERRA ACT 2600
jsctig@aph.gov.au

Dear Committee Secretariat

Re: Inquiry into diversifying Australia's trade and investment profile

On behalf of the Queensland Seafood Industry Association (QSIA) please find attached a submission in response to your inquiry regarding diversifying Australia's trade and investment profile.

If you have any questions regarding this correspondence please contact Eric Perez, QSIA CEO on M: [REDACTED] or E: [REDACTED].

Regards,



Allan Bobbermen

Chair
Queensland Seafood Industry Association

Response to the Joint Standing Committee on Trade and Investment Growth's inquiry into diversifying Australia's trade and investment profile

Contact Information

Mailing Address: PO Box 392, Clayfield, Queensland 4011

Email Address: [REDACTED]

Contact Number: [REDACTED]

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1. Introduction

The Australian Parliament's Joint Standing Committee on Trade and Investment Growth has commenced a new inquiry into diversifying Australia's trade and investment profile. The Queensland Seafood Industry Association (QSIA) is pleased to provide a response to this inquiry from the context of commercial fishing in Queensland.

The focus of the Committee's inquiry will be to understand whether there is a need for Australia to diversify its trade markets and foreign investment profile. The following are the inquiry's Terms of Reference (ToR):

1. Consider if Australia is too reliant on any one market for exports. If so, what factors are contributing to this dominance;
2. The advantages and disadvantages, including in relation to the national interest and national economic risk, to an over reliance on any one market;
3. Consider if Australia is too reliant on foreign investment. If so, what factors are contributing to this dominance;
4. The advantages and disadvantages, including in relation to the national interest and national economic risk, to an over reliance on foreign investment, especially foreign investment by state-owned enterprises;
5. The impact of global crises including trade disputes and political disputes on Australia's relationship with countries we are reliant upon for trade and investment purposes;
6. The impact of bilateral trade agreements on Australia's exports and whether they contribute to concentrated export markets;
7. The impact of bilateral trade agreements on Australia's domestic market and whether they contribute to an over reliance on foreign investment;
8. Analysis of industry and government preparations to diversify its trading partners and secure new markets for Australia's exports, including through further free trade agreements; and
9. Analysis of industry and government preparations to ensure the Australian economy is not overly reliant on foreign investment.

For the purposes of this submission, the Association will respond to ToR 1.

2. Industry Context

2.1. Queensland Commercial Fisheries

Queensland commercial fisheries are predominantly focused on domestic sales and the development of local markets. The primary fisheries represented by the Association include the crab, net, line and trawl fisheries.

The industry in Queensland is composed of a mix of small, medium and large businesses in both the wild and post-harvest sectors.

Before commercial fishers in Queensland can make a decision to export it must be recognised that industry is significantly impacted by the following issues:

- Industry does not have security of tenure. The State Government defines the marine resource as a public asset and as a result, commercial seafood businesses cannot achieve security of tenure in the same way terrestrial agriculture seeks ownership of land;
- Industry's access to productive fishing grounds has been continually eroded and traded for recreational angler access (typically led by recreational fishing groups) and to satisfy the demands of environmental, non-government organisations (eNGOs) for the past 25 years; and
- The introduction of Commonwealth and State marine parks have eroded access to highly productive fishing ground.

Closures of productive fishing grounds have been enacted by successive State Governments with little or no scientific justification. It is extremely concerning to note that the areas that have been closed to commercial fishing are located in productive fishing grounds.

It can be argued that the activity of recreational fishing groups, eNGOs and current international trade arrangements has led to Australia importing at least 70 percent of the seafood consumed by the general public¹.

The problem for commercial fishers has been exacerbated by the reluctance of governments in Australia to place food production and Australia's long-term food security as a high priority, and prioritising commercial fishers alongside other domestic food producers.

Domestic food production has been sacrificed on the altars of tourism and recreational fishing, both of which are volatile bases for any economy considering they rely heavily on much of the population having considerable disposable income.

2.2. Queensland Fisheries Reforms

The introduction of quota management and zoning is not the policy 'fix' that the State Government in Queensland hopes it will be. The following sub-sections will provide evidence as to why this is not the case.

2.2.1. Quota Management

The following article (in italics) was published in the Queensland Seafood magazine providing an industry-based view and series of concerns regarding the introduction of quota management².

In this article, let us look at the methodology of Fisheries Queensland (FQ) in trying to force quota upon our industry.

In simple terms, the idea that Fisheries Queensland (FQ) has been trying to peddle is that, if we are sent to quota, then we can buy or trade quota units (if we can afford to that is) to "own" a bigger piece of the catch pie, so to speak. As less

¹ Department of Agriculture, Water and the Environment website 2020.

² Snow (2020 p.14).

quota becomes available, FQ maintain that your quota will be worth far more than was originally paid for, thus creating for us a tradeable asset. How good of FQ to have our best interests at heart, I call BS to this.

Overview

For transparency, I have always been against quota and minimum quota holdings, and always will be, as it will crucify the smaller fisherman. No-one should be able to take away the right of any fisherman to go to work and provide for their family and for the community. It is our God given right for all of us to have a share of the public resource, not just a select chosen few.

Let's look at the FQ scenario.

No matter what you own or want to sell, something is only worth what others are prepared to pay for it, so FQ is way off the mark in trying to convince us that we will have quota "assets" that will be worth a small fortune. Lending institutions have likened our industry with quota to the taxi industry and will not lend against it. Several operators have approached their lending institutions for money to buy potential quota, only to see every one of them rejected.

I personally have lobbied FQ for years to have our primary vessel licences recognised as statutory fishing rights, thus creating an asset that is recognised and accepted by lending institutions – all to no avail. FQ have never shown the slightest interest in this, a far more equitable solution rather than trying to con us in the belief that quota will achieve the same. Like many fishermen,

I suspect that the quota model is actually driven by a "green agenda" to restrict us to the point of starvation. The quota model from FQ has been based on a "60 per cent biomass" target.

The 60 per cent biomass "blanket" that FQ have dreamt up is farcical. This is the magical figure of all the species that FQ are trying to slam into quota. I ask why this 60 per cent figure, when both worldwide and by Commonwealth fisheries standards, between 20 per cent and 40 per cent is the accepted norm and has been for a very long time?

Female and undersized male crabs cannot be harvested. This suggests that crab biomass is a significantly higher figure which, in all reality, would be above 60 per cent. This has come as a matter of agreement amongst both commercial and recreational as a way to protect the stocks but never under a target of 60 per cent.

The target in any other fishery has no scientific support if a global target at 40 per cent is considered conservative; again, I ask: why the 60 per cent target? How can FQ set the biomass target so high when we harvest a single sex species.?

Can anyone tell me when "one size fits all" when dealing with diverse species, some of which are "polar opposites" of the other?

Biomass argument

Mud crabs live for around three years (a time frame generally accepted by leading marine biologists). A barramundi can live to at least 20 years. How can these two

species possibly be compared to each other with regard to biomass when one (mud crabs) grow and die at a rate about 700 per cent faster than the other?

Of all the quota-managed fisheries worldwide that I have studied, not one of those fisheries has been of any benefit to the fishing industry – to the investors, yes, but not to the fishing industry operators themselves. They have been devastating to fishing businesses and regional economies. Quota is open to monopolisation and manipulation by whomever has the most money to buy the most quota and for whomever can afford to “sit” on quota the longest.

Some fishers that I have held lengthy conversations with over the years on quota have this idea that quota will force some fishers out (leaving the existing fisher with a bigger allocation of quota) because they have not got enough “history” to meet the quota entry criteria.

This is a very short-sighted misconception. I suggest that nobody knows anyone else’s situation for catch history or financially, so this is an absurd assumption. This is another tool of FQ: using the “divide and conquer” method on our industry and, to some degree, it was working.

ITQ vs TACC

Another scenario on individual transferable quota (ITQ) compared with total allowable commercial catch (TACC) that I spoke about to Fisheries Minister Mark Furner and FQ representatives at a recent meeting is as follows.

When ITQ is used, it is actually more pressure on the resource because the operator has to catch the quota he or she has paid for: “I’ve paid for it, I may as well use it”. The prime example is that, as of the 20 December 2019, with TACC the highest quota usage was sitting at 31 per cent for spotted mackerel. With ITQ, the lowest quota usage was 36 per cent to 100 per cent for black teatfish and spanner crab at 56 per cent. (Figures at 20/12/2019 as per QDAF website [Fishnet]).

When this scenario was discussed, FQ representatives had about zero comprehension of what this actually represents – and these are the people driving the “quota bus”! From the latest stock assessments from FQ, stocks are sustainable.

Through FQ’s own admission in meetings with me, stocks are good. So, I ask everyone reading this: what is the real agenda behind quota? The scariest thing to note is that the kilogram-value of quota units are able to be “dialled up or down” at the discretion of FQ, as we have seen numerous times. You can draw your own conclusion.

*Shane Snow
QSIA Board Director*

Mr Snow’s analysis raises the issue of property rights under quota management arrangements. In the Queensland fisheries context, commercial fishers have an

access right to their fisheries (the marine resource) but do not have a property right. According to the State Government³:

Queensland commercial fishers are required by law to hold certain authorities. 'Authority' is a generic term that covers a range of commercial fishing licences (and associated symbols), permits and quotas.

Licences and permits allow commercial fishers to catch certain marine species as long as they abide by conditions such as area restrictions, catch limits, catch reporting and gear used. Authorities can be bought, sold or transferred, depending on the fishery, and this process is managed by Fisheries Queensland.

Fisheries Queensland have the ability to manipulate the kilogram value of each quota unit⁴ based on their own assumptions and advocacy from recreational fishing groups, eNGOs and conservation managers.

Fisheries Queensland can also change how a fishery is managed which, in the case of the Spanner Crab fishery, led to an increase in the maximum boat size, increased numbers of dillys (equipment used to catch Spanner Crabs) and has also led to the loss of income for commercial fishers, see Attachment 2.

In the Gulf of Carpentaria, trawl licences were converted into statutory fishing rights which then became a tradable commodity. There was no quota attached to the licence under the statutory fishing rights regime. The Association understands that no Queensland Government has extended this statutory fishing right to any other fishery.

2.2.2. Zoning

The potential introduction of zones in the net or trawl fisheries are still an unwelcome and unnecessary regulatory burden. There has been no modelling to determine the implications of this policy approach on my industry which is an important food producer.

Zoning is another way of establishing regionalisation of fishing stocks that will require new investments in quota. Zoning will also undermine the value of existing licences and eliminate what have been multi-endorsed/diversified small, regional and coastal based businesses.

The following outlines what the Association considers, in the trawl fishery for example, as concerns with zoning:

- Disadvantages and restricts small vessel operations that choose to work from their home ports.
- Reduces the ability to choose what to catch and where to work due to different weather conditions.
- Removing the ability to diversify and change due to changing weather conditions.

³ Business Queensland, 'Commercial fishing licences'.

⁴ A quota unit equates to a fixed percentage of fish for example.

- In some scenarios, local trawlers would lose 82 night's fishing or roughly 31 percent of their allocated nights.
- No support for losing nights.
- Reduced or no business or financial security.

2.3. Finance Issues

The Association has been advised by members that seeking capital to invest within their businesses is extremely difficult. An inability to access capital is a significant road block in any move to either expand domestic sales capacity or consider the export seafood market.

Attachment 1 provides an example of industry's inability to secure funding. The response in the attachment provides evidence that quota is not considered an asset amongst lending institutions.

2.4. Policy Settings

The State Government has pursued a so-called reform process that will work against the interests of diversified small businesses. The introduction of quota management, coastal zoning and an over-zealous focus on compliance will lead to less commercial seafood harvest, less capacity to deal with market shocks, more business specialisation, the start of large-scale corporatisation of Queensland fisheries and greater regulatory burden for industry.

In relation to large scale corporatisation in particular, the consolidation of numerous 'family-owned' small businesses into multi-vessel corporations will create structures that makes the industry more vulnerable to foreign takeover.

2.5. Export Knowledge Base

Some obstacles to exporting have been identified including:

- Too much red tape (i.e. lengthy and complex application process).
- It is unknown if there was any assistance/guidance available for small business operators at the time.
- The process was just 'all too hard' to engage with and no guarantee that viable commercial return after compliance with export rules.
- No known receiving country infrastructure that industry can access.
- Long-standing investment warnings in all fisheries with constant management and resource access changes precluded any Queensland seafood businesses but those supported and/or owned by foreign entities, from seeking export trade. In each case domestic supply has been largely reduced if not lost altogether.
- Continual change in fisheries management arrangements and resource access for 25 years in addition to continual unwarranted and unsubstantiated vilification by environmental activists have caused industry to be in a constant state of flux.
- No security of resource access and a reduced capacity for continuity of supply despite ongoing demand for domestic seafood supply.

2.6. COVID-19 Lessons

The impact of COVID-19 has been to undermine both the export and domestic aspects of commercial fishing nationally. Many lessons have been identified in the Queensland context including:

- With the majority of commercial fishing businesses being micro and small businesses, a move to 'specialisation' is a potential disaster. Currently commercial fishers in Queensland can have multiple endorsements on a licence. So, a net fisher can also work in the crab or line fisheries for example. This provided necessary flexibility and essential business resilience to move from one fishery to another in times of inevitable downturns in one fishery. This is akin to the 'Kidman Principle' of drought proofing your operations.
- Quota and zoning will force the micro, small and large seafood businesses into specialisation at a time when – a strong, domestic seafood market is critical to ensure food supply.

2.7. Resource Access

On 1 November 2015, three net free zones (NFZs) were established in Cairns, Mackay and Rockhampton. The dimensions of the zones are highlighted in Table 1 and cover 1,632 km². The zones, which were politically motivated and undermined a highly productive net fishery.

Table 1. Area covered by NFZs⁵

Region	Local Area	Area (km ²)
Rockhampton	Capricorn	1,380
Mackay	Saint Helens to Cape Hillsborough	163
Cairns	Trinity Bay	89

The loss of net fishing has meant on average, 224 tonnes of fish are no longer commercially harvested – an essential food production being sacrificed for a leisure activity.

In the Central coast region alone, there was a loss of approximately 29 percent of Barramundi and approximately 25 percent of King Salmon stocks due to the NFZs.

The policy needs to end to secure hundreds of tonnes of fresh local fish for domestic, interstate and international markets.

⁵ Department of Agriculture and Fisheries (2017, p.7), copied from Table 1.

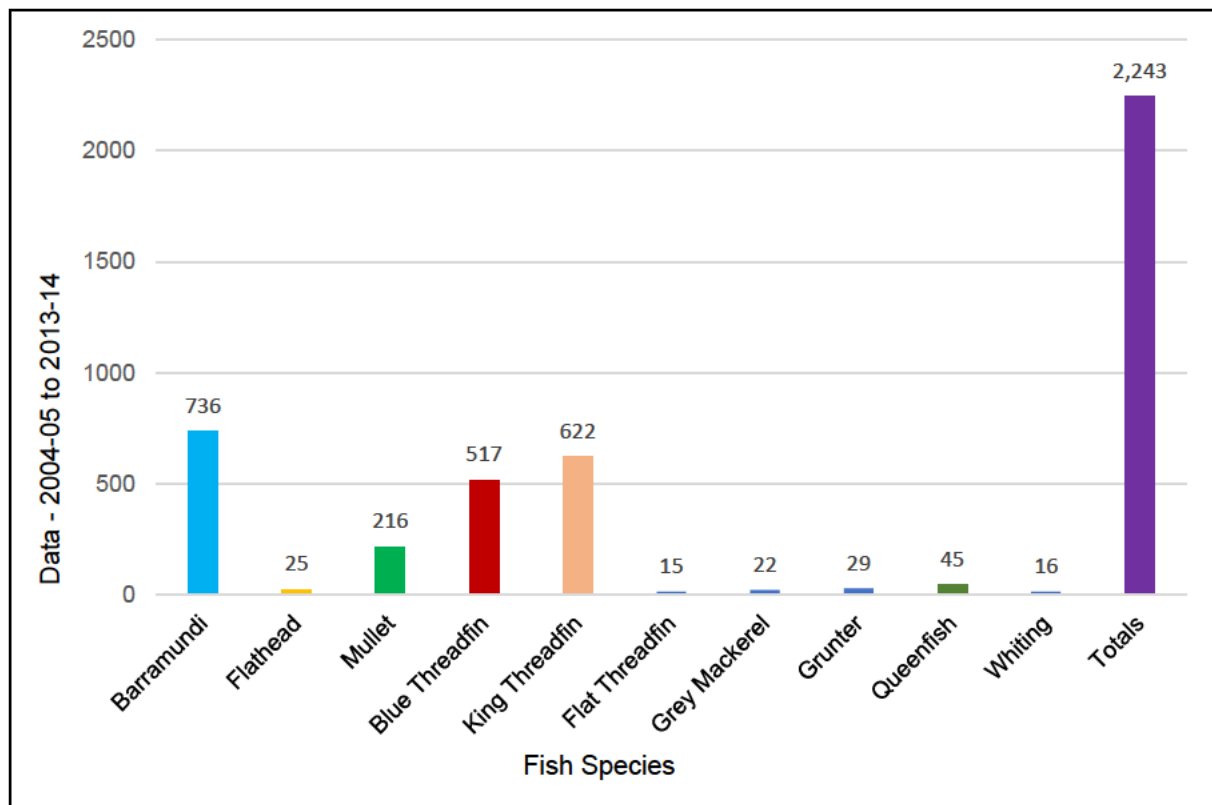


Figure 1. Catch data across the Cairns, Rockhampton and Mackay NFZs.
Source: Based on the Queensland Government's QFish data.

3. Queensland Commercial Fishing Industry Value

The Fisheries Research and Development Corporation (FRDC) have developed a report breaking down the economic value of Queensland commercial fisheries which are outlined in Table 2. The data provided by the FRDC provides a critically important overview of the value of Queensland commercial fishing.

The FRDC report presents estimates of the economic contribution of Australia's fisheries and aquaculture industries to the Australian community for 2017/18. It forms part of the National Fisheries and Aquaculture Industry Contributions Study (FRDC project 2017-210) which was funded by the FRDC on behalf of the Australian Government to produce evidence of industry's contributions.

Table 2. Queensland Commercial Fishing Economic Value Statistics

	GVA ⁶ (m\$)	Employment ⁷ (FTE jobs)	Household ⁸ Income (m\$)	GVP ⁹ (m\$)
State Managed Fisheries				
Direct				
Fishing	100	1,082	42	189
Processing	7	70	4	15
Indirect (all other sectors)				
Production	44	411	33	-
Induced				
Consumption	58	443	31	-
Induced				
Commonwealth Managed Fisheries				
Direct				
Fishing	74	380	27	135
Processing	5	50	3	11
Indirect (all other sectors)				
Production	32	297	24	-
Induced				
Consumption	40	303	21	-
Induced				
State & Cmlth Grand Total	360	3,037	185	350

Source: Australian fisheries and aquaculture industry (2019, p.37).

4. Response to Terms of Reference

Term of Reference 1: Consider if Australia is too reliant on any one market for exports. If so, what factors are contributing to this dominance.

4.1. Export Data

The following national data provide an overview of the value of fishery and aquaculture exports¹⁰:

⁶ Gross value added (GVA): GVA is calculated by subtracting non-wage business expenditure (EXP) such as fuel, trade services, professional services and transport services including taxes less subsidies (TLS and EXP) from GVP.

⁷ Full time equivalent (FTE): The ratio of the total number of paid hours during a period (part time, full time, contracted) by the number of working hours in that period Mondays through Fridays.

⁸ Household income is a measure of wages and salaries paid in cash and in kind, drawings by owner operators and other payments to labour including overtime payments, employer's superannuation contributions and income tax, but excluding payroll tax. This indicator provides a measure of the wages and salaries associated with the employment contribution of fishing and processing.

⁹ Gross Value of Production (GVP): GVP is calculated by multiplying the weight of production by the landed unit value. The landed unit value is defined as the beach price for fish species caught in wild-catch fisheries and the farmgate price for fishery and aquaculture products produced in aquaculture establishments.

¹⁰ Mobsby (2018, p.22).

- Total value of fishery and aquaculture product exports declined by 7 per cent in 2016-17 to \$1.44 billion.
- Seafood export value decreased by 6 per cent in 2016-17 to \$1.33 billion, while seafood export volume declined by 17 per cent to 51,371 tonnes. Non-edible fishery and aquaculture product exports declined by 17 per cent to \$103 million in 2016-17, largely reflecting a decline in the value of pearl exports.
- Total value of fishery and aquaculture product exports was 24 per cent lower in real terms in 2016-17 compared with 2006-07.

Despite declines in value in 2016-17, a \$1.44 billion export market is worth enhancing and from a Queensland perspective, understanding how commercial fishing businesses can access foreign markets is important.

Seafood industry export data states there are five major fisheries product export destinations for Australia in 2016-17 accounting for 87 percent of export trade including¹¹ (a) Vietnam - \$575 million, (b) Hong Kong - \$232 million, (c) Japan - \$223 million, (d) China - \$171 million and (e) United States - \$53 million.

Interrogating seafood export data suggests that there may be too high a reliance on the Chinese export market. However, it has been noted that¹²:

- Exports to China increased by \$63 million in 2016-17 and was the single largest increase of any single export destination that year.
- Between 2006-07 and 2012-13 the majority of fisheries products were exported to Hong Kong. Since 2013-14 Vietnam has been the primary export destination despite export value and share of total exports to this destination declining since 2015-16.

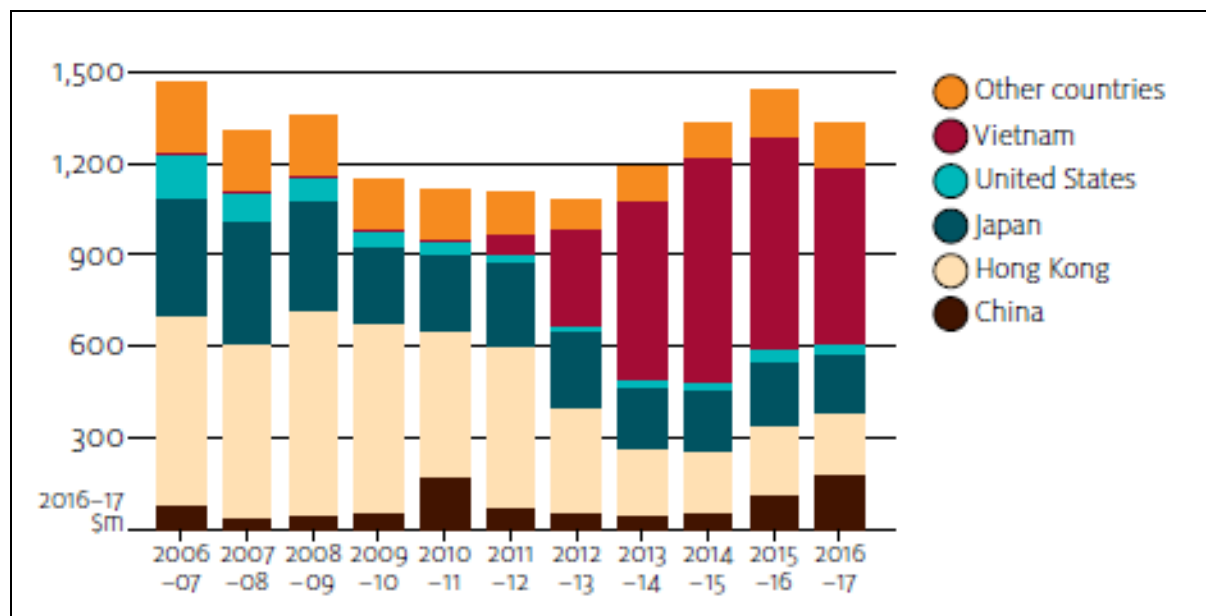


Figure 2. Value of exports by destination¹³, 2006-07 to 2016-17.

¹¹ Mobsby (2018, p.24).

¹² Ibid.

¹³ Mobsby (2018, p.24), copied from Figure 15.

Over a ten-year period, it is clear from the data outlined in Figure 2 that the East Asian region is a critical export market for the commercial seafood industry.

Developing new trade markets under the current State Government approach to is difficult because they are not export focussed. Industry cannot rely on any form of partnership with the State Government because they have transformed their fisheries department (Fisheries Queensland) into a regulatory agency rather than an industry development agency.

4.2. Findings

A combination of issues suggests that barriers to exporting more Queensland seafood include but are not limited to:

- Fewer individually or family owned commercial fishing businesses;
- The start of a pathway towards the loss of family-owned businesses and the development of corporatised fisheries vulnerable to foreign takeover;
- Regulations such as quota and zoning leading to less product;
- A focus on business specialisation versus business diversification;
- Industry losing multi-endorsed commercial fishing businesses;
- Reduced capacity for continuity of supply with greatly reduced access to the most productive fishing grounds throughout the State; and
- Extensively reduced resource access for commercial fishers due to closures to commercial fishing through marine park zonings and other legislated closures.

To develop an industry confidence to invest in infrastructure to support domestic and export markets what is required is security of access and tenure.

5. Industry Contacts

The Association can help organise members to attend public meetings if they are held across Queensland to provide a commercial fisher business perspective.

References

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Snow, S 2020, 'Quota - the real impacts', Queensland Seafood magazine, No. 1, p.14.

Attachment 1



Re. Financing the purchase of Commercial Fishing Quota

I have approached a number of lenders (including large banks) regarding your request to finance the purchase of additional Commercial Fishing Quota. Despite your excellent credit history with a number of these lenders, we are not able to progress your request at this time.

The various lenders have indicated they are not willing to advance the funding you require with the Commercial Fishing Quota as security. The lenders have noted their past experience with taxi licenses as part reason for their reluctance to fund.

Please let me know if you have any questions.

Yours Sincerely



Attachment 2

Quota Managed Fisheries: Spanner Crab
QSIA News, 22 February 2020

Commercial fishers in Queensland understand that the State government's position on the fisheries reform process is clear. All commercial fisheries will develop a harvest strategy with the default position of quota management where possible.

There are a few examples of quota managed fisheries such as the coral trout and spanner crab fisheries. Both these fisheries provide reasons against instituting quota management so let's examine the Queensland spanner crab fishery.

The current situation facing Queensland spanner crab fishers is a potential for up to a 48% devaluation of quota but at this stage the actual level is unclear. There is another meeting scheduled regarding a potential reduction in May.

Q.1) How did the situation get to this stage?

Q.2) Where does the responsibility for the current situation lay?

Q.3) What can the spanner crab fishery teach us about the pitfalls of quota managed fisheries?

Response to Q.1) Due to general fisheries permits being issued, the number of dillies per vessel has been allowed to increase to 120 dillies possibly more. General fishery permits should not be allowed to interfere with the gazetted state government regulations governing the Queensland spanner crab fishery. These are temporary permits which do not have to be renewed.

Response to Q.2) Fisheries Queensland has the power to allow general fisheries permits to operate adding pressure to the spanner crab fishery which was supposedly quota managed – so how are general permits justified? It is strange to think that the increased pressure from permits were not considered a risk.

Allowing an increase from 45 to 120 or more dillies seems like a poor management decision even if the fishery at times was considered robust enough to take additional fishing pressure.

Response to Q.3) The introduction of quota management has market changing elements that creates:

1. An incentive for investors to dominate a fishery.
2. An obstacle for the growth of small or small / multi-endorsed fishers to grow or at least sustain their businesses.
3. The capacity for larger operators / investors to distort the market by increasing the number of dillies potentially increasing fishing pressure.
4. Market rules that allow investors like [REDACTED] to potentially distort the market by (in theory) being able to buy quota. [REDACTED] has already purchased an N4 licence – what would stop them investing in any quota managed fishery only to deny commercial fishers' access to quota.

If the spanner crab fishery is an example of a functional, quota managed fishery then my industry faces a nightmare scenario in every commercial fishery. Two

simple, yet potentially effective solutions could be used by fisheries management – (1) reduce the number of dillies to 45; and (2) remove general fisheries permits from the spanner crab fishery.

Richard Hamilton notes, 'My business is based on value adding selling direct to the public, spanner crabs only. It has taken me 12 years to promote my product to a point where it has become part of the Gold Coast Fisherman's Cooperative experience and an integral part of Gold Coast tourism. The Co-op has become a must visit tourism icon for international and domestic travellers and this potential devaluation puts my business at risk'.

This is what is at stake with quota managed fisheries in Queensland – a system that from one day to the next can devalue quota by up to half its value is an unacceptable outcome for commercial fisheries.

The long-term focus for commercial fishers like Richard is a well-managed fishery that is economically sustainable and of course environmentally sustainable. The issue facing Richard and small commercial fishers in a quota managed system is the unchecked growth in larger operators using more than the designated number of dillies which is at present 45 and what is known is that some are using up to 120 dillies. Add to this a permit system that allows more effort to creep into the fishery and we are faced with an effort problem.