



**Joint Select Committee on the Australia Fund Establishment - inquiring into and reporting on the establishment of a fund to assist rural and manufacturing industries in crisis and to support communities particularly those affected by natural disasters.**

**Oysters Australia Submission**

Oysters Australia is the peak industry body for the Australian oyster industry and encompasses all areas of issues critical to the industry on a national basis. The Australian oyster farming industry is primarily focused on culture based production of 2 principal species of oysters, the Sydney Rock Oyster (NSW, QLD and WA) and Pacific Oysters (Tas, SA and NSW).

Oyster production within Australia is undertaken on a culture only basis with oysters grown out from either hatchery based oyster seed (spat) or wild caught oyster seed. The growing of oysters in semi enclosed bay environments is very much about farming and in effect is identical to the underlying principles of terrestrial based farming except it is undertaken in the marine environment.

The Oyster industry is a highly important industry to many regional coastal communities, particularly with New South Wales, South Australia and Tasmania. The annual industry production is worth \$100 million annually in farm gate value with flow on benefits extending far beyond that figure. The industry is also highly labour intensive with over 1000 people directly employed within the industry plus high levels of flow on employment.

There is no doubt that the issues of natural disasters and crisis experienced by terrestrial farming is also extended to the oyster farming industry. The industry has experienced its own equivalent of drought, floods and disease disasters and there no doubt it should be covered by the same disaster relief funding as the terrestrial farming.

These natural disasters and crises can also be amplified by the high regulatory cost imposed by respective state Governments, particularly in the areas of Full Cost Recovery for Licence / Lease fees and plus the additional requirement of paying for comprehensive Shellfish Quality Assurance Programmes which are regulatory requirements for the safe consumption of shellfish. In some instances, Government charges have more than doubled in the space of 12 months.



Oysters Australia is adamant that Disaster Relief funding must cover mass mortalities of stock, whether via disease or other means. The classic example of this can be found in the Hawkesbury River where in the early 2000's the Sydney Rock industry was wiped out by a highly virulent outbreak of QX disease. The industry in that highly productive estuary successfully lobbied the NSW State Government to be able to farm triploid pacific oysters to only then succumb to an exotic Ostreid Herpes virus (referred to as Pacific Oyster Mortality Syndrome) which has crippled this industry once again.

The Hawkesbury River Growers continuously lobbied respective Governments for Disaster Relief Funding and other forms of support to help get growers through this crisis but unfortunately to no avail. Not only has this now seen a massive exodus of expertise and resource from the oyster industry, but it has also seen considerable financial and emotional suffering with family owned and operated oyster farming operations with a number of normally viable farming units declaring bankruptcy.

The Australian oyster industry is now trying to breed a disease tolerant oyster but without genuine disaster relief funding to "bridge the gap" it is likely that valuable expertise and investment will be lost. Confidence in genuine disaster relief funding will undoubtedly be critical for continued investment and growth with POMS now threatening \$70 million of farm gate value of annual oyster production within Australia.

Oysters Australia would also like the following specific comments in regards to the Terms of Reference for this Committee in regards to the Australian Oyster Industry:

***Terms of Reference:***

*The committee is tasked with inquiring into and reporting on:*

*The establishment of a fund to support rural and manufacturing industries, with particular reference to:*

*(a) the need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters. Particular reference for the committee includes:*

The definitions of natural disasters need to be broad and far reaching and rural communities should include aquaculture.



Often the cause of a massive mortality of oyster stock may not be known/identified for years or if ever, however the effects are the same as if it was a flood or drought on land. It may be climatic, biosecurity or disease related.

Other factors influencing the ability of an industry to respond in crisis include the long term impact of cost recovery (cost shifting) of regulatory services to industry coupled with little to no federal or state expenditure or investment in economic development. Given the flow on benefits to state economies from primary production it is mystifying as to why this lack of investment has not occurred and industry can sometimes be viewed as an “easy target” and a “cash cow”. This attitude is unsustainable, and in the long term leaves industry at a “tipping point”, surviving but not thriving and certainly unable to continually innovate or indeed respond with any financial resilience in the event of a natural disaster.

In addition to a disaster relief strategy which is needed for primary production on land and in sea, a change in policy direction which proactively values the flow on benefits to regional, state and national economies of sustainable benign industries like aquaculture and in particular the oyster industry and invests in economic development strategies developed in consultation with industry is required.

The recent biosecurity disaster in NSW (Pacific Oyster Mortality Syndrome) which has left a pacific oyster industry in crisis is a clear example of the need for such a fund to assist rural industries including aquaculture. The economic data which has been collected in SA by Econsearch (not sure what there is for other states?) provides clear support for the impact such a disaster can have on the broader community. In SA the oyster industry has a \$40 million GVP and the flow on benefits to the broader regional and state economy are fivefold, valued at \$200 million. When disaster strikes industry, communities and state economies feel the impact.

The SA oyster industry in conjunction with state and federal government agencies has a well-developed emergency response plan to address the impact of POMS should it reach our bays. While industry now works proactively to adopt other risk mitigation strategies like an industry funded breeding program for a POMS resistant oyster, diversification and strict stock and equipment movement protocols, this event has highlighted the possibilities of the yet unknown natural disasters which could impact our industry. Climate events, climate change and natural algal blooms may be amongst them, as could pest incursions or other unforeseen events with increased mining effort and increased shipping in southern waters.

The industry remains vigilant and proactive but the actuarial processes which apply to normal insurance risks will not allow the insurance against oyster stock loss. Immediate



financial supports which can be adopted by business in response to unforeseen event or natural disaster can prevent financial disaster and concomitant long term impact on rural communities and state economies which depend on this industry – in South Australia, this includes seven bays and approx. 90 business entities.

*(i) emergency or ongoing financial relief,*

Access to immediate financial relief by a business can be the difference between a bank foreclosing or not. The stress of immediately responding to the pragmatics of such a natural disaster on the business and business owners can be immense. Accompanying financial worry can be the tipping point. A head cleared by the knowledge that immediate financial relief is available can focus on the strategic and practical aspects of saving the operations of the business. Too often the red tape associated with the administration of such relief makes the timing unworkable. Timely emergency relief is crucial.

*(ii) a loan to such a business,*

It may be the case that a business has other assets which it needs time to realise to keep the business affected by the disaster operational. A loan which is supported by a guarantor may allow the business owner to realise the value of another asset over time and pay back this loan.

*(iii) act as a guarantor for all or part of a loan or proposed loan to such a business,*

*(iv) purchase all or part of an existing loan to such a business,*

*(v) capitalise or waive interest owed by such a business,*

All of the above strategies would be beneficial, depending on the long term costs which might need to be applied.

*(vi) assume control of such a business for a particular period,*

This is a vexed issues as the cost of the entity which may take control (a receiver for example) can be far greater in the long term than any of the other strategies outlined above.

*(vii) grant funds to an appropriate industry body, and*

Can be a very beneficial strategy in the event the disaster is broadly spread across an industry and a relief effort is determined to be best managed through an industry



Association or peak body coordinated effort. This could prove to be a very efficient and effective way of managing a disaster in some circumstances.

*(viii) grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it; and*

Systems which provide effective management control over production and technology which can reduce long term costs of production can be extremely beneficial to support a business in recovery from a disaster towards increased competitiveness in particular as we observe the margins for small primary producers rapidly diminishing nationally due to high costs of production in this country generally, including labour and regulatory costs.

The oyster industry is currently in dire need of Ap-based IT stock management systems, environmental data systems, animal physiological data systems, and above all advances in oyster processing and grading technology which minimise the stress on the animal and subsequent mortalities. The Australian oyster industry will fall behind its international competitors if it is unable to bring down costs of production, and in particular as competitors in Europe and Ireland continue to enjoy considerable positive economic and market development investment from their respective governments, while the Australian industry does not.

*(b) whether:*

*(i) existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis, and*

Banks are very quick to act in circumstances such as natural disasters, and given time to respond businesses can. The relaxation of bankruptcy and insolvency laws modified or temporarily relaxed would be a very positive benefit for a business in a time of crisis and in the long term for the communities who may depend on them. Every effort should be made to allow a business to try to take corrective action and trade out of the crisis. Having said that strict external independent reporting covenants should apply and reasonable time limits should be imposed.