

Torres Straits Seafood

2-8 Douglas St, Thursday Island, Qld, 4875
208 Hartley St, Bungalow, Qld, 4870

P 07 4035 4100
F 07 4035 4200



AFMA
TORRES STRAIT OFFICE
38 Victoria Parade,
Thursday Island, QLD, 4875
By email: trlinfo@afma.gov.au / fax: 07 4069 1277

RE DRAFT TRL MANAGEMENT PLAN

Dear Sir/Madam,

It might be of interest to outline Torres Straits Seafood particular place in the lobster industry over the last 27 years. Torres Straits Seafood commenced operations in 1990, purchasing lobster from TIB and TVH vessels. Our commitment has been to provide the best buying prices and competitive prices for fuel and dive gear to fishermen. We firmly believe we have made a huge impact towards educating best handling, catching and holding practices on vessels and dinghies, so that together with fishermen we produce a quality product for our Torres Strait branded product.

Torres Straits Seafood for many years helped CSIRO in catchment data, and we have always strictly adhered to regulations governing the fishery. We commenced commercial supply of live lobster to China in 1996. We are independent buyers, and do not hold any TVH licences. Torres Straits Seafood rarely get involved in the management of the fishery, as we believe that to date it has worked well.

We support the comments outlined by Phil Hughes as a TVH licence holder. (letter submitted by Phil Hughes to AFMA). Phil has outlined very clearly the changes that have occurred over the years and the situation the Torres Strait lobster industry finds itself in now.

We believe the dangers that the Torres Strait lobster fishery faces in the future will become reality once a quota system is put in place without proper input from TVH and TIB fishermen. The race to get a plan in place when the TIB fishermen have no concrete plan themselves will be at a cost to all. Of course there is an obvious benefit to the highest bidder at this point and that will of course, lead to a monopoly situation that will see businesses that operate and contribute to the community close.

Unfortunately we are becoming alarmed at the push for quota to be adopted. It is our opinion that the quota system will result to benefit only one company, MG Kailis. It seems that the TIB holders do not want Kailis as the sole beneficiary of the Torres Strait lobster fishery.

Kailis now operate the East Coast fishery as a monopoly controlling some 89% of the East Coast TRL fishery, and Torres Strait Fishers do not want this to happen, in the Torres Strait fishery, by default, or any other way. The TIB fishers voice this in the meetings we have attended and the TVH licence holders, of which there are five other than Kailis, do not want this to happen either.

The case against this has been clearly shown by the fact that Kailis had several years of a monopoly, 2008 to 2011, when our company, (nor any other Thursday Island last based operator) did not buy lobster, live or frozen. Kailis's buying prices fell to lows not previously experienced and they paid these prices consistently over the whole of the fishing season in the years of no competition. As you will of course be aware, lobster prices are rather volatile and they vary between lows of, as an example \$23/kg and highs of \$68/kg. A difference of approximately \$45/kg during a season. This differential was not reflected at all in the prices paid to fishermen during the period of only one buyer operating. Indeed prices were lower than what was to be expected over the entire year/s.

Fishers concerns are that freedoms would be lost if Kailis was to push the quota system in place and sew up the fishery by owning the majority TVH licences which also hold the most quota. This could lead to dictating leasing for TIB quota and transferable TVH quota. If TVH quota is transferrable between these licences, then those few independent licensees who do not hold enough quota on their licences to viably fish for the season, will have no choice other than to lease quota from Kailis licences and thus be made to sell to Kailis. Creating the exact same situation as has happened on the East Coast.

The east coast TRL fishery has, for 2 years, been opened one month early. Our understanding of this, is that Kailis lobbied CSIRO and Fisheries to the season opening earlier to be able to take advantage of high prices in the market, due to the demand caused by Chinese New Year, typically at the end of January or beginning of February. We would like to know why this earlier opening has not been reflected for the Torres Strait fishery, and what scientific data was offered to support the EXTENSION of the east coast fishery. Was this a commercial decision reached, due to the lobbying of the majority owner of east coast quota? Why have Torres Strait fishermen not been afforded the same benefit in being able to access the high demand period leading up to Chinese New Year. We believe this should be changed immediately to reflect the opening of the Torres Strait TRL fishery, to be in line with the east coast TRL fishery, alternatively the east coast should return to the February 1st opening.

There is ostensibly only one company benefiting from the decision to extend the east coast fishing season.

East Coast fishery this year was 195 TAC, apparently 193.8 tonne was caught. It is a well known fact that Kailis owns approximately 62% of the east coast fishery and leases at least another 18%, making them basically a monopoly.

East Coast Trout fishery was limited with one fisherman who owned close to 40% of the quota, and was ordered by ACCC to sell some quota as he was considered a majority holder, and therefore could create a monopoly.

The East Coast Lobster Fishery with Kailis having double what ACCC believe is a dangerous percentage in the trout fishery. The implementation of the quota system and allowable quota trading between TVH will create a monopoly.

We believe the government does not have the right to affect an industry that will have deleterious effect on businesses operating in the Torres Strait without compensation. (eg McLeod Engineering-Prawn Trawlers).

Should the Torres Strait TRL industry be "overhauled" to the extent that operation and control of the fishery was effectively handed to a single buyer / operator (as in the case of east coast TRL) the substantial financial investment and effort that we have made should be adequately compensated.

As in the case of numerous businesses affected (indeed shut down or substantially reduced) by the rezoning of the Great Barrier Reef, whilst the reasons are different the cause and effect is the same.

Our understanding of the current proposals will only lead to an outcome where a monopoly is created and this will have a large effect, on not only ourselves and others as a business operating within the industry, but also a direct impact on the livelihoods of all fishers across both TIB and TVH sectors, as the monopoly will lead to a large reduction in the prices offered for product, as past history has shown.

Our Concerns:

1. Assuming quota is introduced and the TIB sector can lease quota to Kailis (the Company) (which has made no secret of the fact they want to control the whole TRL Torres Strait Fishery, and who already own the East Coast Fishery) approximately 50% of our TVH business will be consumed by Kailis, thus making our business unviable. If our business became unviable, and we exited the market, Kailis would have minimal competition in purchasing TRL and as history has shown, would likely significantly drop their prices.
2. We believe there should be more transparency and a more rigorous test for owning TIB licenced carrier/processing vessels, to prevent loophole entry into the fishery. The operating examples are: Sainarm, Seafari and Venture 3, which have all entered the fishery through various loopholes, as they are owned by non TIB and operate under TIB licences. The concern we have is that companies are investing in vessels against the regulations that have been put in place.
3. The introduction of enforceable quota should also take into account that there are already stringent effort controls in place, for example, size of vessels, number of tenders, moon tide closures, to name a few, will these be removed should quota be enforced? These additional controls should not be required should quota be introduced. Alternatively why should quota be enforced if the fishery is operating successfully under the current controls?

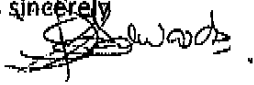
In response to TSRA's comment on the draft TRL Management Plan, which is seeking to introduce additional elements including:

- a) "Introducing an economic development contribution from the holders of transferable quota" - We think this is unconscionable and an impost to make the fishery economically unviable. Introducing a "contribution" after the fact.
- b) "The traditional inhabitant sector (TIB) to be given first right of refusal in the sale of TVH licences" - How could this even be enforced? Who would be offering to buy the TVH license/s? the TIB sector pays a minimal fee for a licence, and in terms of quota there is a "pool" allocated to the whole TIB sector. Why would any TIB holder consider buying a TVH licence at a substantially higher investment than they would otherwise be required to pay? Does this mean that the TIB sector would be asking the government to buy back TVH licences and therefore increasing the TIB ownership in the fishery?
- c) "Transfers are only to be made between existing license holders in pursuit of 100% ownership by traditional owners" - This statement needs clarification.

We have concerns regarding how and by whom TIB quota could be managed. In the interests of transparency, fairness to TIB holders, recipients of any economic benefit and the ongoing viability of such an important fishery. We can envisage some scenarios that could conceivably put an end to the commercial viability of the fishery, which as outlined would have a huge impact on not only buyers, TIB and TVH licence holders, but also the whole of the Torres Strait region. Whilst we support and understand the pursuit of 100% ownership of the fishery by traditional owners, we believe it is a complex and fraught process, that must be approached with due caution to all possible outcomes.

Torres Straits Seafood has many ties to the Torres Strait and we do not believe the implementation of the quota system as it is will at all benefit the community.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sandra Edwards', written over the typed name.

Sandra Edwards
Director