

South Australian Seafood Processors and Exporters Council

Submission to the South Australian Productivity Commission's Inquiry into the Reform of the State's Regulatory Framework

General Industry Issues

The majority of all seafood consumed in Australia is imported. The ageing of the workforce combined with licence buy-backs in smaller marine scale fisheries has impacted upon volumes of seafood being processed. The longer term prospect is increasingly dependent upon the growth of the aquaculture sector.

A lack of supply due to labour shortages in the catching sector is also impacting upon processing volumes. Processors are also having real problems obtaining staff to process. This is impacting on both the smaller companies and some of the new players such as Clean Seas.

Export sectors have been hard hit by trade issues (lobster) and Covid with some markets such as Tuna experiencing under quota catches and disruptions in Japan due to the rolling pandemic.

The retail sector is doing well with reasonably good volumes but processing staff are becoming difficult to find. If it continues for a prolonged time, the "no people, no industry" forecast will come to fruition. That is why the climate of regulation must shift away from a protective, controlling and costly mechanism towards a supportive, quality focused approach that helps the industry grow within a framework that is designed to facilitate growth, whilst maintaining standards.

Regulations

The main Act and Regulations that apply to the Seafood Processing and exporting sector are:

The Fisheries Management Act 2007

The Fisheries Management (Fish Processors) Regulations 2017

There are two positions that one can take regarding how the regulations impact the industry.

- The first is they are needed to manage a valuable resource and ensure that stocks are sustained
- The second is that the legislation and regulations are quite onerous for all processors and add substantial costs both in licence terms and in operational time and cost.

Most processors will report that input into legislative and regulatory reviews is usually tokenistic with arbitrary decisions being made regarding quotas etc. Perhaps the best examples were during the boundary "discussions" on the marine parks where lines had been drawn within PIRSA with virtually no real consultation having taken place with fishers or processors.

The other main issue is that there is a political dimension regarding recreational fishing with that sector continuing to increase their take and increasingly impact on fish stocks. The scale of

the recreational sector today with often “professional scale” vessels, clearly has an impact on fish stocks. For some years now, there have been concerns that the total recreational catch volume for some species such as King George Whiting has a significant impact on long term fish stocks and yet the recreational sector is not subject to the levels of regulatory control that are put on the commercial fishing sector.

Main Challenges re regulation

Cost, complexity and no value add for the industry.

Large fees and charges are paid into PIRSA by processors annually with virtually no benefit for the sector. The money simply vanishes into PIRSA coffers. When the Council previously asked for clarification of where these substantial monies actually go, it was told they all go on compliance. That is not good enough even in a cost recovery environment.

In practical terms when you have a lobster licence fee regime around 20% of the GDP you have a problem. No other industry that we know has such onerous fees and controls that stymie ordinary business activity.

There has to be a benefit for the industry in the large contributions they make annually. Right now the processors feel that all they receive is an expensive police force that creates a complex reporting model that is costly, complex and an over-reaction in the controls it sets.

Perhaps some of the funds collected could help with some of the industry issues such as Labour sourcing and promotion of seafood or contributions towards an industry body to advocate more effectively and build the “partnership” that there should be between industry and Government.

Looking at overseas seafood processing partnership models, especially the Chinese model, should give us a base to more effectively utilise the considerable monies the industry pays to the Government.

Making and Managing Regulation

As mentioned above, much of the involvement has been after the fact when a system or model has been through an extensive internal development process within the Department. Reviews and considerations of more effective support models for the industry must go through a more inclusive process from day one. After all, participation leads to ownership, which leads to commitment. Right now there is tokenistic participation and unfortunately little ownership of the system or processes.

There is no clear mechanism for regular Government engagement with the Seafood Processors and Exporters. Engagement is sporadic and usually one way. Realistically there should be a funded body with an executive group that meets regularly with the Minister and key Departmental staff to review and improve the current systems. The Council operates on a voluntary basis across all primary industry sectors and to be honest it's time we had a properly funded body that can proactively engage with the Government on the current regulations and seek to improve the whole system.

Regulator Performance

There is a lot of knowledge within PIRSA. Some of the people who are involved in sector and regulation reviews are good operators but they have been given narrow operating instructions which work against any fundamental reform of how the system should work.

The cross sector issues, particularly between commercial fishing and processing are not that well managed. The emphasis in the dialogue is with commercial fishing. If we look at a whole of industry engagement (something like a Seafood sector taskforce) we would be having conversations about logistics, cold chain improvements, building export opportunities, health promotions such as the Good Oil promotions many years ago, and of course a dedicated program to source processing workforces (similar to seasonal ag workers).

None of this is happening and we continue to perpetuate a silo mentality with individual Departments having narrow responsibilities (bio-security, labour and skills, investment attraction, export development etc.)

South Australia needs a new model of industry support which encompasses a range of elements to grow the industry by improved targeting and deployment of resources. The regulator still has a policing mentality which is counterproductive.

Opportunities for Reform

For many years the industry was beset with a mountain of paper forms. The introduction of electronic reporting has eased this burden to a degree but it is still a compliance heavy system with the major burden of work still falling on the processors. Compliance is still seen as policing within the Department and the regulations support that approach. This is at odds with how Governments interact with other industry sectors, including farming and horticulture.

Rather than impose a heavy reporting burden on processors, it is suggested that future regulations be managed through a standards based approach with periodic auditing of businesses. They could even have a rating system based on audit results (as with VET providers) Those potentially breaking the law by buying product from recreationals will have a lower rating and be subject to more regular audits.

In terms of improving business conditions, the Council does not believe that the current regulatory approaches combined with an arms-length management model have contributed in any way to the growth and profitability of the industry.

From what the various sectors have reported, it appears as though the Government has been slow to react to industry need in relation to designing efficient reporting models. When the Council supported an important aquatic disease management training program for the industry some years ago, there was virtually no input or assistance from PIRSA. As this topic is central to the Fisheries Act it was more than unusual that the Department had no input.

Conclusion

The Council is concerned that the South Australian Seafood industry may contract between now and 2030 at a time when it could be growing. Integrating the strategies is vital to having a truly supportive Government sector. Of course we need regulations, but not in the way in which they have been constructed. It's really about starting with a new approach and a new model which adds value, supports the sector, improves dialogue and ultimately productivity. We are currently a long way from that position.

No-one disputes the need for regulation to ensure the resource is protected and businesses do the right thing. However, the way in which the legislation and regulations have been developed does not support innovation or investment. The Act and the regulations read like a list of penalties and threats rather than a model of best practice and continuous improvement. Such emphasis creates mistrust and a lack of ownership and commitment, the very thing that the industry and the Government should be avoiding. It certainly makes investors wary.

There are serious concerns with the way the way in which the Act and the regulations have been designed. Managing risk is one thing, overburdening an industry with administrative models that are complex and punitive is not the way to achieve real commitment to agreed compliance outcomes.

In the short to medium term we need to undertake an urgent and significant reform of licence fees whilst we reboot our markets. Like New Zealand, we should start looking at models that run our compliance on quota outputs only. The fact that such discussions are not taking place is a concern.

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