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NORTHERN PRAWN FISHERY VOLUNTARY ADJUSTMENT SCHEME
LOAN GUARANTEE BILL 1985

Date introduced: 22 August 1985
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister
for Primary Industry

Short Digest of Bill

Purpose

To give effect to the Government's decision announced in the 1984 Budget to guarantee a loan of $5m as initial funding for a voluntary adjustment scheme in the Northern Prawn Fishery.

Background

The Northern Prawn Fishery has suffered from depressed economic conditions in recent years. Although annual production from the fishery is valued at about $80m, the presence of substantial excess capacity has resulted in the fishery becoming unprofitable. In October 1982 the Australian Fisheries Council recommended that measures to restrict the level of effort in the fishery should be considered as a matter of urgency.

The industry itself proposed a voluntary adjustment scheme whereby fishermen wishing to leave the fishery will be compensated for the surrender of their rights in it. This scheme is a major component of the new management plan being progressively introduced into the fishery. Introduction of the new plan followed a comprehensive review of management of the fishery by the Commonwealth, Queensland, Western Australia and Northern Territory governments in consultation with the industry over the course of 1983. The package was endorsed by the Australian Fisheries Council meeting in September 1983. The other major aspects of the package are:

- the establishment of a joint government-industry management committee responsible for northern prawn fishery matters exclusively;
implementation of a boat replacement policy based on unitisation calculated by combining under-deck-tonnage and engine power;

extension of the declared management zone;

improvement in the structure and effectiveness of penalties for offences under Commonwealth law; and

improvement of licencing arrangements to reduce the number and the cost of licences.

The full expense of the Voluntary Adjustment Scheme ultimately will be met by those remaining in the fishery through an annual levy to be imposed under the Fisheries Levy Act 1984 (see Bills Digest 84/164). Collection of the levy will not begin until the 1986 licencing year. Therefore, to maximise the early impact of the scheme, funding will initially be in the form of loans. The Queensland Fish Management Authority, which has considerable involvement in the management of the Northern Prawn Fishery, has agreed to act as loan agent for the industry in the absence of any representative industry organisation with power to borrow money. The authority has also undertaken to be the lead agency for administering payments to fishermen under the Scheme.

Outline

This Bill authorises the Treasurer, on behalf of the Commonwealth and at the request of the Queensland Fish Management Authority, to guarantee the repayment of, and the payment of interest on, one or more loans made to the Authority up to a value not exceeding $5m, for the purpose of funding the Voluntary Adjustment Scheme (clause 5). The guarantee is subject to the Treasurer approving the terms and conditions of the borrowings (clause 6). The guarantee provided by the Bill will serve as security for the loan which is being arranged outside the Commonwealth Budget at commercial rates.

The maximum financial impact of the Bill would be $5m plus interest. However, the risk of the Government having to honour the guarantee is extremely small since the industry intends to repay the loan and interest on it through the annual levy.
For further information, if required, contact the Economics and Commerce Group.

10 September 1985

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