

**WESTERN AUSTRALIA  
PEARLING ACT 1990**

**PEARL OYSTER FISHERY**

**MINISTERIAL POLICY GUIDELINE No. 17**

**ISSUED PURSUANT TO SECTION 24  
OF THE PEARLING ACT 1990**

**AS AMENDED TO 16 AUGUST 2001**

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## 1. INTRODUCTION

The *Pearling Act (1990)* provides for the Minister for Fisheries to issue a policy statement giving guidelines on significant matters which may affect farm leases, licences and permits. The purpose of the policy statement is to provide information for the Western Australian pearling industry and guidance for the Executive Director in the administration of the Act.

During the period 13 February 1991 to 2 February 1995, the Western Australian pearling industry was administered under the Western Australian Act in two parts: -

- (a) the catching sector by a Joint Authority, established under the Offshore Constitutional Settlement and comprising the Commonwealth and Western Australian Ministers responsible for fisheries, including pearling;
- (b) the remaining aspects of the pearling industry, such as farm leases and hatcheries, by the Western Australian Minister for Fisheries.

Since 3 February 1995, all aspects of the industry have been managed solely by Western Australia in accordance with the Western Australian *Pearling Act*. Decisions of the Joint Authority taken prior to 3 February 1995 have been adopted by the Executive Director of Fisheries.

The Western Australian pearling industry is vertically integrated and is involved in four basic activities:-

- (a) the collection of pearl oysters from the wild stocks;
- (b) the seeding process of implanting nuclei;
- (c) the grow-on phase to produce pearls;
- (d) the marketing of the product.

Hatchery production of pearl oysters is now playing an important role in the Australian pearling industry.

Pearl Oyster Fishery Policy Guidelines were first issued in October 1992. These guidelines included decisions by the then Joint Authority, and decisions by the Western Australian Minister for Fisheries in relation to pearling matters under his jurisdiction. Amended guidelines incorporating subsequent decisions of the Joint Authority and Western Australian Minister for Fisheries and taking into account changes to the Offshore Constitutional Settlement were issued in January 1996. A second amendment was issued in April 1997. These latest guidelines incorporate subsequent decisions by the Minister for Fisheries.

The Executive Director shall consider any policy statement issued by the Minister but such statements do not derogate from the duty of the Executive Director to exercise discretion in a particular case or preclude the taking into account of other matters. There is currently only one species of pearl oyster, *Pinctada maxima*, declared under the Western Australian *Pearling Act*, but this declaration includes hybrids of *Pinctada maxima* which may be produced by hatchery technology.

## 2. GENERAL OUTCOMES TO BE ACHIEVED

Production from the Australian pearling industry mostly consists of South Sea pearls cultured in *Pinctada maxima* pearl oysters taken from waters off Western Australia. In 1998/99 the Western Australian industry was valued at approximately \$181 million. Pearls are sold on the world market through experienced pearl marketing companies. Indonesia and other Asian countries also produce South Sea pearls. However, at the present time the leading buyers, who are important in the distribution process to the world market, recognise Australia as the source of the largest quantity of quality South Sea pearls.

The pearling industry is market driven. The high value of South Sea pearls is based on their beauty, rarity and the image of luxury attached to them. The high prices paid for quality South Sea pearls are a factor in maintaining a sound pearling industry in Australia. A report prepared in March 1991 by the Australian Bureau of Agricultural and Resource Economics for the Australian Fisheries Service set out that "the high prices currently being paid for South Sea pearls are a reflection of the scarcity of the commodity, and any increase in supply due to the introduction of hatcheries will reduce this scarcity and may result in lower prices." It is not possible to accurately identify the precise levels of production from Australia and elsewhere, which would result in a significant reduction in the prices received. As production increases, the rarity and consequently the value of pearls may be reduced.

The Australian pearling industry must be attuned to the sensitivity of the world market for South Sea pearls and must strive to maintain market stability. Currently, production by the Western Australian industry is controlled through limits placed on the take of wild stock of pearl oysters, to ensure that the harvest is maintained at ecologically sustainable levels. The total number of quota units in the Western Australian pearl oyster fishery is 572, allocated between 16 pearling companies. Generally, 1 quota unit equates to 1,000 pearl oysters. This may be altered depending upon decisions taken about use of the wild stock. An additional 350,000 pearl shells are produced through the successful application of hatchery and grow-out technology. Long-term growth in the pearl industry may be achieved in the future, by an increase in the production of pearl oysters through hatchery production.

It is important that hatchery technology of pearl oysters is developed so that the industry has the ability to maintain its leading position in the production and sale of quality South Sea pearls on the world market. However, at least for the present, it is considered that some control over hatchery production needs to be exercised because of the sensitivity of the market to rapid increases in pearl production. This policy statement sets out a mechanism which allows all pearling licensees to gain experience in hatchery and grow-out technology, but at the same time retains some control on the number of pearl oysters available for pearl culture.

The development of hatchery technology also carries with it the risk of over-production. However, this has to be balanced against the fact that other nations are well advanced in the hatchery production of *P. maxima* pearl oysters. Although Western Australia has a well-managed stock of wild oysters, which is the basis of this State's leading position in the world production of South Sea pearls, it is desirable that the additional hatchery competence be developed within the industry. This policy statement provides a mechanism for each Western Australian pearling licensee to utilise a limited number of hatchery pearl oysters annually for round pearl production, in addition to those collected from the wild stocks. This will allow the licensees with smaller quotas to improve their position and thus be better placed in the future if there are changes in world markets. The Western Australian pearling companies will be encouraged to form co-operative arrangements which will result in hatchery technology being available to the whole of the Australian pearling industry.

Foreign investment is another aspect that requires attention. The substantial contribution from some foreign investment sources in the development of the pearling industry is recognised. Foreign capital provides access to new technology and overseas markets. However, such investment should not lead to a dominance of the industry by interests from other countries. The pearling industry should be controlled to ensure that the industry remains in Australian hands, from the initial capture or production of pearl oysters through to the marketing of the product.

In general terms, taking into account the views expressed above, this policy statement aims to achieve the following outcomes as being in the better interests of the Western Australian pearling industry:

- (a) a control on the collection of pearl oysters from the wild stocks,
- (b) the orderly development of pearl farms,
- (c) the vertical integration of the industry,
- (d) an approach to the growth in production of pearl oysters determined by industry, and based on sensitivity to markets,
- (e) market stability, and
- (f) the retention of the pearling industry in Australian hands.

These desired outcomes are reflected in the discussion and guidelines, which follow.

### 3. ZONES OF THE FISHERY

The pearl oyster fishery for the purposes of wild stock management and translocation is divided into four zones.

1. All Western Australian waters off the north coast of Western Australia bounded by a line commencing at the intersection of 119°80' east longitude and the high water mark on the mainland; thence north to the intersection of 119°30' east longitude and 18°14' south latitude; thence west to the intersection of 119° east longitude and 18°14' south latitude; thence north to the boundary of the Australian Fishing Zone; thence in a westerly direction along that boundary to where it intersects 114°10' east longitude; thence south to the intersection of 114°10' east longitude and the high water mark on the mainland; thence in a generally north easterly direction along the high water mark, including the waters of Exmouth Gulf, back to the commencement point, are designated as Zone 1.
2. All those waters lying east of 118°10' east longitude, south of 18°14' south latitude and north of 20°23' south latitude, are designated as Zone 2.
3. All those waters lying north of 18°14' south latitude, east of 119° east longitude and west of 125°20' east longitude, including any waters lying south of that part of the northern coastline of the State intersected by that longitude and west of 125°30' east longitude are designated as Zone 3.
4. All those waters lying east of 125°20' east longitude and north of 16° south latitude, excluding any waters lying south of that part of the northern coastline of the State intersected by 125° 20' east longitude and west of 125°30' east longitude, are designated as the Kimberley Development Zone.

A map is provided in Appendix 1.

#### 4. WILD STOCK PEARL OYSTER QUOTA ALLOCATIONS

Wild stock pearl oyster quotas were allocated by the then Joint Authority responsible for the pearl oyster fishery following advice contained within the Final Report of the Pearling Industry Review Committee (February 1988). The allocations are in quota units with approval to take the quota in zones, which have been established by a Notice made under the Pearling Act. Generally, one unit of quota equals 1,000 pearl oysters. Arrangements to monitor the take of quotas by each pearling licensee have been implemented.

In addition, during 1993 the Joint Authority granted three new pearling licences for Zone 1 plus 15 new additions of quota units to existing Zone 1 licence holders. The total shell quota allocated to both new and existing licensees was 60 units.

Information on the allocation by licensee, quota units and the zones from which pearl oysters may be taken is set out below:-

LICENSEE	QUOTA UNITS	ZONES
Morgan & Company Pty Ltd	45	1
Cossack Pearls Pty Ltd	25	1
Tennereef Pty Ltd	15	1
Dampier Pearling Co Pty Ltd	15	1
Exmouth Pearls Pty Ltd	15	1
Paspaley Pearling Co Pty Ltd	100	2, 3
Pearls Pty Ltd	80	2, 3
Roebuck Pearl Producers Pty Ltd	55	2, 3
Broome Pearls Pty Ltd	55	2, 3
B R & L M Brown	55	2, 3
J D & S J Arrow	25	2, 3
Blue Seas Pearling Company	25	2, 3
Australian Sea Pearls Pty Ltd	15	2, 3
Paspaley Pearling Co Pty Ltd (BH)	15	2, 3
Clipper Holdings Pty Ltd	15 +2(i)	3
Maxima Pearling Company Pty Ltd	15	3

#### NOTES:

(i) Shell for Tourism Purposes – An additional quota of two units is allocated for tourism purposes at Willie Creek.

Take from Kimberley Development Zone - All licensees' quotas could be taken from the Kimberley Development Zone if there was a desire to do so.

Broodstock - Where pearl shell is required for broodstock purposes for hatchery spat production, a pearling licensee must provide the hatchery with broodstock shell, taken as part of the licensee's annual wildstock quota allocation or from stock already held on their pearl farm lease.

## **5. PEARL OYSTERS FOR RESEARCH**

There is much value to be gained from those engaged in the Western Australian pearling industry undertaking quality research and development for the benefit of the whole of the pearling industry.

This research may require the use of pearl oysters taken from the wild stock or hatchery-produced stock. Consideration will be given to research requests of this nature under the following guidelines:

- (a) Research projects must be written in a manner outlined by the Department of Fisheries, Western Australia.
- (b) Project descriptions will be distributed to the Western Australian industry to seek their comments on the value of the research to the pearling industry.
- (c) A decision will be made by the Department of Fisheries based on the value of the proposed research and the status of the wild stocks of pearl oysters.
- (d) If approval is granted for a research quota of wild stock pearl oysters, the researchers will be required to provide a detailed report on the results of the research project to the Department of Fisheries and to each pearling licensee within the time frame specified in the approval provided.

## **6. TRANSFER OF WILD STOCK PEARL OYSTER QUOTAS**

The initial allocation of wild stock pearl oyster quota units under the Western Australian Act was made to pearling licensees from 1 January 1991, when the Act came into effect.

Wild stock pearl oyster quota units may be transferred to pearling licensees, or to applicants for such a licence, subject to the following guidelines:

- (a) Quota units may be transferred from one pearling licensee to another in minimum parcels of one quota unit.
- (b) Quota units may be transferred from a pearling licensee to an applicant for a Pearling Licence, provided both have a minimum holding of not less than 15 quota units after approval of the transfer.
- (c) Approval of quota unit transfers between pearling licensees and applicants is conditional on approval being granted for the issue of a Pearling Licence to the transferee.
- (d) The transfer of wild stock quota units will not generate an additional 20,000 hatchery options (section 10 of the policy guidelines sets out the hatchery policy).

## 7. DISTANCE BETWEEN PEARL OYSTER FARM LEASES

The Western Australian pearling industry holds strongly to the view that guidelines regarding the distance between pearl oyster farm lease areas, and also between a pearl oyster farm lease area and a holding area, should apply. The initial reason for the industry view arose from a problem with pearl oyster mortality, which industry believed could have been transmitted from one pearl oyster farm to another. However, other reasons include commercial security and the opportunity for expansion, as there appears to be a shortage of high quality pearl farm sites available along the coast. The industry accepted that the distance factor could be reduced if there was agreement between the licensees to be affected, or if there was a clear physical geographic division between farms. Accordingly, the following guideline has been established in relation to the issue of new Pearl Oyster Farm Leases:

### 1. Grant of a new authorisation

- a) Where an application is made for the grant of a pearl oyster aquaculture authorisation (licence or lease, as the case may be) under the *Fish Resources Management Act 1994* (FRMA) or a pearl oyster farm lease under the *Pearling Act 1990*, and any part of the boundary of the proposed site lies less than five nautical miles but more than two nautical miles from any part of the boundary of any pre-existing pearl oyster farm site or holding site authorised under either the FRMA or the *Pearling Act 1990*, the application should be refused unless the holder of any such pre-existing farm site or holding site provides written consent to the application.
- b) The distance between the boundaries of existing and proposed farm sites or holding sites should be measured over water and not over intervening land formations.
- c) Applications for sites within two nautical miles of existing farm sites or holding sites will be refused whether or not consent from the existing licence holder is given, unless the application is made by the same legal entity (or, in the case of an incorporated entity, by a corporation having the same ultimate ownership) holding any existing authorisation that is within two nautical miles of the area under application.
- d) In the case of a competent application in which the applicant proposes a site within two nautical miles of a site already the subject of a competent application and for which a determination has not yet been made, the former application takes precedence and must be determined first. Hence, a determination on the latter application may be delayed.
- e) In the case of a competent application in which the applicant proposes a site which lies less than five nautical miles but more than two nautical miles from a site already the subject of a competent application, for the second application to proceed to determination, the

second applicant should seek written consent from the first applicant. Otherwise, there may be a delay in determining the second application.

## **2. Expansion**

- a) A pre-existing pearl farm licensee or lessee holding an authorisation within five nautical miles of another more recently granted pearl farm authorisation has the right to expand within the five nautical mile zone (subject to other relevant approvals) however the pre-existing licensee or lessee cannot expand closer than two nautical miles to the newer farm's boundary.
- b) Licences or leases issued prior to approval of this policy remain in effect and are subject to the expansion rules set out in paragraph 2 (a) above. Where existing sites are already separated by less than two nautical miles, no expansion, which further reduces the distance between the sites, will be permitted except where the sites are held by the same legal entity (or in the case of an incorporated entity, by a corporation having the same ultimate ownership).

## **3. Transfers**

- a) Where a licensee or lessee holds one only authorisation within five nautical miles of a second legal entity holding a pre-existing authorisation (but not within two nautical miles of the pre-existing authorisation) an application for transfer may proceed subject to the following:
  - i) a written statement from the transferee must be received by the Executive Director acknowledging any possible risks of conducting pearling operations within five nautical miles of another pearl site.
  - ii) consideration of other relevant provisions of the legislation relating to transfers.
- b) Where an application is made by a pearl farm licensee or lessee to transfer an authorisation, and where that licensee or lessee holds more than one authorisation within a two nautical mile zone, such transfer may proceed subject to the following:
  - i) all existing authorisations within that two nautical mile zone must be transferred concurrently to the same legal entity (or in the case of an incorporated entity, to a corporation having the same ultimate ownership).
  - ii) if a second legal entity holds a pre-existing authorisation within the same two nautical mile zone, a written statement from the transferee must be received by the Executive Director

acknowledging any possible risks of conducting pearling operations within two nautical miles of another pearl site.

- iii) consideration of other relevant provisions of the legislation relating to transfers.
- c) Where an application is made by a pearl farm licensee or lessee to transfer more than one authorisation within the two to five nautical mile zone, such transfer may proceed subject to the following:
- i) all authorisations held by that licensee or lessee must be transferred concurrently to the same legal entity (or in the case of an incorporated entity, to a corporation having the same ultimate ownership) or if authorisations are not proposed to be transferred concurrently to the same legal entity (or in the case of an incorporated entity, to a corporation having the same ultimate ownership) consent must be obtained from any other party holding a pre-existing authorisation within the two to five nautical mile zone.
  - ii) if a second legal entity holds a pre-existing authorisation within the same five nautical mile zone, a written statement from the transferee must be received by the Executive Director acknowledging any possible risks of conducting pearling operations within five nautical miles of another pearl site.
  - iii) consideration of other relevant provisions of the legislation relating to transfers.

The original guidelines incorporated a 10 nautical mile separation zone. This was reduced on the recommendation of PIAC after scientific advice from the Fisheries Department that:

- (i) the 10 nautical mile rate could be considered to be over cautious,
- (ii) five nautical miles was acceptable, and
- (iii) the risks of disease were nevertheless a real threat to the future of the industry and that the five nautical mile limit should not be further reduced.

## **8. DISTANCE BETWEEN HOLDING AREAS**

The Western Australian industry has developed a system of seeding and holding pearl oysters on the pearling grounds during each year prior to transferring the pearl oysters to farm leases. It is important that the holding area of any one licensee be clearly separated from that of any other holding area and also from any other oyster farm. Industry has also accepted that holding areas should not exceed four square nautical miles in area. In addition, there is an onus on the company operating a holding area to minimise the impact that its use as a holding area may have on the collection of pearl oysters from the wild. Accordingly, the following guideline has been established in relation to the approval of new holding areas:

Application for the approval of a holding area should be refused if:

- (i) the proposed boundaries lie within two nautical miles of the nearest boundary of any other holding area or five nautical miles of the nearest boundary of any pearl oyster farm lease area; unless there is mutual consent between the applicant and the pearling licensee of that pre-existing holding area;
- (ii) the company making the application already has an approved holding area within 20 nautical miles of the holding area being sought; or
- (iii) the total area subject to that application exceeds four square nautical miles.

## 9. UTILISATION OF PEARL FARM LEASE AREAS

The Pearling Industry Advisory Committee (PIAC) has given consideration to planning for pearl farm leases and to utilisation of lease sites. The Executive Director of the Department of Fisheries, in his consideration of pearl farm lease applications, shall take into account the requirements of the applicant to secure additional lease areas. Applicants shall not be granted additional lease areas which are considered to be in excess of requirements based on an industry-agreed formula of quota holding or stock holding to lease area.

The formulae to be used by the Executive Director in assessing applications are based either on quota against 5,900 shell or stock holding against 16,250 shell. This figure is then multiplied by 1.25 to allow for such factors as stock rotation. In addition, provision of one square nautical mile is made for the use of hatchery options.

The formulae are set out below:

### *Quota formula*

Lease area entitlement (in square nautical miles) equals

$$\frac{\text{Quota}}{5900} \times \frac{1.25}{1.00} + 1.0 \text{ (use of hatchery options)}$$

### *Stock Holding formula*

Lease area entitlement (in square nautical miles) equals

$$\frac{\text{Stock Holding}}{16250} \times \frac{1.25}{1.00} + 1.0 \text{ (use of hatchery options)}$$

The 'quota' formula includes wildstock quota and hatchery quota.

The 'stockholding' formula includes seeded wildstock, seeded hatchery options and seeded hatchery quota.

Licensees may also use 'projected' stockholding in accordance with the following:

- The lease application must meet standard criteria for lease applications as stated in Ministerial Policy Guideline No. 8. Applications that do not meet the guidelines, and/or can not be substantiated by quarterly stocking reports in the case of projected stockholding, will not be accepted as competent.
- The applicant may include shell that would be of a size suitable for seeding as hatchery options (that is shell greater than 90 mm), prior to final determination of the lease application, as part of the stockholding figure of that company.
- The projected number of shell greater than 90 mm to be seeded as hatchery options must not exceed the hatchery options quota held by that company.
- The projected number of shells must be consistent with the quarterly stocking reports of that company, as submitted to the Department of Fisheries.
- Projected stock numbers must be verified by field validation (Department of Fisheries pearling officers) prior to final determination of the lease application

- When projecting stock numbers, licensees must provide the most accurate projection taking into account expected harvest of mabe and round pearls and any other losses from natural attrition.
- Failure to meet the pearl farm lease formula would result in refusal of the lease application by the Executive Director of the Department of Fisheries.

In relation to usage of the above formulae, the applicant may choose which formulae best suits them.

In calculating lease entitlement under the formula it should also be noted that licensees authorised to operate a hatchery (that is, authorised to artificially propagate pearl oysters) are entitled to a maximum lease area of 1sqnm in their own right.

The intention of these guidelines and the associated formulae is to ensure that the pearling industry develops in an ordered manner with appropriate utilisation of sites and performance. This is particularly important given the competing uses and demands for high quality sites along the coast and planning implications. Given the dynamic nature of marine planning and access to sites, issues concerning the utilisation of farm sites will continue to develop and, as such, the current guidelines and formulae are subject to review through the usual PIAC process. This may include, at some time in the future, imposition of an 'excess' lease fee for those applicants seeking additional lease area outside of the above formula.

## 10. HATCHERIES

A discussion paper on the development of pearl oyster hatcheries and spat collection was presented to the Western Australian pearling industry meeting on 19 March 1991. It is not intended to repeat all of the information contained in that paper, which is available on request. However, it is necessary to record that the market for South Sea pearls and international hatchery developments must be considered when developing a hatchery policy. Management of the production of pearl oysters by hatchery culture should aim to ensure as far as possible that the volume of quality Australian South Sea pearls offered to the world market does not seriously alter the pricing mechanisms currently operating.

In pragmatic terms, it is recognised that there is a need to strike a balance between hatchery development and maintaining the most advantageous pricing structure for Western Australian production. Because of the significant role that the Western Australian pearling industry plays in the production of quality South Sea pearls for the world market, the proper course of action for the time being is to responsibly manage the increase in the production of pearls by controls on the number of cultured pearl oysters being utilised for pearl culture. Future developments, both within Australia and overseas, may result in the Western Australian pearling industry having a reduced significance on the world market. This may then lead to a change in the strategy.

The guidelines should provide a mechanism for the pearling industry to obtain pearl oysters by the growout of young pearl oysters (spat) collected from the wild and the growout of pearl oysters cultured in a hatchery.

However, as set out earlier, the Australian pearling industry is dominated by the production of pearls using wild stock pearl oysters taken off Western Australia. Accordingly, a great deal of thought must be given to the part that hatcheries will play in the Western Australian pearling industry and how they should be developed.

It is understood that the development of hatchery technology could be undertaken by established aquaculture hatcheries which are not currently involved in the pearling industry. This matter needs to be seriously considered as there are advantages and disadvantages.

The advantages of using established aquaculture hatcheries are:

- The expertise required to operate a hatchery is significantly different from that required to culture pearls.
- There is already established expertise in general molluscan hatchery culture.
- The add-on cost for an existing hatchery to culture pearl oysters may be less than the construction of a hatchery built specifically for pearl oysters, although overseas pearl oyster hatcheries are generally dedicated facilities associated with or part of a pearl farm.

The disadvantages are:

- The lack of any association with a pearling licensee may cause difficulties in that suitable areas for grow-out may not be readily available, or if they were available would require a further system of Pearl Oyster Farm Leases.
- The hatchery may, at a later date, seek to enter the pearling industry by using farm-reared pearl oysters for pearl culture thus adding to the potential production of pearls. It could be argued that if this was constrained to one hatchery the potential production would not be great, but such action may be seen as a precedent for others to enter the pearling industry by the same pathway.
- The hatchery could seek to maximise its returns by exporting its technology to foreign competitors to the detriment of the Australian pearling industry.

The development of hatchery technology, and the associated grow-out of pearl oysters and production of pearls, is important because similar technology is being used overseas. Accordingly, the following guidelines have been established for the development of Western Australian hatchery and spat collection technology. For the purposes of these guidelines, pearl oyster spat obtained through collector technology are, where appropriate, considered the same as pearl oyster spat produced from hatchery technology.

- (a) Each of the 13 of the 16 pearling licensees have been issued (as at October 1992) with 20,000 annual hatchery options to produce 20,000 pearl oysters to seed for the culture of round pearls. However, Australian Sea Pearls Pty Ltd (licence transferred from Darrella Holdings Pty Ltd) will have available a further 30,000 conditional hatchery options following a general understanding within industry when Darrella Holdings Pty Ltd made a decision to establish a hatchery in 1989.

The three new Zone 1 licensees (Larard Family, Dampier Pearling Co. Pty Ltd, Exmouth Pearls Pty Ltd) have also been issued with 10-year hatchery options following three years of successful growout and progress in round pearl production using wild stock quota.

Hatchery options have a term of 10 years unless extended by the Executive Director of the Department of Fisheries in accordance with Section 10(1) below.

- (b) The hatchery options will be converted to permanent pearl oyster hatchery quota, on a one for one basis, for those licensees who, over a three-year period, have successfully produced (i.e. seeded for round pearl production and placed on a pearl farm to carry out pearl culture techniques) an average of at least 1,000 pearl oysters suitable for pearl culture. The minimum criteria for success is 1,000 seeded pearl oysters.

To provide a simple example, if a licensee was able to demonstrate that, over a three year period, 10,000 pearl oysters per annum had been seeded for round pearl production and placed on a pearl farm to carry out pearl culture techniques, the licensee could apply for 10,000 options to be converted to permanent pearl oyster quota.

Clarification of the methodology for conversion of hatchery options to pearl oyster quota is set out in Appendix 2.

- (c) In order to qualify for hatchery options, pearling licensees are required to obtain from a licensed hatchery pearl oysters, which shall not be greater than 40 mm in size and shall be less than 12 months in age. Pearling licensees may obtain older or larger pearl oysters, but they would be deemed to be part or all of the approved annual wild stock quota.
- (d) To be eligible for conversion, hatchery shell must be (i) transferred to the licensee's own pearl farm lease (or to a joint venture lease pre-approved by the Department of Fisheries) and (ii) grown out for round pearl production on the licensee's own pearl farm lease (or on a joint venture lease pre-approved by the Department of Fisheries) and (iii) seeded for round pearl production on the licensee's own pearl farm lease or holding site (or on a joint venture lease or holding site pre-approved by the Department of Fisheries).
- (e) Evidence of seeding is required to be eligible for conversion. For this purpose evidence of seeding includes:
  - pre-neap forms submitted to the Broome Regional Department of Fisheries Office,
  - pearl oyster holding site operations logbook submitted to the Broome Regional Department of Fisheries Office, and
  - associated documentation approved by the Executive Director.

The submission to the Broome District Office of pre-neap forms and pearl oyster holding site operations logbooks are essential for the purposes of conversion. All information must be verified by a Pearling Officer.

- (f) In the case of joint venture arrangements, full documentation must be submitted to the Executive Director of the Department of Fisheries for approval of the joint venture. This must include details of the financial investment of the parties to the joint venture.
- (g) Licensees shall not be permitted to hold hatchery quota unless that particular licensee, (or through a pre-approved joint venturer), has displayed its own ability to grow out spat from less than 40 mm to an operable size three years in succession.
- (h) The restriction on holding hatchery quota shall be removed at the conclusion of the hatchery policy (ten years or as otherwise amended).

- (i) Following the conversion process, hatchery quota shall, for all intents and purposes, be treated in the same way as wild stock quota with usual compliance and translocation requirements.
- (j) Subject to point (g), any pearl oyster hatchery quota obtained as a result of converting hatchery options would be transferable pearl oyster hatchery quota after conversion.
- (k) Hatchery options shall be transferable between pearling licensees.
- (l) Any hatchery options not converted to pearl oyster hatchery quota within 10 years of October 1992 would lapse, except for specific developments that have had a program or timetable approved by the Executive Director and/or where there were special reasons on a case-by-case basis for granting an extension. In the case of the additional 30,000 hatchery options for Australian Sea Pearls Pty Ltd the 10-year period would be said to have commenced on 1 June 1989.
- (m) A pearling licensee may come to mutually acceptable arrangements in relation to the supply of pearl oysters with a hatchery proponent either within or outside the pearling industry. If the hatchery proponent does not hold a pearling licence, then a hatchery licence will only be issued where there is a written agreement to supply pearl oyster spat to the holder of a pearling licence, or alternatively, the hatchery licence is issued jointly between the proponent and a pearling licensee. Hatcheries will only be licensed for the purpose of providing culture pearl oyster spat or pearl oysters to the Australian pearling industry.
- (n) The hatchery licensee may be permitted, upon application and approval, to have a Pearl Oyster Farm Lease for the purpose of on-growing hatchery reared pearl oysters. Additional leases may be issued to pearling licensees to meet specific growon requirements for pearl oysters by pearling licensees. However, as the number of high quality sites appears to be limited, the requirements of Western Australian pearling licensees will need to be taken into consideration in the determination of such applications.
- (o) As an added assurance to the pearling industry that the possession of a hatchery licence and leases for the on-growing of pearl oysters would not be used as a basis for requesting a full pearling licence, each hatchery proponent not holding a pearling licence would be required to provide to the Department of Fisheries a letter acknowledging that the issue of a hatchery licence would not lead to a pearling licence.

In the event that a hatchery licence is transferred, all pearl oyster farm or quarantine leases issued in conjunction with the hatchery licence, are to be transferred with the hatchery licence. In the event this does not occur the farm lease shall be considered to have expired or lapsed.

- (p) Any hatchery-reared pearl oysters on a pearling licensee's farm lease would be regarded, for the purpose of the *Pearling Act*, as the property and responsibility of that licensee.

- (q) The translocation of pearl oysters for the purposes of paragraph (c) above would not be permitted unless the appropriate documentation in relation to translocation requirements had been provided to the Fisheries Department and prior written approval obtained.
- (r) Pearling licensees would be required to clearly identify on diagrams (by way of co-ordinates) the specific areas within the Pearl Oyster Farm Lease where hatchery-cultured pearl oysters were to be held. These oysters would have to be separated, to the satisfaction of the Department of Fisheries, from the oysters collected from the wild stock until the hatchery oysters were to be used for seeding purposes. Departmental approval must be obtained prior to the transfer of pearl oysters from the pearl oyster nursery area(s) to that area within the Farm Lease used for the culture of pearls from wild stock pearl oysters.
- (s) Any transfer of wild stock pearl oyster quota units under Section 6 of these guidelines will not generate additional hatchery options. Also, any transfer of hatchery quota obtained under paragraph (j) above would not generate additional hatchery options.
- (t) A pearling licensee, after converting hatchery options to pearl oyster hatchery quota, will not be obliged to obtain hatchery-produced pearl oysters however, in all circumstances, pearling licensees are restricted to taking wild pearl oysters from Western Australian waters only that quota specified under Section 4 of these guidelines.
- (u) Spat to be used for hatchery options may be collected from approved spat collectors by licensees who shall have a hatchery licence. Such spat shall be deemed to have been produced in a hatchery, and notwithstanding paragraph (c), can be greater than 12 months in age or more than 40 mm in size. However if spat from spat collectors are obtained from another pearling licensee the size and age constraints shall apply.
- (v) A fee per shell of hatchery options and hatchery quota, approved annually by the Minister, shall be imposed for the purposes of providing effective management of disease protocols, hatchery supervision and the conversion of hatchery options to pearl oyster quota.
- (w) Approval would not be granted for a licence for the purpose of producing hatchery pearl oysters for growing out to harvest pearl oyster meat and Mother of Pearl (MOP). The reasons for this are:
  - (i) there is already significant competition for lease sites between existing pearl farmers, and this would be compounded if additional leases were sought,
  - (ii) the MOP meat business is not considered viable due to long grow out times, and
  - (iii) the price of MOP tends to fluctuate greatly.

## **11. TRANSLOCATION OF PEARL OYSTERS AND QUARANTINE SITES**

The development of hatchery technology in the pearling industry raises questions about disease risks and the translocation of product. Licensees of Western Australian hatcheries have to develop adequate quarantine and disease risk reduction arrangements, in order to substantially minimise the risk of disease transfer by hatchery-cultured pearl oysters. The responsibility for the development of acceptable protocols and assurances reside with the hatchery licensees. The proposed procedures need to be submitted to the Department of Fisheries for approval.

Requests for the translocation of pearl oysters within the State and into the State, need to take into account the disease risk, as well as the fact that it is the pearl oysters from the waters off Western Australia which are producing the majority of the quality South Sea pearls placed on the world market. Action should not be taken which has the potential to damage the Western Australian pearling industry by translocation which places that industry at risk. In fact, the better interests of the Western Australian pearling industry would be served by pearl oyster hatcheries being developed in Western Australia in association with the pearling licensees of this State, and the production of pearl oyster spat and pearl oysters for the State's pearling industry.

Detailed guidelines on the translocation of pearl oysters are set down separately in the Pearl Oyster Translocation Protocol which is available on request.

With respect to movement of hatchery-produced oysters on to quarantine sites, the Pearl Producers Association hold the view that extreme care should be taken in approving quarantine sites for translocated pearl oysters because of the potential for hatchery-produced oysters to carry pathogens. This view has been endorsed by the Pearling Industry Advisory Committee.

The following guidelines and principles apply:

- (a) Quarantine sites shall be approved for waters north of NW Cape, but including Exmouth Gulf.
- (b) Quarantine sites shall be in the same zones as those in which quarantined pearl oysters are to be used.
- (c) The separation between farms and quarantine sites must not be less than the distance between individual farms.
- (d) Quarantine requirements shall remain for out-of-state/zone hatcheries and for Zone 1 hatchery product moving to Zones 2, 3 and 4.
- (e) There shall be no quarantine sites in Zone 2 (note: the limit for Zone 1 hatchery product moving within Zone 1 shall be the southern boundary of Zone 2 buffer, Cape Thouin).

- (f) If the quarantine requirement is removed for translocation between hatcheries and farms within the same Zone, then spat cannot move directly to a farm where farms are less than five nautical miles apart without the consent of the other operator.
- (g) The movement of pearl oysters from hatcheries to farms within the same Zone will not require quarantine provided the farm is more than five nautical miles apart from another farm.
- (h) Hatcheries shall be permitted within Zones 1, 3 and 4 provided any hatchery is more than five nautical miles apart from any existing farm or there is consent of the other operator.
- (i) Any lifting of the quarantine requirements will need to be matched by improved enforcement of sampling protocols, batch control etc. of product leaving a hatchery.
- (j) Waste water from hatcheries to be filtered through sand or treated with chlorine.
- (k) Hatcheries outside the Zone/fishery must be Milford hatcheries.

## 12. FOREIGN INVESTMENT

Foreign investment in the pearling industry has been a significant factor in the development of pearl culture using pearl oysters collected from waters off Western Australia. This will continue. However, it should be recognised by all parties that the better interests of the Western Australian pearling industry would be served if guidelines were established which ensured that the pearling industry remained controlled by Australian interests. There is no intention, however, to reverse business decisions taken prior to issue of the first set of guidelines in October 1992.

The principal objective of this section is to therefore ensure that the Western Australian pearling industry remains controlled by Australian interests. In order to achieve this, this section also aims to achieve the subsidiary objectives of

- restricting foreign ownership and control of the Western Australian pearling industry, and
- optimising the economic benefit of the Western Australian pearling industry to the State by limiting the extent to which foreign interests can control production of pearl oysters or otherwise exert economic control over the Western Australian pearling industry.

### Policy

- (1) The Executive Director should not approve an application for the grant, renewal or transfer of a Licence if that approval will have the effect of-
  - (i) increasing the effective level of foreign ownership and/or control of a Licence beyond the limits prescribed in clause 2; or
  - (ii) increasing the risk of a Foreign Person or Foreign Entity gaining ownership of a Licence beyond the limits prescribed in clause 2.

### (2) Foreign Ownership and/or Control of Licences: Limits

#### Licences held by individuals

- (a) Only a person who is an Australian citizen or a Permanent Resident may be a Licensee.

#### Licences held by corporations, partnerships or trusts

- (b) A Licence may be held by a corporation, partnership or trust only if that corporation, partnership or trust is Australian owned and/or controlled [as explained in paragraph (c)].
- (c) When determining whether a corporation, partnership or trust is Australian owned and/or controlled, the Executive Director should consider the following

matters:

***Corporations - Ownership***

- (i) The extent of the shareholding of any Foreign Person or Foreign Entity owning shares in the corporation. A corporation holding a Licence is Australian owned if 51 per cent of the issued share capital of that corporation is owned by Australian Citizens or Permanent Residents. A Foreign Person or Foreign Entity may not own any more than 49 per cent of the issued share capital of a corporation holding a Licence.

If share capital in the corporation holding the Licence is owned by another corporation then the share holding in the corporation holding the Licence is to be apportioned proportionately to the shareholders of the shareholder corporation. The same process is to be applied at all additional levels of ownership. For example, assume ABC Pty Ltd holds the Licence and 40 per cent of its issued shares are allotted to an Australian Citizen and 60 per cent to X Pty Ltd (a company incorporated under *The Corporations Law*); the shareholding of X Pty Ltd is 75 per cent Australian citizen and 25 per cent non Australian Citizen. In this example, 40 per cent plus 45 per cent ( $0.75 \times 60$  per cent = 45 per cent) means that 85 per cent of the share capital of ABC Pty Ltd would be Australian Citizen owned, and therefore the arrangement is not contrary to this section.

If the corporation holding the licence is a wholly owned subsidiary of a Foreign Company (the holding company) then the Licence is held contrary to this section. A corporation is a wholly-owned subsidiary if the holding company controls the composition of the board of directors, has more than 50 per cent of the voting power at a general meeting, or holds more than 50 per cent of the issued share capital in that corporation.

If the issued share capital of the corporation is comprised of two or more classes of shares, then the Executive Director should consider the voting rights and dividend rights attached to those classes of shares when determining where the effective ownership and/or control of the corporation lies.

- (ii) The extent to which any Foreign Person or Foreign Entity holds a relevant interest in the shares or securities of that corporation. If the Executive Director determines that a Foreign Person or Foreign Entity will hold a relevant interest in the shares or securities of the corporation holding the Licence, then the Executive Director should determine whether that relevant interest gives that Foreign Person or Foreign Entity the ability to control 50 per cent or more of any specific or general voting power in that corporation, or the ability to determine the outcome of a general meeting of that corporation.

For the purpose of this section, the question of whether a Foreign Person or Foreign Entity has a relevant interest in the shares or securities of a

corporation is to be determined by reference to *The Corporations Law*, Part 1.2, Division 5 - "Relevant interests in shares and securities".

#### *Corporations - Control*

- (iii) Whether any Foreign Person is entitled to participate in the management of that corporation (and is thereby able to control decision-making in relation to the use of the Licence). The Chairman, the majority of members of the board of directors and all of the company Officers of a corporation holding a Licence must be Australian Citizens or Permanent Residents and must be nominated by and representing Australian interests.
- (iv) Whether the majority of members of the board of directors of that corporation are prepared to act in accordance with the wishes of a Foreign Person or Foreign Entity.

#### *Partnerships*

- (v) Whether any Foreign Person or Foreign Entity has an interest in that partnership. The majority of the members of a partnership holding a Licence must be Australian Citizens or Permanent Residents. That is, the partnership interest or 'share' of any Foreign Person or Foreign Entity must not be any greater than 49 per cent.

#### *Trusts*

- (vi) Whether any Foreign Person or Foreign Entity is the trustee or the beneficiary of that trust. The Executive Director should consider the terms of the trust, the rights and obligations of the trustee and beneficiaries and the purpose of the trust, in order to determine whether a Foreign Person or Foreign Entity has a legal or beneficial interest in the property of the trust. The level of legal or beneficial ownership of the trust property by a Foreign Person or Foreign Entity must be no more than 49 per cent.

### **(3) Other Business Arrangements**

The Executive Director should consider whether any contractual arrangements entered into by the person applying for a Licence or by the Licensee have (or will have) the effect of vesting effective ownership and/or control of the Licence in a Foreign Person or Foreign Entity beyond the limits prescribed in clause 2. In particular, the Executive Director should consider the extent to which any business arrangements that appear to grant a foreign entity any (consequential) right to acquire an interest in a licence. Likely circumstances would be where a financing arrangement grants a foreign lender the rights of a mortgagee (over a licensee's assets or its shares), or where security is granted for a loan by way of a call option to acquire shares in an Australian borrower upon default.

#### **(4) Evidence of Citizenship**

The person applying for a Licence should be required to provide evidence of the citizenship of persons who will own and/or control the pearling or hatchery operation. This will normally be in the form of a Certificate of Australian Citizenship.

#### **(5) Evidence of Effective Ownership and/or Control**

- (a) The person applying for a Licence should be required to provide evidence to establish:
  - (i) who will have an interest in the Licence and related activities; and
  - (ii) where, and under what laws, any Foreign Entities who will have an interest in the Licence are registered and incorporated.
- (b) The person applying for a Licence should be required to provide a declaration in the appropriate form indicating the level of foreign ownership and/or control that currently exists and is planned to exist in the Licence.

#### **(6) Further Investigations**

- (a) The Executive Director should proceed with further investigations if the information provided suggests that more extensive investigations, or other information that is not readily available, may reveal important information about foreign ownership and/or control of the Licence.
- (b) When determining what further investigations are justified, the Executive Director should consider:
  - (i) the extent to which there is a reasonable likelihood of foreign interests assuming effective ownership and/or control of the Licence,
  - (ii) the extent to which the person applying has acted in good faith and has willingly provided the information requested, and
  - (iii) the cost of further investigations and any likely delays in a decision.

#### **(7) Renewal and Transfer Requirements**

- (i) The Licensee shall notify the Executive Director of any changes in share holdings and in company board structure or the identity of company Officers, where such changes involve a person who is not an Australian citizen or a permanent resident.
- (ii) The right to renewal of a Licence should be withdrawn if the Licensee fails to notify the Executive Director of these changes within three months.

- (iii) Members of partnerships holding a Licence must apply for approval to transfer the Licence before formalising any changes to the composition of the partnership.

### **(8) Changes in Ownership and/or Control**

The Executive Director may investigate when provided with information that suggests that there has been a change in the level of foreign ownership and/or control of the Licence.

### **(9) Ownership Arrangements before October 1992**

Licensees with a greater level of foreign ownership and/or control than is specified under this section, who were permitted to be so owned and/or controlled before October 1992, shall continue to hold licences with their existing known level of foreign ownership and/or control.

### **Definitions**

‘Australian Citizen’ means a person who has been granted a Certificate of Australian Citizenship or a person who is otherwise an Australian citizen by virtue of Division 1 of the *Australian Citizenship Act 1948 (Cth)*.

‘Certificate of Australian Citizenship’ has the same meaning as in section 5 of the *Australian Citizenship Act 1948 (Cth)*.

‘Foreign Company’ has the same meaning as in section 9(1) of *The Corporations Law*.

‘Foreign Entity’ means a Foreign Company or a partnership, trust or other business entity which is not controlled and owned by Australian Citizens or Permanent Residents and is not registered and incorporated in Australia under Australian law.

‘Foreign Person’ means a person who is not an Australian Citizen or a Permanent Resident.

‘Licence’ means a pearling licence or hatchery licence issued under the *Pearling Act 1990* or under any subsequent Act which repeals the *Pearling Act 1990*.

‘Licensee’ means the person whose name is recorded on the Register as the holder of a Licence.

‘Officer’ has the same meaning as in section 9(1) of *The Corporations Law*.

‘Permanent Resident’ has the same meaning as in section 5A of the *Australian Citizenship Act 1948 (Cth)*.

### 13. DIVING CODE OF PRACTICE

The matter of diving safety does not readily fall within the scope of a policy statement under the *Pearling Act (1990)*. However, diving safety is of such importance that it is appropriate some reference is made in this document. Reference to the conditions under which pearl divers licences will be granted by the Department of Fisheries is also desirable.

The pearling industry has developed a diving code of practice for the purpose of ensuring safe diving. It is, of course, absolutely essential that all participants in the pearling industry understand that the better interests of the pearling industry will be served by their proper adherence to the code of practice, including acceptance of the most up-to-date diving profiles.

It is also important that pearl diver's licences are granted in accordance with the code-of-practice. As a result, the following guidelines will apply in relation to the granting of pearl divers licences by the Department of Fisheries:

“Applications for a pearl diver's licence should be refused unless the applicant demonstrates to the satisfaction of the Executive Director of the Department of Fisheries -

1. The applicant has attained the minimum age of 18 years.
2. The applicant possesses a current AS/NZS. 2299.1 1999 diver's medical certificate. Requirements for a valid diving medical certificate are:
  - \* the medical examination preceding the issue of the certificate shall conform to the requirements of AS. 2299.1 1999;
  - \* the medical examination must have been undertaken by physicians as nominated by the Pearl Producers Association from time to time; and
  - \* medical examinations are to be undertaken on an annual basis and certificates should be less than 12 months old at the time of application.
3. The applicant possesses a Recreational SCUBA Training Council (RSTC) recognised scuba diver's open water qualification
4. The applicant has completed the Industry Pearl Divers Induction course as evidenced by a current certificate on issue.”

## **14. APPENDICES TO PEARL OYSTER FISHERY POLICY GUIDELINES**

- |            |  |
|------------|--|
| Appendix 1 | Indicative map showing zones of the fishery  |
| Appendix 2 | Examples of alternative methodologies for conversion of hatchery options to pearl oyster quota |

APPENDIX 1

## APPENDIX 2

### **EXAMPLES OF THE CONVERSION PROCESS FOR HATCHERY OPTIONS TO PEARL OYSTER HATCHERY QUOTA**

#### **Introduction**

Section 10 of these guidelines provides for the conversion of hatchery options to permanent hatchery quota, subject to a number of pre-conditions. In order to clarify the methodology to be used in the conversion process, a number of examples and scenarios are provided below. The examples relate to the conversion process for (i) a consecutive three-year period, (ii) on-going conversions, (iii) conversions in instances where additional hatchery options have been acquired by way of transfer, and (iv) instances where hatchery quota has been sold and further options acquired.

Licensees who have any questions on the conversion process or require clarification should contact the Department of Fisheries as early as possible.

#### **Background and Key Principles**

The original conversion system was three successive years seeding and a minimum 1,000 shells to operation annually. This was known as the ‘averaging’ method. The ‘continual increase in production’ method was then included as an alternative methodology in the conversion system. Three successive years seeding and a minimum 1,000 shells to operation annually was still required however licensees had to use more shell for seeding than the previous year, with the final year’s figure being the total conversion for the licensee.

Following further considerations by the Pearling Industry Advisory Committee and the Pearl Producers Association, it was proposed that a licensee could convert the highest number of spat operated in any one year over a consecutive three-year period, subject to the minimum requirement of 1,000 shells to operation annually. This simplifies the conversion process and provides greater certainty to licensees. It is also within the intent and integrity of the original hatchery policy.

In considering on-going conversions and the conversion process where options and/or quota have been traded, where a licensee uses one year’s seeding for more than one set of conversions, the options that have been converted to quota using that year, will be subtracted from the next set of conversions. This will be demonstrated in a number of the examples to follow.

Given the above, the key principles for the conversion process are:

- that 1,000 seeded shell shall remain the minimum number for conversions,
- that three consecutive years seeding must have taken place, and

- that, in circumstances where a licensee uses one particular year’s seeding for more than one set of conversions, the options that have been converted to quota using that year, will be subtracted from the next set of conversions.

**Conversions Over a Three-Year Period**

Example 1 shows the general conversion process.

***Example 1***

Licensees XX and YY have each been successful in grow-out with the following figures recorded and verified by the Department of Fisheries for seeding of shell to round pearls.

	<i>Licensee XX</i>	<i>Licensee YY</i>
Year 1	2000	8000
Year 2	3000	10000
Year 3	<u>10000</u>	<u>1000</u>
	10000 converted	10000 converted

Following application by the licensees, the Executive Director of the Department of Fisheries in accordance with the guidelines, may approve the conversion of hatchery options to permanent hatchery quota based on the highest number of shells seeded for round pearls in any one year. Therefore both Licensee XX and Licensee YY may convert 10,000 options based on their seeding activities in Year 3 and Year 2 respectively.

**On-Going Conversion Process**

As the use of hatchery options increases, there will be licence holders seeking to convert options to hatchery quota on an on-going basis. In these circumstances, the ability to convert the highest number of shells seeded in any one year still applies. In this case, and subject to the minimum requirements of three successive years seeding and the minimum number of shell used for seeding being 1,000, a licensee may select any successive three years for the purposes of on-going conversion. However, the benefit of a year’s seeding can only be used once and therefore in calculating the number of options that can be converted any options previously converted in the three years selected will be deducted.

Examples 2, 3 and 4 demonstrate the on-going conversion process under a number of different scenarios.

**Example 2**

**On-Going Conversions**

*Licensee XX*

Yr 1 2000

Yr 2 3000

Yr 3 10000      Converted 10000 options to quota based on seeding in Yr 3

Yr 4 15000      Eligible to convert a further 5000 options for a total holding of 15000 hatchery quota, based on -

15000 used for operation (Yr 4)  
less 10000 previously converted  
 5000 additional options for conversion

Yr 5 20000      Eligible to convert a further 5000 options for a total holding of 20000 hatchery quota, based on -

20000 used for operation (Yr 5)  
less 15000 previously converted  
 5000 additional options for conversion

**Example 3**

**On-Going Conversions**

*Licensee XX*

Yr 1 3000

Yr 2 2000

Yr 3 10000 Convert 10000 options based on seeding in Yr 3

Yr 4 8000 No further options available for conversion

Yr 5 20000 Convert a further 10000 options based on-

20000 seeded in Yr 5  
less 10000 previously converted  
10000 additional options can be converted

Total conversions now 20000

Yr 6 20000

Yr 7 20000 No further options available for conversion

**Example 4**

**On-Going Conversions (20000 options)**

*Licensee XX*

Yr 1 10000

Yr 2 2000

Yr 3 12000 Convert 12000 options based on seeding in Yr 3

Yr 4 15000

Yr 5 10000

Yr 6 11000 Convert remaining 8000 options

This example demonstrates two separate lots of three years seeding. These are treated as two separate conversions and would be added together to ascertain total conversions.

	12000
Add	8000
	20000

Total conversions now 20000

**On-Going Conversion Process for Additional Options Acquired by Transfer**

Licensees may also seek to convert additional hatchery options to hatchery quota acquired by way of transfer. A similar process to that described above for on-going conversions applies. Examples 5 and 6 demonstrate the on-going conversion process for additional options acquired by way of transfer. Example 7 shows the scenario where hatchery quota is sold and further options acquired.

**Example 5**

**Additional Purchase of Options (Total options 40000 following transfer)**

*Licensee XX*

Yr 1 2000

Yr 2 3000

Yr 3 20000 Convert 20000 options based on seeding in Yr 3

Yr 4 20000 Quota

Yr 5 35000 Quota and purchase additional 20000 options

Yr 6 40000 20000 quota + 20000 options

Convert a further 20000 options on based on -

40000 used for operation (Yr 6)

less 20000 quota

20000 additional options for conversion

Total quota now 40000

**Example 6**

**Additional Purchase of Options (Total options 35000 following transfer)**

*Licensee XX*

Yr 1 2000

Yr 2 3000

Yr 3 20000 Convert 20000 options based on seeding in Yr 3

Yr 4 35000 Quota and purchase additional 15000 options

Yr 5 30000

Eligible to convert a further 15000 options based on-

35000 seeded in Yr 4  
less 20000 already converted  
= 15000 additional options can be converted

Total conversion = 35000

**Example 7**

**Sale of Quota and Purchase of Options**

*Licensee XX*

Yr 1 2000

Yr 2 3000

Yr 3 20000 Convert 20000 options based on seeding in Yr 3. Purchase 30000 options but sell 20000 quota

Yr 4 30000 Convert a further 10000 options based on-

30000 used for operation (Yr 4)  
less 20000 previously converted  
 10000 additional options for conversion

*Total conversions now 30000*  
*Less Quota sold 20000*  
*Total Quota held 10000*

Yr 5 30000 No further options available for conversion based on-

30000 used for operation (Yr 5)  
less 30000 previously converted  
 Nil options for conversion

*Total conversions now 10000*  
*Total quota held 10000*

Yr 6 30000 Convert 20000 options based on-

30000 used for operation (Yr 6)  
less 10000 previously converted  
 20000 options for conversion

*Total conversions now 30000*  
*Total quota held 30000*

## MINISTERIAL POLICY GUIDELINES

- No.1** Draft Guideline - Determining a "fit and proper person" for rock lobster authorizations (July 1996)
- No.2** Foreign interests in rock lobster processing authorizations (July 1996)
- No.3** Determining a "fit and proper person" for rock lobster authorizations (July 1996)
- No.4** Determining what is "in the better interests of the industry" for rock lobster processing authorizations (July 1996)
- No.5** The Aquaculture and Recreational fishing stock enhancement of non-endemic species in Western Australia (June 1997)
- No.6** *(not released)*
- No.7** *(not released)*
- No.8** Assessment of Applications for authorisations for Aquaculture and Pearling in Coastal Waters of Western Australia (December 1997)
- No.9** Developing new fisheries in Western Australia (Draft - July 1998)
- No.10** The Abalone Managed Fishery in Western Australia (April 1999, revised March 2002)
- No. 11** The 'fit and proper' person test for Aquaculture licences (Draft - June 1999)
- No. 12** Assessment of Applications for the Granting, Renewal or Transfer of Fishing Tour Operators Licences and Aquatic Eco-Tourism Operators Licences (January 2000)
- No. 13** Integrated Project and Activity Costing Framework (October 1999)
- No. 14** Cost Recovery Guidelines under an Integrated Project and Activity Costing Framework (October 1999)
- No. 17** Pearl Oyster Fishery (issued pursuant to section 24 of the *Pearling Act 1990*). As amended to August 2001 - third amendment.