

ITEM FOR FINANCE COMMITTEE

HEAD 22 – AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT

Subhead 700 General non-recurrent

New item “One-off assistance package to trawler vessel owners, local deckhands and fish collector owners affected by the trawl ban and other related measures”

Members are invited to approve the creation of a new commitment of \$1,726.8 million for –

- (a) making ex-gratia payments to affected trawler owners for permanent loss of fishing grounds arising from a statutory trawl ban;
- (b) buying out affected inshore trawler vessels from trawler owners who voluntarily surrender their vessels;
- (c) providing one-off assistance to affected local deckhands employed by the affected inshore trawler owners and affected fish collector owners; and
- (d) implementing measures to support marine conservation and replenishment of fisheries resources, and launching a special training programme for affected trawler fishermen and local deckhands.

PROBLEM

We need to provide one-off assistance to trawler owners, local deckhands and fish collector owners who may be affected by a ban on trawling in Hong Kong waters and implement necessary related measures. The trawl ban aims to restore our seabed and the depleted fisheries resources as early as possible.

PROPOSAL

2. The Secretary for Food and Health proposes to create a new commitment of \$1,726.8 million for a one-off assistance scheme and other related measures on (a) making ex-gratia payments to affected trawler owners for permanent loss of fishing grounds arising from the trawl ban; (b) buying out affected inshore trawler vessels from trawler owners who voluntarily surrender their vessels; (c) providing one-off assistance to affected local deckhands employed by the affected inshore trawler owners who voluntarily surrender their vessels under the buy-out scheme or dispose of their vessels through other means, as well as affected fish collector owners; and (d) implementing measures to support marine conservation and replenishment of fisheries resources, and launching a special training programme for affected trawler fishermen and local deckhands, to help them switch to sustainable fisheries-related or other sea-related operations, as set out in paragraphs 5 to 19 below.

JUSTIFICATION

3. The fisheries resources in Hong Kong waters have been over-exploited and the catch of the fisheries sector, if maintained at the current level, would not be sustainable. It is considered that the non-selective nature of trawling operations capturing fish of all sizes irrespective of their commercial and ecological value is damaging the seabed, detrimental to the marine ecosystems, and has an adverse impact on the catch value of the fisheries sector in the longer run. Immediate action to ban the trawling activities in Hong Kong waters is therefore necessary to halt the rapid depletion of our fisheries resources and massive destruction of marine life. Otherwise, the damage to our marine ecosystems will soon become irreversible.

4. The Chief Executive announced in his 2010-11 Policy Address that the Government would implement a basket of management measures including banning trawling in Hong Kong waters through legislation in order to restore our seabed and marine resources as early as possible. To provide one-off assistance to fishermen affected by the proposed statutory trawl ban, we propose to introduce the scheme detailed in paragraphs 5 to 17 below. The eligibility criteria for the scheme are at Enclosure 1.

THE ONE-OFF ASSISTANCE SCHEME

(a) Ex-gratia Allowance (EGA)

Inshore trawlers

5. For inshore trawlers which operate wholly or partly in Hong Kong waters, their owners will be most affected when the statutory trawl ban takes effect as they will lose their fishing grounds in Hong Kong waters. We estimate that there are about 400 such vessels. The effect is not dissimilar to the permanent loss of fishing ground resulted from marine works projects, for which EGA is paid to affected fishermen. The EGA for affected inshore trawler owners will therefore be determined by drawing reference to the formula¹ for calculating EGA payable to fishermen affected by marine works projects.

6. During our consultation with the trade, owners of inshore trawlers opined that the amount of EGA derived from the existing formula for calculating EGA for fishermen affected by marine works projects was inadequate to address the plight of local fishermen affected by the trawl ban. We are aware that unlike past marine works projects which affected localised areas of Hong Kong waters only, the trawl ban will cover the entire Hong Kong waters. The affected fishermen will have to travel further afield, if they wish, to continue trawling. If they fish in Mainland waters, they will be subject to more stringent management measures

¹ According to the existing formula endorsed by the Finance Committee of the Legislative Council (Finance Committee) on 1 December 2000, the EGA for fishermen affected by marine works projects resulting in permanent loss of fishing grounds in Hong Kong waters is the notional value of seven years' fish catch in the affected area derived from the Port Survey conducted by the Agriculture, Fisheries and Conservation Department (AFCD) in 1989/91.

there, e.g. fishing moratorium and closed area in shallow waters along the coastline. The impact on fishermen arising from the trawl ban will therefore be more significant than that due to marine works projects.

7. After considering the above factors and upon further engagement with the fisheries sector, we propose to enhance the multiplier of the EGA formula from seven years to 11 years' notional fish catch value² in calculating the EGA for inshore trawler owners affected by the trawl ban, i.e. –

A notional value of 11 years' fish catch in Hong Kong waters by all trawlers based on the data from the Port Survey conducted by the AFCD in 1989/91 and adjusted with fish price movement since then:

$$\begin{aligned} & \$66.3 \text{ million (fish catch)} \times 11 \text{ (years)} \times 1.63 \text{ (fish price movement)} \\ = & \$1,189 \text{ million} \\ & \text{(say } \mathbf{\$1,190 \text{ million)}} \end{aligned}$$

8. The total amount of EGA derived from the above enhanced formula will be fully disbursed to, and apportioned amongst, the successful applicants in accordance with the decisions of an inter-departmental working group (IWG) to be formed for the trawl ban exercise. The EGA payable to individual trawler owners will depend on the number of successful applications as well as other apportionment criteria such as vessel type, vessel length, engine power, equipment on board, the percentage of time spent on trawling, and/or production in Hong Kong waters.

Larger trawlers

9. Apart from the most affected inshore trawlers, we estimate that there are about 700 larger trawlers which generally do not operate in Hong Kong waters. However, owners of these larger trawlers are concerned that after the trawl ban, they will lose the option to trawl in Hong Kong waters under the following circumstances –

² Assessed on the basis of the 1989/91 Port Survey, to be adjusted to reflect fish price movements.

- (a) during the annual fishing moratorium in the South China Sea;
- (b) when their vessels age to the extent that they are not fit for deep sea fishing further afield; and
- (c) if the Mainland imposes more stringent fisheries management measures in the South China Sea in future, forcing them to return to Hong Kong waters for operation.

10. We have noted the concerns of these larger trawler owners. Given that these larger trawler owners will lose the opportunity to move back to Hong Kong waters for operation in future, we consider that their demand for EGA as reflected during the consultation should also be addressed. However, as the impact of the trawl ban on them is far much less when compared with inshore trawlers, these larger trawler owners accept that a lump sum EGA would be appropriate. In deciding on the amount of the lump sum, we have taken into account the need to maintain relativity with inshore trawlers which will be directly impacted. We propose that a lump sum EGA of \$150,000 be given in respect of each larger trawler, if the relevant application is successful, i.e. –

$$\begin{aligned} & \text{Lump sum payment of \$150,000 for larger trawlers:} \\ & \$150,000 \times 700 \text{ (vessels)} \\ = & \$105 \text{ million} \\ & \text{(say \$110 million)} \end{aligned}$$

IWG

11. Similar to the method for determining the EGA for fishermen affected by marine works projects, we will set up an IWG comprising representatives from the AFCD and other relevant departments including the Marine Department to handle all matters relating to applications received under the one-off assistance scheme. The IWG has been an effective and well-established mechanism for determining the eligibility criteria and apportionment of EGA for marine works projects. A Fishermen Claims Appeal Board (FCAB), comprising non-official members, will be set up where necessary for processing appeals by the affected fishermen against decisions of the IWG.

12. The IWG will work out the eligibility and apportionment criteria, having regard to the views from fishermen representatives. The guiding principle is that the EGA apportioned to different groups of claimants should be proportional to the impact on them caused by the trawl ban. The IWG may inspect vessels, conduct surveys or adopt other necessary measures to assist them to assess claims filed by applicants. The actual amount of EGA to be awarded to individual claimants of inshore trawlers would be determined by the IWG having regard to their eligibility and factors such as those set out in paragraph 8 above. For reference purpose, the apportionment criteria and the estimated range of EGA payable to owners of different types of affected trawlers are at Enclosure 2.

(b) Voluntary buying out of inshore trawlers

13. The majority of inshore trawler owners have relevant Mainland permits to fish in Mainland waters, and may continue their operations on the Mainland after the implementation of trawl ban in Hong Kong waters. Others may choose to leave the trade for good, in which case they may no longer need their trawlers. We propose to invite EGA claimants to indicate in their EGA applications whether they would surrender their vessels to the Government. The vessel buy-out scheme would be voluntary. Owners of trawlers can decide in the light of their own circumstances whether they would surrender their vessels to the Government or make their own arrangements to sell their vessels in the market.

14. The buy-out price of individual vessels will be the estimated current value to be determined by the IWG and will vary according to the type, length, age and equipment / gear of the vessel. The IWG will also make reference to the valuation provided by an independent marine surveyor as necessary in determining the buy-out price. We estimate that the buy-out prices would range from about \$0.13 million for an old, small wooden-hull stern / shrimp trawler, about \$1.1 million for a medium-sized stern / shrimp trawler in the middle of its serviceable life, to about \$3.5 million for a newer, large hang trawler. These indicative estimates are for reference only and the actual buy-out price for each surrendered vessel will depend on a detailed valuation. It is estimated that about \$240 million would be required for the voluntary buying out of some 400 trawlers.

15. The surrendered trawlers will be retained and scrapped by the Government to ensure that fishing effort is removed from Hong Kong waters. We are mindful of the environmental concern relating to disposal of the surrendered vessels. We will make reference to the relevant guidelines on dismantling of vessels and recycling of materials in an environmentally responsible and safe manner. As part of the fisheries management measures, the AFCD will use some of the surrendered trawlers as artificial reefs, which are conducive to enhancing the rehabilitation of the fisheries resources in Hong Kong waters. Furthermore, if suitable vessels can be identified, the AFCD plans to collaborate with non-governmental organisations and fishermen organisations to convert some vessels for pilot recreational fisheries programmes.

(c) **One-off grants to local deckhands**

16. We anticipate that some local deckhands would be temporarily unemployed before they can get another employment as a result of the cessation of trawling operations. To assist them to tide over this transition period, we propose a one-off grant to each local deckhand employed by the affected inshore trawler owners who take part in the voluntary buy-out scheme as stated in paragraphs 13 to 15 above or dispose of their vessels through their own arrangements. Drawing reference to the 2008 buy-out scheme for the poultry trade, we propose to offer a one-off grant of \$34,000 to each affected local deckhand, which is equivalent to about three months of the average salary of a worker. We estimate that about 1 000 local deckhands will be eligible for the one-off grants, and an estimate of about \$34 million would be required for the purpose.

17. Although some fishermen bodies have requested to raise the one-off grant to more than three months of salary of a worker, we consider the proposed amount appropriate after drawing reference to the buy-out scheme for the poultry trade in 2008. Furthermore, the trawl ban was announced in October 2010 and is scheduled to take effect on 31 December 2012. Thus, the local deckhands would have more than two years from the announcement of the initiative to prepare themselves and look for new employment. The AFCD and the Employee Retraining Board will organise suitable training programmes to assist them to switch to other fisheries related or other employment.

(d) **Fish Collector Owners**

18. We estimate that there are some 400 fish collectors³ in Hong Kong, the majority of which collect fish from fishing vessels operating in the Mainland waters. There is no readily available documentary evidence to help identify inshore fish collectors which have hitherto been serving only inshore trawlers. In view of this, we consider it appropriate to assess if any bona fide fish collectors would be affected by the trawl ban after it has been implemented, and if so, to what extent. Depending on the outcome of our assessment, consideration can be given to rendering those who are genuinely affected with assistance to help them stay in the business or switch to other sustainable sea-related trade. An option which can be explored is to grant a one-off subsidy to inshore fish collector owners who can prove that they had been mainly serving inshore trawlers prior to the trawl ban and who take up loan schemes administered by the AFCD for upgrading their fish collectors or switching to sustainable fisheries-related or other sea-related operations. The IWG will examine the merit of individual application for this one-off subsidy.

MEASURES TO SUPPORT MARINE CONSERVATION AND REPLENISHMENT OF FISHERIES RESOURCES AND A SPECIAL TRAINING PROGRAMME

19. In addition to the proposed scheme as detailed in paragraphs 5 to 18 above, the AFCD will also –

- (a) implement measures to support marine conservation and replenishment of fisheries resources, such as setting up and maintaining a temporary anchorage area for the surrendered vessels, converting some of the surrendered trawlers into artificial reefs, disposal of other trawlers in an environmentally friendly manner, stock assessment of fisheries resources, deployment of artificial reefs with specially designed materials and fish fry restocking programme; and

³ Fish collector owners are those who use their vessels to gather fish from fishing vessels which got their catch either from Hong Kong waters or further afield. Fish collectors would then transport the catch to fish wholesalers either in Hong Kong or on the Mainland. Fish collectors' service is required because not all fishermen would wish to undertake the journey to the wholesalers for fuel and time efficiency reasons.

- (b) launch a special training programme for the affected trawler fishermen and local deckhands to help them switch to sustainable fisheries- related or other sea-related operations.

FINANCIAL IMPLICATIONS

20. We propose a new commitment of \$1,726.8 million for the proposed scheme and other measures detailed in paragraphs 5 to 19 above. The breakdown of the estimates is as follows –

	\$ million
(a) EGA payments to inshore trawler owners	1,190
(b) EGA payments to larger trawler owners	110
(c) Voluntary buying out of inshore trawlers	240
(d) One-off grants to assist affected local deckhands employed by the affected inshore trawler owners who voluntarily surrender their vessels under the buy-out scheme or dispose of their vessels through other means; and one-off subsidy to inshore fish collector owners who mainly serve inshore trawlers prior to the trawl ban and who take up loan schemes administered by the AFCD	44
(e) Implementation of measures to support marine conservation and replenishment of fisheries resources, and a special training programme for the affected trawler fishermen and local deckhands	52.8
(f) Contingency ^{note}	90
Total	<u>1,726.8</u>

Note: Items covered under the contingency include expenditure to cover inflation-related adjustment, appeals allowed by the FCAB and any other bona fide cases approved by the IWG under the one-off assistance scheme.

21. The actual expenditure of the above items will depend on the amount of EGA payable to individual trawler owners to be determined by the IWG, the number and type of vessels surrendered under the voluntary buy-out scheme, and any other justifiable adjustments by the Director of Agriculture, Fisheries and Conservation as the controlling officer, e.g. adjustment to one-off grants according to the prevailing wage levels at the time of disbursement or contingency to meet support-worthy cases allowed by the FCAB.

WAY FORWARD

22. We introduced the subsidiary legislation on the trawl ban into LegCo on 30 March 2011 for negative vetting. The subsidiary legislation was passed upon expiry of the negative vetting period 18 May 2011. Subject to funding support from the Finance Committee, we plan to roll out the scheme for buying out of trawlers coupled with EGA and assistance to affected local deckhands around late 2011, and provide a one-year transition period before the trawl ban comes into operation on 31 December 2012. Affected trawler fishermen will have a period of more than two years from the announcement of the initiative to consider and prepare for ceasing their trawling operations in Hong Kong waters, and switching to sustainable fisheries operations if they wish.

PUBLIC CONSULTATION

23. After announcement of the trawl ban initiative in October 2010, the Administration has conducted extensive consultation. Most of the comments received point to support for the trawl ban, except that fishermen groups expressed worry about their livelihood, as well as concern about how the EGA would be worked out and the amount they will get. Many are keen to see an enhancement to the amount of the EGA over and above what they could get under the existing formula for the EGA for marine works projects. There is general agreement that the EGA should be granted fairly and only to trawler owners affected by the trawl ban, and the EGA should be proportional to the impact on them.

24. The Administration also briefed the Legislative Council Panel on Food Safety and Environmental Hygiene (the Panel) about the policy initiative, and the legislative proposals to take forward the trawl ban and other fisheries management measures at its meetings of 15 October 2010 and 8 March 2011. The Panel also heard the views of fishermen and other stakeholders on the trawl ban and other fisheries management measures at a special Panel meeting with deputations on 15 March 2011. At its meeting of 17 May 2011, the Panel was consulted on details of the scheme and information on the scope of other assistance rendered to the trade as a result of the trawl ban. Such information was also presented to the Sub-Committee established to scrutinise the subsidiary legislation on the trawl ban on 3 May 2011. Members supported the trawl ban initiative but they urged the Administration to address the needs of the related trades.

Food and Health Bureau
June 2011

**One-off assistance package to trawler vessel owners and local deckhands
affected by the trawl ban**

Eligibility Criteria for Applicants

(A) EGA

The eligibility criteria are to be determined by an inter-departmental working group (IWG) established before the commencement of the registration for applying for EGA. Only applicants who can meet the criteria are eligible for the EGA. The criteria should include the following:

- (a) the applicant must be the owner of a trawler vessel which is used for fishing only and not engaged in other commercial activities as at 13 October 2010, and at the time of application is still the owner of that trawler;
- (b) the applicant must be the holder of a valid certificate of ownership and operating licence of a Class III vessel issued by the Marine Department (MD) under the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548D) in respect of the trawler vessel on or before 13 October 2010; or has obtained an approval-in-principle letter for construction of a Class III vessel issued by the MD on or before 13 October 2010, and submit a document proving that the vessel under construction is a trawler vessel;
- (c) where the application is in respect of an inshore trawler, the trawler vessel in the application must wholly or partly fish within Hong Kong waters;
- (d) the applicant must provide the trawler vessel and fishing gear for inspection during registration;
- (e) the particulars of qualified coxswain and engineer operator of the vessel must be provided for registration; and
- (f) other criteria as determined by the IWG.

(B) Voluntary buying out of inshore trawlers

The applicant must be eligible for the EGA in (A) (c) above.

(C) One-off grants for local deckhands

- (a) The applicant must be a local deckhand employed by the owner of an affected inshore trawler vessel who take part in the voluntary buy-out scheme in (B) above or dispose of their vessels through their own arrangements, and must, at the time of application, provide evidence proving that he/she has already been employed to work as at 13 October 2010 on the above-mentioned trawler vessel, and has remained working on the above-mentioned trawler vessel until the owner of the above-mentioned trawler vessel has submitted an application for the scheme;
- (b) the applicant must make a declaration on his/her employment status to support his claim in his/her employment on the trawler vessel;
- (c) the applicant must submit a declaration by his/her employer confirming the his/her employment record;
- (d) the applicant should as far as practicable provide relevant documentary evidence (e.g. Mandatory Provident Fund records, employment contracts, salary payment records, etc.) to support his claim in his/her employment on the trawler vessel; and
- (e) the actual eligibility criteria are subject to the deliberation of the IWG.

**Apportionment Criteria and Ballpark Estimate of EGA
Payable to Eligible Trawler Fishermen**

- The actual EGA payable to individual trawler owners would be subject to the deliberation of the inter-departmental working group for the trawl ban exercise to be set up.
 - There are about 1 130 trawlers of different types in Hong Kong (580 pair trawlers, 160 stern trawlers, 350 shrimp trawlers and 40 hang trawlers). Trawlers of various types and lengths have different modes of operation and spend different amount of time in Hong Kong waters for production -
 - (a) stern trawlers and shrimp trawlers are of vessel length above 10 metres. Within this group, the larger vessels have better navigational capability and tend to spend a larger portion of time operating outside Hong Kong while their smaller counterparts operate mainly in Hong Kong waters due to navigational capability and equipment limitations;
 - (b) pair trawlers are of vessel length above 20 metres, and the majority operate outside Hong Kong and only a small number (the smaller ones) fish in Hong Kong waters; and
 - (c) although hang trawlers are of vessel length above 20 meters, they spend relatively longer time fishing in Hong Kong waters due to their special mode of operation which is usually confined to coastal waters.
- (A) Inshore trawlers**
- Eligible trawlers therefore will be categorised by vessel type and vessel length. Different types of vessels would receive different amounts of EGA and the amounts will also vary with vessel length. The inter-departmental working group may take into account other factors, such as engine power and equipment on board, in adjusting the amounts of EGA payouts for individual vessels. The relative differences in the

estimated annual production values in Hong Kong waters of these trawlers will form the basis for apportioning the EGA to eligible vessel owners of different categories. The estimated ranges of EGA payable to different types of inshore trawlers which operate mainly in Hong Kong waters are (only indicative estimate for reference purposes):

	<u>EGA*</u> <u>(\$ million per vessel)</u>
Stern trawlers :	1.9 – 2.3
Shrimp trawlers :	0.9 – 3.5
Hang trawlers :	3.5 – 5.5
Pair trawlers :	1.5 – 2.0

* There are a few small silver shrimp trawlers which are estimated to receive a lower amount of EGA than any of the above ranges due to their smaller catch as compared with any of the above groups.

(B) Larger trawlers

- A lump sum EGA of \$150,000 is proposed to be given in respect of each larger trawler, if the relevant application is successful.
