



the Australia and New Zealand

School of Government

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CASE PROGRAM

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## Troubled waters: pearl farming in Port Stephens (B)

New South Wales Planning Minister Andrew Refshauge rejected Australian Radiata's pearl farm application on 1 August 2002. In his determination he stated that, "The reasons for refusing development consent are, based on available information: (i) The uncertainties in determining the extent of risks to the biophysical environment (particularly on marine fauna) and associated potential consequences to the social and economic environment; (ii) The development is not in the public interest."<sup>1</sup>

He did, however, permit the company to finish cultivating and harvesting existing oyster stock at the Wanda Head lease site, subject to an extensive list of conditions. The Cromatys Bay site would be used for all on-shore procedures and lease infrastructure would be gradually removed as the activities wound down. Operations were expected to cease completely in 2005. The same week the Minister announced his decision, Australian Radiata was set to harvest its first crop totalling a reported 10,000 pearls.<sup>2</sup>

Upon hearing news of the refusal, local opponents of the pearl farm Darrell Dawson, Frank Future and Bob Westbury were very pleased and relieved. By contrast, NSW Fisheries scientist Wayne O'Connor expressed his disappointment that the farm had become so "highly politicised," and that the risks had been greatly overstated while the

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This case was written by Marinella Padula, Australia and New Zealand School of Government, for Professor John Alford as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation. It has been prepared for teaching purposes to accompany the cases 2007-52.1 and 2007-52.3 The use of teaching materials is restricted to authorised persons. The assistance of Luke Atkins, Ian Burt, Darrell Dawson, Frank Future, Wayne O'Connor and Bob Westbury is gratefully acknowledged.

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<sup>1</sup> 'Determination of Development Application under Section 80 of the Environmental Planning and Assessment Act 1979 Minister for Planning, NSW August 2002.

<sup>2</sup> Williams, N. Back down breaks the pearl jam.' *Daily Telegraph* 2 August 2002.

benefits had been obscured. “I think it all comes down to PR,” he said, “and if that had been done effectively it would have been an entirely different story.” O’Connor pointed out that Australian Radiata’s prior experience in pearl farming had been in remote areas where the consultation and approval process had been far less involved. He gathered that the partners weren’t prepared for the level of resistance they encountered and by the time they realised the severity of the problem, it was too late.

Ian Burt saw what had transpired in Port Stephens but believed the proposal, if better handled, could still come to fruition. Burt had a background in duty-free retailing through which he had forged many Japanese business connections. In late 2002/early 2003, he took over the Australian end of operations and re-christened the enterprise Port Stephens Pearls Pty Ltd. He agreed that Australian Radiata’s initial zeal in protecting their commercial interests had ultimately cost public support. Said Burt: “It’s a mistake for any business, whether it’s us or anyone else, to underestimate the ability of the man on the street to come to grips with things. The trick is to get in your spin on the story first. Their PR efforts were too late because the opinion had been formed.” Burt set about restructuring the company and getting a new set of people on board.

Joining him was Chief Financial Officer Luke Atkins. He believed that people’s unfamiliarity with pearl cultivation had been exploited, “A lot of people in the area didn’t know what a pearl farm was because you can’t see a pearl farm. You can see a feedlot, you see a power station, you can see a dairy or a wind-farm. I think the hysteria was whipped up locally by some of the agitators and I think they thought there were going to be lights in their living rooms and people making noise 24 hours a day 7 days a week.” To combat negative perceptions, they invited people to tour the lease site and explained how the operation worked. They also supported fundraising activities for local groups such as sporting clubs and claimed to have won over the local Aboriginal community which had opposed the original proposal.

Like his predecessor, Burt believed that a pearl farm would have enormous tourism potential, especially within the Asian market. He also felt that it would combine well with other activities and attractions, thereby encouraging visitors to stay in the area longer. His vision for the enterprise was “paddock to plate marketing” – where, ultimately, a pearl could be processed, made into jewellery and sold in Port Stephens. Burt also wanted to develop the wholesale pearl market in Australia and saw many opportunities for locals. Said Burt: “A Sydney rock oyster will sell for around 45 cents wholesale compared to an Akoya pearl which will go for \$40. Food oyster businesses are becoming unviable and this is a good way of keeping oyster farmers in the business doing something more valuable.”

Added Atkins, “Some might say Port Stephens is ‘God’s waiting room’ full of people who have sold up from Sydney but there are also a lot of young people and a need for new industries in the area.” The technicians brought in from Japan would teach seeding and harvesting techniques to local employees while Port Stephens businesses would be used wherever possible to provide supplies. Burt also believed that the pearl meat which was usually discarded after harvest could be sold as a delicacy in Asia. His plans had already attracted interest both from overseas media and businesses.

Burt tried to join the local tourism body and Chamber of Commerce but was denied membership. In his view, they were primarily interested in preserving the status quo. He contended that many international visitors were simply bussed in from Sydney, put straight on cruise boats, sent to a few designated eateries and then bussed straight back. He claimed that queries about the pearl farm had been deflected by tourism representatives. Burt also questioned whether dolphin- and whale-watching cruises were as eco-friendly as the industry liked to portray. He alleged that boats “chased” the animals, disturbing them in their natural habitat, and that such activities would inevitably lead to a decline in numbers. Little research had been conducted on the Port Stephens dolphin population prior to cruise boat operations, so there was no baseline data to compare current activities to.

Dawson and Future viewed the company’s efforts as simply an attempt to “parochialise” the farm and buy public approval. “Really,” said Future, “it was two Japanese men invited by fisheries to come and take over our waterways and there wasn’t much in it for the community.” By September 2003, the snapper farm had failed, reinforcing their doubts about aquaculture projects. They questioned whether any of the predicted benefits would eventuate from the current pearl farm proposal. For example, they contended that most staff were and would be recruited from the Western Australian industry or from overseas. Similarly, Westbury asserted that most people opposed to the farm did not have a pecuniary interest in the outcome, whereas most those in support of it did. As far as they were concerned, new partners made little difference. Relations between the parties were no more cordial than they had been previously and were set to get worse.

## **The second application**

In November 2003, Port Stephens Pearls submitted a revised Development Application to the new Department of Planning, Infrastructure and Natural Resources under Minister Craig Knowles. It sought three sites totalling 30.25ha at Wanda Head (12.25ha), Mambo Creek (9ha) and Pindimar (9ha). The offshore sites in the original Development Application had been eliminated. The land site would remain at Cromatys Bay and the new proposal was expected to employ up to 45 people, full-time.<sup>3</sup> The company also contracted consultants to prepare an Environmental Management Plan to address the issues arising from the Commission of Inquiry. Two months prior to the development application, the Port Stephens Council reaffirmed its opposition to pearl farms and environmental group PortWatch had already begun campaigning for the establishment of a marine park in Port Stephens to limit any future developments. Meanwhile, the NSW Government engaged a consultancy firm to determine the level of public opposition.

Soon after the lodgement, a public meeting was held at the Police, Citizens and Youth Club at Nelson Bay. The 500-strong crowd was addressed by speakers against and for the farm, including Burt. Again, the majority of those gathered voted against the farm. While Burt recalled the public boos and jeers, he claimed that, privately, many people were keen

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<sup>3</sup> ‘Proposal by Port Stephens Pearls Pty Ltd for the construction and operation of a commercial pearl oyster farm, Port Stephens Local Government Area.’ Department of Planning, Infrastructure and Natural Resources, August 2004 p.i.

to express support. He and Atkins believed much of the opposition had been artificially inflated and in time would recede. Dawson, Future and Westbury instead contended that the only locals that supported the proposal were those promised employment or those already employed at the trial farm (approximately 17 people) and their families.

The revised plans went on public display early in 2004. At about the same time, posters started appearing in Nelson Bay. Recalled Atkins, “There were racial overtones. There were signs put on telegraph poles by residents saying ‘We’ve already had one Pearl Harbor, don’t let it happen again.’ We’re sitting here as 50 and 60 year old businessmen – we weren’t even alive in the Second World War and neither were our business partners. It was highly offensive.” Japan’s stance on whaling and environmental track-record were thought to have prompted the protest. The responsible party was never identified. As far as Dawson, Future and Westbury were concerned, it mattered little where the investors were from. Westbury, who had just been elected to the Port Stephens Council, felt the incident had been used to portray them as racist, in an attempt to diminish the legitimacy of their concerns.

In order to stop the application, Dawson and his supporters again headed to Sydney. “We had four or five delegations to about six ministers,” Future recalled, “and were received well by all the ministers except Fisheries. But pearl farming was new to them. The quality of the science was atrocious but we had no scientists. At the Commission of Inquiry they had a bevy of scientists, all consultants, who swore black and blue that there would be no problem.” Added Dawson, “If you’ve got the money, you’ll find a scientist who’ll say whatever you want. But we had no funds to fight with. At each public meeting we raised roughly \$1000 dollars, so we had \$3000. That was to keep me going because I was working full time at it. We needed a couple of scientists on board and we couldn’t find a scientist that was going to do it gratis.” Nonetheless, they were hopeful that the Minister would again refuse approval.

Although he enjoyed the support of Fisheries and claimed that NSW Planning bureaucrats had been very encouraging, Burt had a hard time getting a political audience: “In all that period,” he said, “I could never get to meet Craig Knowles. We were completely locked out. Even with other ministers helping me to get in, he refused point blank to see us. If he knew I was in the building, he’d run away. There was a group of residents who went down to Sydney in a bus of their own accord to go up to Parliament house to discuss the matter and support the project and Craig Knowles wouldn’t see them either. He sent out some clerk from Planning.” Burt and Atkins claimed that they appreciated the need for safeguards and protocols but felt that their modified proposal more than adequately addressed the community’s concerns. In their opinion, political assent was simply being blocked by fear of electoral reprisal.

### **Planning’s assessment**

In response to the second application, the NSW Department of Planning, Infrastructure and Natural Resources prepared a report for Minister Knowles in August 2004. The Department received 683 submissions: 679 were from the public and special interest groups; 3 were from government agencies; and one was from the local Aboriginal

community. Two petitions were also submitted: one in favour (495 signatures) and one against (17 signatures). The Department of Environment and Conservation was against the proposal, citing ongoing concerns about entanglement, water pollution, oyster stocking densities and habitat disturbance. The submission also raised the issue of the proposed marine park which would encompass Port Stephens and also suggested that a financial bond should be imposed on the company as further insurance.<sup>4</sup>

The Port Stephens Council expressed its ongoing objection to the proposal but did not supply specific reasons. Meanwhile, the NSW Waterways Authority noted that there could be a negative impact on recreational boating but did not oppose the proposal outright. Instead it made six recommended modifications to improve navigational safety. The Worimi Local Aboriginal Land Council supported the application for its “potential economic benefits and job creation”.<sup>5</sup> With regard to the public and interest group submissions, 434 objected to the proposal. The Department noted the following recurring issues:

- the perception that the proposal would lead to the privatisation and industrialisation of Port Stephens and pave the way for similar developments
- the perception that pearl farming is only suited to remote areas
- the impact on marine plant and animal life, especially seagrasses, dolphins and whales
- navigational safety
- water quality, with particular reference to the sediment plumes created during cleaning.<sup>6</sup>

Two-hundred and three submissions supported the proposal, most frequently citing employment opportunities, tourism potential and broad economic benefits as reasons to proceed. They also believed the farm represented an ecologically sustainable proposal. Forty-two submissions did not take a clear position but raised issues.

In its report, the Department concluded that the environmental impact of the project could be mitigated but not entirely eliminated (*Exhibit A*). The report also made mention of the considerable community concern that still surrounded the proposal. The only outright recommendation the Department made was that the Minister consider the findings of the report.<sup>7</sup> However, if approval was granted, the Department suggested imposing a number of conditions which would control and monitor the effects of the pearl farm in relation to water quality, flora and fauna, disease management and noise management. It was now up to Craig Knowles to determine whether pearls were going to be part of the Port’s future.

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<sup>4</sup> *ibid.* p.23.

<sup>5</sup> *ibid.* p.24.

<sup>6</sup> *ibid.* p.i

<sup>7</sup> *ibid.* p.52.

## Exhibit A: DIPNR Assessment Report – Conclusions

The Department considers that the proposed development is consistent with all local, regional and State planning objectives. In addition proposal has the potential to create economical, social and technological benefits at local and regional levels in the form of employment and investment as well as providing high quality Australian Akoya pearls to the market.

The Department has undertaken a full and comprehensive assessment of the development application which included a thorough investigation of all impacts, independent analysis on key issues, comparative analysis with existing similar facilities already operational within NSW and other parts of Australia, all issues raised in submissions, and improvements made to the proposal following the refusal of the former development application.

The Department's assessment concludes that:

- The proposal could be undertaken within acceptable environmental limits subject to the imposition and adherence to stringent conditions of consent to offset residual impacts. The Department notes in this regard that the revised proposals provide important environmental and ecological benefits relative to the previously refused DA.
- There remains considerable concern and opposition to the proposal proceeding both amongst the general Port Stephens community and key business and tourism organisations;
- Stringent operating and management practices are likely to minimise residual impacts. As with many industrial and rural industries it will not be possible to eliminate all risk associated with the development; and
- There remains some uncertainty regarding the proposal and its implications in relation to the Government's desire to establish a Marine Park in Port Stephens.

While satisfied that the proposal could be operated within acceptable environmental limits, the Department considers that the Minister in making his decision should be aware that over the operating life of the proposal some form of unacceptable operating incidents are likely to occur.

While acceptable in a less sensitive environment they have the potential to significantly elevate community concern given that community's fear for the Port Stephens environment and the substantial tourism industry which it supports.

In addition there remains some uncertainty as to the implications of the proposal and its associated risk and the Government's intention to establish a Marine Park in the Manning Bioregion.