

Structural Adjustment Review Committee (SARC)

Chair's Summary 17th and 18th Meetings

**21-22 April 2015
4-8 May 2015**

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1 Introduction

The SARC met for two days in Sydney, 21-22 April 2015 and for the week 4-8 May 2015. This summary covers commentary from the SARC on the major issues raised and discussed at those meetings.

The major purpose of the meeting was to further consider the exit grant proposal and develop recommendations for linkage by share class. It should be noted that these linkages will be very different between some share classes.

The SARC also had a very productive meeting with Minister Niall Blair.

The SARC meeting was again held without an industry presence due to the nature of the meeting and the need for the SARC to consider information that if provided to industry, would almost certainly result in a breach of confidentiality of fishing business information and raise conflict of interest issues. Considerable progress was made on the draft recommendations for linkage.

2 Meeting with Minister Niall Blair

The SARC met with the Minister, his Chief of Staff and the Director General of DPI on Wednesday 6th May. A briefing on progress with the reform to date was provided and guidance sought by the SARC on a number of key issues. The Minister, while acknowledging that he will need some time to come up to speed and be fully briefed, expressed strong support for the structural adjustment process. This briefing and the time to consider in full the implications of the reform, in addition to the upcoming targeted consultation process, will be necessary before final implementation decisions are taken.

A number of other key clarifications were made:

- **Clarity and understanding.** For the reform package to proceed effectively, it is essential that all stakeholders clearly understand the process, including the terms of any exit grant.
- **Release of reports and the summary of public submissions.** In order to provide a comprehensive package, the exit grant report (Professor Goeree), summary of submissions (DPI) and the economic report (AgEcon) will be released with the SARC draft recommendations. A process of targeted consultation will then occur as outlined in the previous SARC Chair's Summary.
- **Financial assistance.** It is clear that some share classes may require financial assistance to ensure that the cost of reform does not unduly overshadow benefits. The exit grant is the primary mechanism for addressing this concern and the Minister confirmed that the allocated \$15.5m remains available for use in the exit grant process.
- **Recommendations on Linkages.** The SARC draft recommendations on linkages, which should be available by the end of May, will be considered by the Minister and the Government before release. The SARC hopes this consideration will be timely, given the long period to develop the reform process and the uncertainty this has created within industry.

- **Aboriginal fishing.** An additional consideration is how the reform relates to Aboriginal commercial fishers. This is a very broad issue that extends beyond the scope of the reform program, given the need to consider the cultural elements of Aboriginal fishing and other key issues raised by Aboriginal fishers such as seeking access to areas where commercial fishing is currently prohibited. The SARC was advised that the consideration of Aboriginal fishing issues will be addressed under a separate process and thus it should not form part of the SARC's recommendations.

3 Development of draft share linkage recommendations

The SARC undertook a thorough and detailed consideration of a range of share linkage options at the share class level. In addition to the options included in the options papers distributed in 2014, the SARC considered alternative options developed in response to the feedback received on the options papers and in other views expressed to the SARC in recent months. This involved consideration of 24 share class groupings, incorporating 103 share classes.

The SARC agreed on draft recommendations by share class grouping and is now in the process of writing these up. While all linkages proposed are consistent with the objectives of the reform, the SARC acknowledges the different circumstances across share classes, and in particular the levels of 'distortion' between shares held and catch. This means that progress towards stronger access rights through share linkage will be best achieved through different means and at different rates. In preparing its draft recommendations the SARC has therefore:

- considered the relative costs and benefits of the options available
- tailored the proposed share linkages to the particular characteristics and needs of share classes taking into account factors including
 - the risk of effort shift
 - operational aspects
 - any species sustainability concerns
- specifically considered the potential financial impact of the options on active fishers and, to the extent possible, considered those impacts at the fishing business level
- attempted to mitigate these impacts by incorporating staged implementation of share linkages, adoption of interim total commercial access levels (ITCALs) that facilitate adjustment without compromising sustainability, developing an approach to the exit grant that will ensure that a subsidy flows to those who need to buy shares and, where appropriate, recommending the creation of new share classes with allocation to be decided through an allocation panel
- assessed the relative capacity of the share linkage options to respond to resource sharing issues (particularly with species shared with Commonwealth fisheries) and future sustainability concerns should they arise

- considered the consequences of not taking any action.

As advised previously, the SARC's draft recommendations will be made available for consideration and comment by industry and other stakeholders through a targeted consultation process over coming months.

The SARC is very aware of the importance of its recommendations to the future of NSW fishers and is keen to ensure that its draft recommendations on share linkage and the details of the operation of the exit grant are presented clearly and concisely. The SARC has outlined a range of approaches for this next round of targeted consultation (Chair's Summary, SARC Meeting 16)

4 Exit grant

The SARC held discussions with Professor Goeree regarding operational aspects of his revised exit grant proposal. The focus of the discussion was on the importance of ensuring transparency, equity and value for money and on the methods which would allow shareholders to obtain improved price information before bidding. The SARC also discussed implementation aspects of the exit grant including an extension and communication program so that the application process is understandable and accessible to all shareholders.