

Structural Adjustment Review Committee (SARC)

**Chair's Summary
15th Meeting
MLC Building
Martin Place, Sydney
15-16 December 2014**

TABLE OF CONTENTS

1	INTRODUCTION.....	3
2	ECONOMICS REPORT	3
3	EXIT GRANT	3
4	FEEDBACK FROM INDUSTRY LIAISON MANAGER.....	3
5	ANALYSIS OF SUBMISSIONS.....	5

1 Introduction

The SARC met for two days in Sydney, 15-16 December 2014. This summary covers commentary from the SARC on the major issues raised and discussed at that meeting.

The major purpose of the meeting was to consider progress with, and provide direction on, the independent economic analysis and the review of the exit grant process. Both these projects will take into account the issues and concerns raised by industry.

The SARC appreciates the ongoing uncertainty created by the time taken to implement the reform process and understands the difficulties that are being created for some individuals. That said, the SARC, as supported by Minister Hodgkinson, is committed to making every effort to ensure that the reform meets its objectives in a way that takes account of the very different circumstances present in the wide range of NSW fisheries. In addition, there is a need to allow for the diverse business structure of some fishing enterprises, so as to enable appropriate level of diversity in the future.

2 Economics Report

The consultants appointed to undertake the economic study (AgEconPlus) presented their preliminary findings to the SARC which focused on current estimated returns on investment in each fishery. The consultants requested more time for data analysis given the complexity of the issues. The SARC agreed to this request and the deadline for the draft report was extended to 28 February 2015 with the final report due on 28 March 2015. The SARC asked the Department to negotiate with the consultants to include some additional surveys with fishing business owners to further inform their estimates.

3 Exit Grant

Prof Jacob Goeree, an expert on practical auction and market design, presented his preliminary advice on the exit grant process and design. Prof Goeree has provided advice on a range of industry sectors faced with issues similar to those faced by NSW fisheries, both in Australia and overseas. He emphasised the importance of reducing uncertainty for bidders, increasing flexibility as well as ensuring simplicity, transparency and value for money. He presented a proposal that addressed these issues, which the SARC discussed in detail. It is anticipated that Prof Goeree will present a report with recommendations on the structure of the exit grant process by the end of January 2015, for consideration by SARC.

4 Feedback from Industry Liaison Manager

The Industry Liaison Manager, Mr Chad Lunow, provided a comprehensive summary of recent discussions with industry on the reform process. Key issues discussed by the SARC included:

- delayed time lines and uncertainty affecting the industry
- consultation
- socio-economic issues

- latent effort
- cost recovery
- the exit grant
- economic viability

As mentioned above, the SARC recognises that the delay in implementation of the reform process and has not been welcome by everyone in the industry, particularly those seeking to leave the industry. On the other hand, many industry members were concerned that the process was moving too quickly and that there had been too little consultation, or adequate consideration of the issues raised during the consultation. On balance, the SARC remains of the view that the long-term future of the industry is best served by the additional time that is being taken to consult and get further expert economic advice, including the design of the exit grant.

The SARC acknowledges that the delay has had financial implications for some operators who had expected that the exit grant process would have occurred prior to the 2014/15 round of annual management fees. The SARC understands that fishers who are having difficulty paying fees can seek a fee payment plan with the Department and that outstanding fees could be deducted from any exit grant payment made in the second half of 2015. However, fishers should not rely on management fees being deducted from any future exit grant payment, since some bids may not be successful.

The SARC is aware that some individual fishers have expressed a desire to meet with the SARC to discuss their specific circumstances. As advised previously, the reform package cannot be designed around the specific circumstances of every individual operator. Further, the SARC is not in a position to offer face to face meetings with all individual fishers. However, the impact of options at the fishing business and share class levels will be considered through the economic study (see section 2 above) and the SARC encourages fishers to continue to discuss their situation with fishery managers and the industry liaison officer so that these concerns are relayed to the SARC. In addition, the opportunity remains open for fishers to write to the SARC directly. Comments and correspondence can be sent to the SARC through the Industry Liaison Manager:

Chad Lunow
 Industry Liaison Manager
 North Coast Fisheries Office
 PO Box 4291
 Coffs Harbour NSW 2450
 (02) 6691 9684 / 0437 942 142
chad.lunow@dpi.nsw.gov.au

The SARC also heard that some industry members believe that an investment warning should be issued to ensure that potential new entrants to NSW fisheries are aware of the reform process. The SARC reiterates it's advice that fishers should carefully consider the potential implications of investment in these fisheries at this time. However, the SARC recommends that, rather than issue an investment warning at this stage in the reform process, it would be more effective for the Department to ensure that when applications for transfers were

received that the parties were advised to consider the potential implications of the reform and directed to the relevant information. The Department will also consider whether such advice should be added to the transfer forms.

5 Analysis of Submissions

The Department provided the SARC with a final draft report summarising the submissions received in response to the Options Papers distributed earlier this year. The document provides a comprehensive and balanced summary of the issues raised by fishers and other stakeholders. The SARC has had the benefit of receiving all the submissions that were lodged and earlier drafts of the summary report and has used the feedback provided to refine its approach to the reform process. The feedback will continue to inform the SARC's consideration of the most appropriate share linkage options on a share class basis over the coming months. The SARC looks forward to the public release of the final summary report.