

**INDEPENDENT STRUCTURAL ADJUSTMENT REVIEW COMMITTEE
MEETING #3**

**MONDAY 6TH MAY 2013
QANTAS MEETING ROOM
SYDNEY DOMESTIC AIRPORT
10.45AM - 5.00PM**

DRAFT RECORD OF MEETING

Members:

Ian Cartwright (Independent Chair)
Sevaly Sen (Independent economist)
Mary Lack (Independent fishery manager)

Permanent observers:

Andrew Goulstone (Director Commercial Fisheries, DPI)
Tricia Beatty (Executive Officer, Professional Fishermans Association)

Executive support: Dallas D'Silva (Industry Liaison Manager, DPI)

1. Welcome, apologies and confirmation of agenda (Chair)

The Chair opened the meeting at 10.45am and welcomed members and observers to the meeting. The agenda was confirmed without change.

2. Finalisation of meeting record #1, teleconference meeting outcomes

The draft record of meeting #1 was reviewed and approved, subject to minor amendments. A summary of each meeting record will be uploaded onto the DPI website and provided to the Director General/Executive Director. The teleconference meeting #2 outcomes were reviewed by the SARC, noting all actions from this meeting were either an agenda item for meeting # 3 or had been actioned by DPI/SARC.

An update on actions arising from meeting #1 was noted by the SARC. An action list (with responsible person and date of completion) is to be added as an appendix to the record of meeting. (Refer to attached Action List).

3. Statement from the Minister's office concerning flexibility

The SARC noted the confirmation from the Minister's Office (circulated out of session) regarding the level of flexibility with the reform program, especially regarding share linkage and exit grants. It was noted that implementation of the reform program must occur within the parameters approved by Cabinet. The SARC welcomed this confirmation and the certainty it provides managers and industry with respect to implementation of the reform program.

4. Share linkage working group ToRs

The SARC reviewed the draft working group ToRs and comments were incorporated into a revised draft set of ToRs. The ToRs will be uploaded to the DPI website.

Action: DPI to revise the draft ToRs in line with comments from the SARC and upload a final set of ToRs to the DPI website.

5. Cost recovery/fees, noting that the current timeline states that changes to the structure and level of share management charges (to apply on a per share class basis) will occur from July.

The SARC noted the fee increase per share class will occur from 1 July 2013 and fishers will have the option to pay in three instalments. The SARC noted the fee increase has been a concern for many fishers, whilst other fishers have expressed the view that a

greater increase is needed to help reduce latent effort and stimulate the movement of shares held by latent fishers to active operators during the exit grant period.

DPI is currently considering alternate options for payment of fees by instalments and is open to a new approach that provides industry greater choice of when they pay their fees to match cash flow. Any outstanding fees are to be deducted from the exit grant sum where fishers are successful with a tender bid. DPI is also reviewing the rate of fee discount (10% vs 40%) for each subsequent share class held, which is designed to ease burden on more diverse operators, especially estuary general fishers. The discount rate does not impact the total amount recovered from industry and the majority of inactive fishing businesses hold only one or two share classes. DPI will advise fishers of the final fee structures as soon as possible, noting the first instalment for the 2013/14 period is normally sent in August.

DPI is producing a simple fact sheet on the fee increase and cost recovery for fishers. The fact sheet aims to provide answers to common questions about the fee increase and longer term cost recovery policy development and implementation timelines.

6. Fact sheet for banks/financial institutions

SARC noted DPI has commenced preparation of a fact sheet for financial institutions. A draft fact sheet will be provided to the SARC and PFA for comment. The DPI Economics Branch will also review the draft fact sheet. The SARC requested that a copy of the draft fact sheet be provided to the SARC for comment by 31 May 2013.

Action: DPI to circulate the draft fact sheet to the SARC for comment by 31 May 2013.

7. Review of overall implementation plan/timeline discussed at last teleconference, including general information about the tender process, ANAO report, progress on 'lessons learned' from other jurisdictions etc.

The SARC reviewed the implementation plan developed by DPI and endorsed the general content. Editorial comments from SARC were provided to DPI on the draft document and it was noted that two different versions will be needed for two different audiences (eg-project managers vs industry). The first is a detailed outline of the entire program, including key decision points. The second is a summary level plan for fishers that contains less information but is more user friendly, including key points where fishers have input into the process or need to make decisions.

Action: DPI to produce a short and long version of the implementation plan that caters for project managers and industry/other stakeholders.

The SARC noted a presentation from DPI on the proposed approach to the exit grant program. The exit grant process will be administered by the Rural Assistance Authority (RAA) and priority share classes for structural adjustment will be determined by an algorithm (eg-mathematical formula) that incorporates the value of the fishery, along with the level of difference between the shareholders and fishing activity. The program will differ from previous schemes as tender bids will not be capped and bids deemed 'value for money' will be offered an ex gratia payment for either the surrender or transfer of shares.

The findings of the Australian National Audit Office review of the 2006 Commonwealth adjustment program (as outlined in the 2008 report) were noted by the SARC and key issues include probity and adequate information to industry to allow informed bidding. These issues will be addressed by DPI and the RAA in the rollout of the adjustment program.

The SARC provided general support for the proposed approach and recommended a peer review process by independent experts (AFMA, DAFF, ABARES) prior to finalisation involving expertise and key learnings from the 2006 Commonwealth structural adjustment program. DPI economists will also review and provide advice on the algorithm.

Action: DPI to approach AFMA, DAFF, ABARE experts to peer review the concepts and principles that underpin the algorithm.

It was noted that decision rules are needed to guide the setting of total interim access (catch and effort) levels as part of the share linkage exercise. The aim of the total interim access levels is to cap commercial catch and effort at current levels, taking into account recent and future stock trends. DPI is to develop draft decision rules in consultation with the SARC and industry to help ensure a robust and transparent decision making process.

Action: DPI to develop decision rules in consultation with the SARC and industry

8. Linkages and identification of specific concerns and possible solutions where there are particular problem/hardship areas (e.g. Some elements of the ocean trap and line), including update on progress with and by share linkage working groups

The SARC noted the concerns of high catch fishers that may need to invest in considerable additional shares to maintain their current levels of fishing once shares are linked. It was noted that some high catch fishers were advocating the creation of species specific catch quota shares based on recent catch history. It was noted this is problematic as it would, among other things, involve the allocation of a new property right, a complex validation process and will affect the value of existing shares.

Whether and how much individual fishers need to acquire more shares will depend on a range of things; including how many shares they currently hold, their level of fishing, the form of linkage and the total catch/effort levels set. These discussions will commence at the working groups and all options will be carefully considered.

The SARC noted the working group structure and membership has been approved by the ED of Fisheries. DPI is currently in the process of notifying fishers of their appointment to the working group. Share linkage proposals from the industry (using the 'ideas' template mailed to all fishers) are being submitted to DPI and will be provided to the working groups for evaluation.

9. Costs and benefits of leasing/nominations – short paper for consideration

The SARC noted the possible advantages and disadvantages of leasing/nominations and the potential implications for the rate of autonomous adjustment. The SARC noted continued leasing/nominations could minimise burden on high catch fishers by allowing them to obtain additional access through leasing, rather than purchasing shares outright. The SARC agreed to keep a watching brief on this issue and seek advice from working groups as part of their deliberations on share linkage options.

Action: Share linkage working groups to provide advice to SARC on the possible advantages and disadvantages of leasing/nominations and the potential implications for the rate of autonomous adjustment.

10. Cooperatives, including the proposed study and comments from Coop Association

The SARC noted comments from the NSW Fishermens Cooperative Association on the draft ToRs for the desktop study. The comments appear to have misunderstood the aims of the study, which is to inform future policy discussions, rather than come up with alternate

approaches to implement the reform program. The SARC endorsed the ToRs as originally drafted and noted progress by DPI to seek a suitably independent and qualified consultant to undertake the review.

11. Update on share trading and closure of the share trading notice board

The SARC noted up to date shareholder information is on the DPI commercial fisheries website. The SARC noted longer term proposals to develop on-line share trading boards by DPI and other third party service providers (on line brokers). It was noted that legislative amendments are required to support the operation of online systems by DPI. The current industry run website www.nswcommercialfishers.com, which has replaced the blue book, provides a similar service to fishers/public wanting to buy or sell entitlements and gear. It was noted this website would continue to be promoted to industry in the short term to assist fishers wanting to trade shares.

12. Social issues - dealing with personal hardship and ramifications of the restructure

The SARC noted a range of services and assistance provided by the Commonwealth and State Governments. It was noted that FRDC are unlikely to fund further research in this area at the current time, as the results of previous studies (eg-Moreton Bay, QLD) are generally applicable elsewhere.

The Rural Financial Counselling Service is a free service independent of Government and this has been communicated to industry via the DPI newsletter. It was noted that counselling is also available for DPI staff and the PFA Executive Officer should it be required. The SARC suggested attendance of the ED of Fisheries at future industry meetings may be beneficial.

DPI, SARC and the PFA discussed the use of 'mens shed' style meetings for fishers as a means of helping adjust to changes arising from the reform program. Mens sheds are used in parts of the community to help men share their feelings and gain access to professional assistance (eg-financial counselling) on a range of issues impacting their wellbeing. DPI advised that a consultant with expertise has done work in NSW in this area of social policy and this should be repeated given the likely social implications of the reform program upon parts of industry. For best results it was suggested this initiative be focused on high priority ports where concern has been previously expressed to DPI and the PFA. Consideration should also be given to the timing of the meetings, with the lead up to the exit grant tender period likely to be higher priority.

Action: DPI to contact the consultant about facilitating a series of support meetings at select locations and periods during the reform program

13. Communication/liaison with industry (noting that specific views will be included in the above), including views on first newsletter

The SARC noted and endorsed the suite of communication tools being used by DPI to enhance communication with the industry about the reform. Members noted the series of industry meetings that have been held in recent months by the Industry Liaison Manager and the PFA Executive Officer. The SARC provided positive feedback on the new DPI newsletter that has been mailed to all shareholders. It was noted the 2nd edition of the newsletter has commenced. The SARC also expressed support for the PFA newsletter that is distributed to members, which includes an update on the reform program.

The SARC recommended a set of simple messages be drafted for each fishery by DPI on why the reform is required. The key messages will help improve fishers understanding of the need for change.

Action: DPI to draft a set of simple messages for each fishery summarising why the reform is required and what the benefits will be to industry.

14. Other issues

No other issues were raised in the general session.

15. Meeting close

The chair thanked members and observers for their contributions and closed the meeting at 16.30pm.

Action List as 6 May 2013:

Meeting number:	Action:	Responsible officer/organisation:	Status:
1	DPI to post the SARC ToRs and member biographies on the DPI website	DPI	Complete.
1	PFA to distribute a summary of the share linkage consultation to SARC/DPI once approved by the PFA.	PFA	Complete.
1	SARC Chair to contact the Minister's Office to clarify the status of the Government policy position contained in the November 2012 response to the independent review as soon as possible.	SARC Chair	Complete.
1	SARC members to provide comment on the working group EOI documents to DPI out of session.	SARC members	Complete.
1	SARC Chair to contact Dr Kate Brooks and FRDC to seek advice on available tools and strategies to help fishers adjust to the social implications of structural adjustment.	SARC Chair	Complete.
1	DPI to investigate existing State and Commonwealth counselling services that could be extended to commercial fishers in NSW prior to commencement of the adjustment process.	DPI	Complete.
1	DPI to circulate the draft fact sheet to SARC members and the PFA for comment prior to providing it to financial institutions. DPI to distribute the Ministerial Statement of Intent to financial institutions when available.	DPI DPI	Complete. Complete.
1	DPI to develop a short issues paper on the structural adjustment implications of leasing for further consideration by the SARC.	DPI	Complete.
1	DPI to contact the cooperatives association and convene a special working group to ensure businesses can plan and adjust accordingly prior to any changes in the catching sector arising from the proposed reforms. The working group is to oversee a short information and issues paper on cooperatives for consideration by SARC, DPI and the cooperatives association.	DPI DPI	Complete. In progress. To be completed subject to finalisation of the study.
3	DPI to revise the draft working group ToRs in line with comments from the	DPI	Complete.

	SARC and upload a final set of ToRs to the DPI website.		
3	DPI to circulate the draft financial institutions fact sheet to the SARC for comment by 31 May 2013.	DPI	Complete.
3	DPI to produce a short and long version of the implementation plan that caters for project managers and industry/other stakeholders.	DPI	Not complete.
3	DPI approach AFMA, DAFF, ABARE experts to review the concepts and principles that underpin the algorithm.	DPI to initiate meeting. AFMA, DAFF, ABARE to peer review.	Meeting with relevant agencies on 21 August 2013.
3	DPI to develop decision rules for setting total catch and effort levels in consultation with the SARC and industry	DPI	In progress.
3	Share linkage working groups to provide advice to SARC on the possible advantages and disadvantages of leasing/nominations and the potential implications for the rate of autonomous adjustment.	Share linkage working groups	In progress.
3	DPI to contact the consultant and facilitate a series of support meetings at select locations and periods during the reform program.	DPI	In progress.
3	DPI to draft a set of simple messages for each fishery summarising why the reform is required and what the benefits will be to industry.	DPI	Suggestion that this be superseded by the share linkage paper being prepared through the working groups.