

**INDEPENDENT STRUCTURAL ADJUSTMENT REVIEW COMMITTEE
MEETING #2**

THURSDAY 7TH FEBRUARY 2013

DPI OFFICES

LEVEL 6/201 ELIZABETH STREET BOARD ROOM

SYDNEY, NSW

9.00AM - 5.00PM

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) until 2.15pm

Invited guest: Geoff Allan, Executive Director Fisheries, DPI (until 10.30am)

Executive support: Dallas D'Silva, DPI

1. Welcome and Confirmation of Agenda

The Chair welcomed members and observers to the first meeting of the SARC. Geoff Allan, ED Fisheries was also welcomed to the meeting.

The SARC noted a brief discussion between the ED Fisheries and the PFA Executive Officer regarding the formation of a peak body for commercial fishing in NSW. The ED Fisheries clarified the formation of a peak body is to deliver a defined consultation service on behalf of Government/DPI. This service is to be funded through the collection of a mandatory levy paid for by the industry. The body may also deliver other services for industry such as representation on access issues, promotion and marketing and these services would be paid for by fishers direct to the peak body (eg-not funded through government levies). The ED Fisheries will soon be meeting the PFA to ensure there is a shared understanding regarding this important issue.

2. Apologies

No apologies were recorded.

3. Overview of the Commercial Fisheries Reform Program

Andrew Goulstone was requested to provide an overview and update on the status of the commercial fisheries reform program in NSW. Members noted the reforms cover three areas: i) structural adjustment, ii) governance and iii) communication/consultation. Members noted the status of different reform projects such as the release of a discussion paper on options for an industry peak body that will deliver consultation services, development of an algorithm that will guide the allocation of funds under the exit grants and the process to set up joint DPI/industry share linkage working groups. It was noted DPI has established its Executive Management Group and is drafting a regular newsletter to update fishers on key aspects of the reform program. Amendments to the regulations are also underway to establish the Ministerial Fisheries Advisory Committee. A Statement of Intent is currently being drafted by DPI for Ministerial approval.

4. Review and approval of SARC composition and Terms of Reference (ToRs)

The SARC Chair confirmed the composition of the Committee (independent chair, independent economist and independent fishery manager) and the permanent observers (eg- Director Commercial Fisheries, DPI and the PFA Executive Officer). It was noted the industry observer will be replaced by a nominee of the commercial fishing peak body once established. The SARC reviewed the draft TORs and agreed to endorse them subject to minor editorial amendments. The TORs and a short biography of SARC members will be posted on the DPI commercial fisheries reform website.

Action: DPI to post the SARC ToRs and member biographies on the DPI website

5. Summary of the preliminary share linkage consultation by the PFA

The PFA was requested to provide a summary of the initial share linkage consultation conducted by the Professional Fisherman's Association. It was noted that PFA members have ideas on how share linkage could work and these discussions need to be informed by further information such as costings for different linkage approaches (eg-catch quota vs effort quota). Fishers would like to see a comparison of different share values for each linkage option and which input controls might become redundant once linkage occurs. The SARC noted this task is complex and is best driven by the proposed share linkage working groups under the guidance of the SARC. The feedback from the PFA meetings is currently being summarised into a short written report and would be provided to the SARC and DPI once it has been endorsed by the PFA.

Action: PFA to distribute a summary of the share linkage consultation to SARC/DPI once approved by the PFA.

The SARC thanked the PFA for proactively commencing the process of consulting fishers on share linkage options and communicating the objectives and timelines of the reform program to PFA members. The new dedicated industry liaison position within DPI (Dallas D'Silva) has also commenced communication with industry on the reform program, including the process for linking shares to resource access.

The PFA requested the SARC recommend to the Minister that the proposed increase in fees be deferred for 12 months and that other adjustment options such as 3 for 1 fishing business/share reduction policies at the time of transfer be considered. The PFA also informed the SARC that following her meeting with the Minister there is an expectation by the PFA that new and alternate policies can still be adopted, even if they are counter to the Government response to the independent review. The SARC determined this issue must be clarified with the Minister as soon as possible and the Minister be asked to confirm if the November 2012 Government response to the independent review remains unchanged. It was agreed the SARC Chair contact the Minister's Office to clarify this important issue as soon possible.

Action: 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.

6. Review and approval of Working Group EOI documentation, including share linkage proposal template

SARC members reviewed the draft EOI documentation and share linkage proposal forms. The general content was supported by the SARC, but some editorial comments were

offered and others be provided out of session to DPI for finalisation and circulation to industry.

Action: SARC members to provide comment on the working group EOI documents to DPI out of session.

7. SARC meeting timetable/planning, communication with industry, reporting to DPI

The SARC considered the proposed timeframes for the reform program and agreed to meet on an as needs basis during 2013. The SARC will provide advice and oversight to DPI and the working groups throughout the process of evaluating and recommending share linkage options to the Minister. Meetings will be a mix of teleconference and face to face in Sydney. It was agreed that a Chairman's Summary will be prepared after each meeting and this will be provided to the Executive Director of Fisheries NSW, the DPI Director General and the Minister's Office. The Chairman's summary will also be widely available via the DPI website. A record of each meeting will be drafted by the Executive Office and approved by the SARC Chair.

The SARC discussed the timelines and process for consultation on share linkage and the proposed commencement of the exit grant program in October 2013. The SARC recommended that DPI re-consider the benefits of commencing the exit grant program prior to fishers knowing the final outcome of share linkage in December 2013. Commencing the exit grants prior to share linkage determinations was initially proposed in response to industry views to start the exit grants as soon as possible and recognises some fishers have already decided they wish to submit a tender to exit the industry, regardless of the share linkage outcomes.

The SARC's preference is for final decisions on share linkage and determination of their catch or effort values per share class to coincide with the call for tenders to the exit grant program. This approach will give fishers the necessary information to allow an informed decision; either to maintain status quo, downsize share holdings, purchase more shares from the market or exit the industry.

Action: SARC recommends that DPI reconsider the timing of the call for tenders to the exit grant program so that it coincides with final decisions on share linkage and determination of catch or effort values for each share class.

8. Other business

8.1 Strategy to address social impacts and dislocation to fishing businesses

The SARC Chair highlighted the likely social implications on fishers and their families as a result of the structural adjustment process. It was agreed this is a high priority and strategies should be put in place prior to adjustment occurring to assist fishers to cope with the difficult decision to stay, exit or reinvest in the fishery. It was noted that FRDC have a Social Objectives Sub-Program that is led by Dr Kate Brooks and there are State government counselling services available to assist fishers during adjustment process. DPI and the PFA agreed to work together to develop a strategy to address the adverse social implications arising from the structural adjustment.

Action: 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.

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.

8.2 Fact sheet to inform financial institutions about share linkage reforms

The SARC agreed with views shared by DPI and the PFA that there is a need to inform financial institutions of proposed changes to commercial fisheries entitlements and the overall aim of the reform program. These institutions should be consulted so they understand the program aims to more clearly define and strengthen the existing weak property right regime and promote autonomous adjustment. This will be important as fishers will be meeting with lending institutions to seek advice on their capacity to re-invest in the industry or submit a tender to the exit grant. DPI is currently in the early stages of developing a fact sheet designed to inform financial institutions of the proposed reforms and it was agreed the SARC would review the draft fact sheet prior to it being finalised. It was noted the proposed Ministerial Statement of Intent would be of interest to financial institutions and this should also be provided to financial institutions for their information.

Action: 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.

8.3 Evaluating the pros and cons of leasing commercial fishing entitlements

Sevaly Sen, (independent economist) raised a question about the leasing of commercial fishing entitlements or nominations. The issue was considered by SARC members and it was agreed that whilst leasing provides industry flexibility and an opportunity for new operators to enter the fishery, it also has potential to inhibit autonomous adjustment. It was noted that leasing is an inhibitor to autonomous adjustment under the current management regime as there are large amounts of latent effort and shares are not linked to resource access. The SARC agreed the pros and cons of leasing should be carefully considered by DPI and the industry. DPI was requested to develop a short issues paper for further consideration by the SARC.

Action: DPI to develop a short issues paper on the structural adjustment implications of leasing for further consideration by the SARC.

8.4 Implications of the reform program for Commercial Fishing Cooperatives

The PFA raised the implications of share linkage and the exit grants program for NSW commercial fishing cooperatives. The SARC agreed there is a need to assess the role of government in maintaining a core infrastructure for fishers (eg-fuel, ice, bait, transport etc) and to obtain more detailed information about individual cooperative shareholder policies. The reform is primarily about improving economic viability of fishers and not reducing throughput of cooperatives. The current number and viability of cooperatives is determined by market forces and the recent closures of economically unviable cooperatives are due to issues external to the proposed reform program. Nonetheless, it was agreed there is a need to ensure cooperatives are consulted during the reform process and representatives from the cooperatives association will be invited to join a special joint DPI/cooperatives working group. The working group will be tasked with ensuring cooperatives are aware of the implications of the reforms to the catching sector prior to them occurring so that businesses can plan and adjust accordingly. A short information and issues paper on cooperatives will be produced under the supervision of the working group for consideration by SARC, DPI and the cooperatives association. DPI will contact the cooperatives association and convene a special working group to achieve the above outcome.

Action: 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.

9. Next meeting

The SARC agreed it would set a date for its next meeting once the working groups had been established and discussions on share linkage have commenced.

10. Close

The chair closed the meeting at 4.45pm.