**Fisheries Cost Recovery Standing Committee**

Meeting #48 – DRAFT Minutes

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| Meeting details: | Date: Tuesday 28th August 2018From: 9:15am to 11.30pm**Location: Room 15.8, Level 15, 1 Spring St, Melbourne** |

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| Members attending:Apologies: Executive Support: Advisors/ Observers:  | Sonia Talman (VFA)Pauline Nolle (Industry)Belinda Wilson (Industry)Geoff Ellis (Industry)Johnathon Davey (SIV, elected Chair)Ed Meggitt (Industry)Narelle Hardiman (DEDJTR)Megan Njoroge Ph 8392 6850Helen MyroniukDallas D’Silva (VFA)Philippa O’Sullivan (VFA)Marcus Nolle (SIV) |  |  |  |

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|  | STANDING ITEMS | TIME | WHO | ACTION |
| 1 | Welcome & introductions | 9:15am | FCRSC |  |
| 2 | Election of Chair | 9.20am | FCRSC | Decision |
| 3 | Apologies and guests  | 9:25am | Chair | Noting |
| 4 | Acceptance of agenda | 9:30am | Chair | Decision |
| 5 | Register of Interest | 9:35am | Sec | Decision |
|  | ITEMS FOR DISCUSSION/NOTING |  |  |  |
| 6 | Review of the Prospective Cost Recovery System * ***Is Cost Recovery the preferred option?***
* ***The Cost Recovery Principles***
* ***The Cost Recovery Review Terms of Reference***
* ***Possible future models of cost recovery and their implementation***
 | 9.40am | FCRSC | Discussion |
| 7 | Meeting date FCRSC #49  | 11:20pm | Chair | Decision |
| 8 | Wrap Up & Close | 11:25pm | Chair |  |

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⚫ Paper provided ◼ Paper to be tabled at Meeting ▲Verbal Report

FISHERIES COST RECOVERY STANDING COMMITTEE

Draft Minutes

Meeting #48 – 28th August 2018

**1) Welcome and introductions**

The Secretariat welcomed members to the meeting and introduced the new government representative.

**2) Election of Chair**

The members present elected Johnathon Davey as chair for the meeting.

**3) Apologies and Guests:**

Ed Meggitt and Narelle Hardiman were apologies for the meeting.

**4) Acceptance of Agenda**

**BACKGROUND:** The Sec asked for any additions to the discussion items noted in the agenda.

**OUTCOME**:

1. FCRSC requested that an additional discussion point to take a step back and ask the question if cost recovery should remain.

2. FCRSC noted that the options in the discussion paper provided were not cost recovery options, but rather represented different methods of revenue raising (such as resource rent) and were not service-based.

3. FCRSC requested that the cost recovery review align with the review the 2009 Regulations.

**ACTIONS:**

1. The Sec amended the agenda in the meeting.

**5) Register of Interest**

**BACKGROUND**: At meeting #34, FCRSC agreed to circulate a Register of Interest template at the commencement of each meeting. The Secretariat circulated the register at meeting #48 for additional interests to be identified.

**OUTCOME:** There were no further interests identified.

**6) Items for discussion**

**6) Review of Cost Recovery**

**BACKGROUND:**

Following FCRSC #46, the Minister wrote to FCRSC advising that she had asked the VFA to implement a review of cost recovery to ensure the system in Victoria is both efficient and equitable. FCRSC discussed the review at meeting #47 and agreed to hold a separate meeting to focus on the content of the review, its purpose, and the steps required to implement it.

At FCRSC #47, FCRSC was provided with a discussion paper on key areas for review and possible future models. The paper was designed to stimulate discussion within the committee rather than to provide any definitive advice. FCRSC noted that reviews of cost recovery had occurred in Victoria in 2003 and 2009. The committee also noted that Western Australia had implemented a GVP based system in 2012, and that South Australia had recently employed KPMG to undertake a review of cost recovery ahead of a broader fisheries re-structure in that state.

Following FCRSC #47, industry members of FCRSC advised the Minister that royalties in the abalone sector should be removed as a priority measure.

**OUTCOMES:**

1. That the government commit to the removal of royalties under the cost recovery (or other) system and that this be implemented at the soonest possible time. Future arrangements should recover costs in the same manner across all fisheries, except where a mixed model design stipulates otherwise.

2. The VFA indicated that there would be no changes to the prospective cost recovery system in the immediate future, but it was anticipated that the review and subsequent changes would occur over the next 12 months. Sec note – this would mean that the earliest any changes could take effect from is 1 April 2020.

3. FCRSC identified that a retrospective system would provide more fairness overall as well as requiring less advance and retrospective alteration than the current prospective system. A retrospective system would allow greater opportunity to add or alter services within a given year and could be built upon from a set of ‘base’ services along with ‘additional projects’.

4. FCRSC saw moving to a percentage of GVP system as giving up for the sake of simplicity. The consensus was that a service-based cost recovery system was preferred and had the capacity to provide the greatest benefits to all parties, including transparency, incentives to improve, and contestability for service delivery.

5. The VFA identified the collection of price information as a barrier to a %GVP system, while industry saw the collection of unallocated money as a potential issue.

6. FCRSC discussed moving away from an FTE based costing system to one of ‘operations’ and ‘projects’ so that outcomes would have greater emphasis that time spent. The committee noted that fixed price models and “???” were available. Cost recovery services are already separated into four base services which have their own structure that could be utilised. For example, administration and compliance utilise a transactional base whereas research is more project based.

7. FCRSC noted that in a dynamic workplace, the amount of time spent of different activities was difficult to monitor, that concessions undermined the capacity to match services and levies along this kind of model, and that small fisheries and large fisheries are likely to have different needs in such an arrangement.

8. FCRSC questioned whether (and how) the level of GVP would influence the choice of services and projects. It was noted that in WA there is a strong element of good faith so that funding would be targeted to the highest priorities.

9. Industry members of FCRSC identified that the service delivery model could be expanded to allow greater delivery by representative bodies. For example, with SIV as the overarching state representative body and a range of smaller representative groups or committees to deliver more of the on-ground and consultative services eg in quota-based fisheries. The role of the VFA could then align closer to the core government functions and regulation.

10. FCRSC noted that in WA there exists a hybrid model which utilised %GVP to fund core services but allows for cost recovery for projects and functions that are additional eg in the pearling industry.

FCRSC noted that Victoria contributed 3% towards Australia’s overall seafood production, South Australia contributes 17% and New South Wales contributes 5%. This needs to be accounted for when designing a new system. *Sec note – there is nothing preventing individual fisheries from employing their own providers for services outside of the cost recovery system*.

11. SIV suggested that the collection of price data through wholesalers would be more efficient and meaningful than collecting individual price data.

12. FCRSC agreed that it was not necessary to review the cost recovery principles as they are sufficient for most purposes despite sometimes conflicting with one another. The DTF principles also provide a good backup resource.

13. FCRSC summarised the implementation steps and timing to appoint a consultant to prepare a review paper ahead of anticipated decision making in 2019 (see below). The consultant would be selected for their background in cost recovery and economics rather than fisheries knowledge. FCRSC agreed that they had a role in establishing the ToRs. The VFA agreed to advise FCRSC of the parties who had submitted quotes before the work commenced. FCRSC agreed that a draft report in early December 2018, and a final report by end of January 2019, provided ideal timing for the work to be completed.

**ACTIONS:**

1. The Secretariat to draft a request for quote and circulate to FCRSC to confirm within 2 weeks.

2. The ….

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**10) Next meeting**

**OUTCOMES:**

1. FCRSC noted the proposed date of 18 September was no longer suitable. A new date of 11 October was agreed.

2. FCRSC agreed a further meeting on the consultant’s draft report would be scheduled for early December (FCRSC #50) from 9am-3pm. The final report would be due at the end of January.

3. FCRSC agreed to elect a Chair at the start of each meeting while this model was working and noted they were happy with the way Mr Davey had been performing in the role.

2. The meeting closed at 11.20am.