**Fisheries Cost Recovery Standing Committee**

Meeting #45 – DRAFT Minutes

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| Meeting details: | Date: Wednesday 26 July 2017  From: 8:30am to 1:30pm  **Location: Department of Economic Development, Room 15.8, 1 Spring Street, Melbourne, VIC.** | | | | | | |
| Members attending: | Ian Cartwright (Ind. Chair)  Ed Meggitt (industry) | Johnathon Davey (SIV)  Pauline Nolle (Industry) | | | Allison Webb (VFA)  Narelle Hardiman (DEDJTR) | |  | |  | |
|  | Belinda Wilson (Industry) |  | | |  | |  | | |  | |
|  |  | | |  | |  | |
| Apologies: | Geoff Ellis (Industry) | | |  | |  | |
| Executive Support: | Megan Njoroge (VFA) | | |  | |  | |
| Advisors/observers: | Markus Nolle (Chair, SIV Board)  Dallas D’Silva (VFA) | |  | Terry Truscott (VFA)  Roger Van Hilst (DEDJTR) | |  | |
|  |  | | | | | | |

| **◆ Paper provided 🞎 Paper to be Tabled at Meeting ▲Verbal Report** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  |  | TIME | WHO | ACTION |
|  |  | **FCRSC** |  |  |  |
| 1 | ▲ | Welcome & introductions | 8:30am | Ian Cartwright | Noting |
| 2 | ▲ | Apologies and guests | 8:40am | Ian Cartwright | Noting |
| 3 | ▲ | Acceptance of agenda | 8:45am | Ian Cartwright | Decision |
| 4 | ◆ | Register of Interest | 8:50am | Ian Cartwright | Decision |
| 5 | ◆ | Previous Minutes | 8:55am | Ian Cartwright | Decision |
| 6 | ◆ | Incoming/out-going correspondence   * Letter to Minister re FCRSC#44 * Reply from Minister FCRSC #44 | 9:15am | Ian Cartwright | Noting |
| 7 | ◆ | Progress on Action Items from previous meeting/s | 9:30am | Megan Njoroge | Noting |
| 7.2 | ◆ | Matters raised by Chair, SIV Board | 10.00am | Markus Nolle | Discussion |
|  |  | **ITEMS FOR DISCUSSION/NOTING** | Indicative |  |  |
| 8 | 🞎  ▲  ◆  ◆  ◆  ▲ | 1. 2016/17 Cost recovery report 2. 2017/18 Service schedules 3. Cost recovery during fishery closures 4. Redirection of levies for undelivered services   *Lunch break*   1. Review of levying in smaller fisheries 2. RIS for Fisheries (Fees, Royalties and Levies) remake | 10.30am  12.00pm | FCRSC  FCRSC  FCRSC  FCRSC  FCRSC  FCRSC | Discussion  Discussion  Discussion  Discussion  Discussion  Discussion |
| 9 | ▲ | Other Business | 1:00pm | All | Discussion |
| 10 | ▲ | Meeting date FCRSC#46 | 1:20pm | Ian Cartwright | Decision |
| 11 | ▲ | Wrap Up & Close | 1:25pm | Ian Cartwright |  |

FISHERIES COST RECOVERY STANDING COMMITTEE

Draft Minutes

Meeting #45 – 26 July 2017

**1) Welcome**

The meeting commenced at 8.30am when the Chair welcomed the committee and Mr Nolle, Chair of the SIV Board. The Chair noted that the VFA and Board had come into effect since the last meeting. FCRSC discussed amending the Terms of Reference (ToRs) to reflect their role under the new arrangements of the Authority. The Committee also agreed to amend the ToRs to allow observers/advisors from industry bodies and government to attend beyond a specific agenda item.

**2) Apologies and Guests:**

Mr Ellis was an apology to the meeting.

Mr D’Silva, Dr Truscott and Mr Van Hilst attended as advisors to the meeting.

Mr Nolle was an observer to the meeting.

**3) Acceptance of Agenda**

**BACKGROUND:** The Chair asked for any additions to the agenda.

**OUTCOME**:

1. No further items were identified.

**4) 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 #44 and interests were identified as necessary.

**OUTCOME:** There were no additional interests identified and members present signed the Register.

**5) Previous Minutes**

**BACKGROUND**: The draft Minutes of FCRSC #44 were circulated to members on 18 April and updated for inclusion in papers for FCRSC #45. The Chair called for further comments on the draft minutes before they are published on the website as FINAL.

**OUTCOME:**

1. Further comments were received on Item 8(a) indicating that it had not been clearly indicated what the position of FCRSC was under VFA arrangements. The VFA advised that there were no practical changes to the way FCRSC operates and the VFA would continue to participate on, and provide operative support to, FCRSC. The Committee would continue as an advisory body to the Minister and not the VFA Board or Secretary of DEDJTR.

2. The header of FCRSC documents will be amended to reflect independence whereas FCRSC, VFA or DEDJTR will be included as appropriate throughout the body. FCRSC agreed that committee documents would be titled as Fisheries Cost Recovery Standing Committee. Key FCRSC documents will be altered except where the information is of a historical nature that does not require adjustment.

**ACTIONS**:

1. Secretariat to amend FCRSC Terms of Reference to reflect new arrangements for FCRSC under the new VFA.
2. VFA to provide FCRSC with an organisational chart including sub-committees and attach this to the ToRs.
3. Secretariat to amend the FCRSC Terms of Reference and the Guidelines for the operation of the prospective cost recovery system to reflect the establishment of the VFA and to ensure the role of FCRSC is clear within this context.
4. The secretariat will circulate the documents to FCRSC for comment out of session and make follow up adjustments so that the revised documents can be confirmed at FCRSC #47 (noting #46 will focus specifically on the RIS to re-make the FRL regulations).

**6) In-coming/out-going correspondence**

**BACKGROUND:** The Chair wrote to the Minister on 27 April 2017 following FCRSC#44. The letter raised three key matters for consideration by the Minister. The Minister replied to the Chair on 12 May.

**OUTCOME**:

1. The Committee noted the Chair’s letter and the Minister’s reply to meeting #44.

2. The Committee did not raise any follow up from the Minister’s reply.

**7.1) Progress on Action Items from Meeting #42**

**BACKGROUND:**  Action items from FCRSC #44 were identified as “Complete”, “Pending” or “Agenda Item”. Where items were identified as pending, they were discussed at this point in the meeting. The Secretariat noted that Action Items would no longer be included at Item 5 as this causes confusion. Item 7 will contain Action Items that have been updated.

**OUTCOMES:**

1. FCRSC noted that the only item pending was inclusion of comments from SIV on the mid-year report. It was noted that these had been provided by SIV on 24 July and relevant comments would be included in the report, or responded to out of session directly to SIV.

**ACTIONS:**

1. Secretariat to amend final report to reflect SIV comments as provided by email on 24 July and respond to SIV on comments outside scope of report (and copy FCRSC into reply).

**7.2) Matters raised by Chair, SIV Board**

**BACKGROUND:**  The Chair of the SIV Board sought attendance at FCRSC#45 to raise matters of concern identified in an email of 20 July 2017.

**OUTCOMES:**

1. FCRSC discussed each of the four matters raised in Mr Nolle’s email.

(i) Cross-subsidisation: the example of rock lobster tagging in the recreational sector was used and the quantum of time spent to deliver the project being inconsistent with cost recovery schedules. Industry put forward the view that no recovery for the project should be attributed to the commercial sector as the primary beneficiary is the recreational sector. The VFA held the view that a small amount of recovery from the commercial sector was warranted as they benefit from the project. FCRSC noted the rock lobster example identified a precedent for dealing with several principles and these required exploration so a policy position could be articulated as individually each principle could be used to argue a greater or lesser amount of recovery. The committee also noted that in the end the VFA may choose a policy position that did not entirely match that of industry.

(ii) Prospective cost recovery: industry advised the committee that some content in the rock lobster service schedules had changed during the course of 2016-17. FCRSC noted that while some services may necessarily change during a licensing year, consultation formed an important component of such adjustment. Industry questioned whether the system was truly prospective system in such circumstances.

(iii) Recovery from non-commercial fishing sector: industry raised concern about subsidisation when third parties were provided with VFA data that had been collected under cost recovery. The VFA agreed to consider how and under what circumstances cost recovery could be applied to non-government, third parties seeking assistance related to Victorian commercial fisheries.

(iv) Limitations of the current system: Industry does not hold the view that the current system is prospective when changes to services can occur throughout a licensing year. Industry would support change if a structure was built that allowed for a consultative, transparent manner.

**ACTIONS:**

1. The Chair to raise the matter of cross-subsidisation under cost recovery and seek policy guidance (eg transparency) in his letter to the Minister.

**8) Items for discussion/noting**

**8(a) 2016/17 Cost recovery report**

**BACKGROUND:**  The 2016/17 cost recovery report covers the period 1 April 2016 – 31 March 2017 for all fisheries (including those with a 1 July renewal). The report forms the basis of assessment for service delivery. It is finalised as the “Final Cost Recovery Report’ when inspection data is provided for compliance services. It is anticipated that this will happen in early August. Following this the report will be made publicly available on the VFA website.

**OUTCOME:**

1. FCRSC noted the end of year report and advised it was not their role to discuss the criteria on which delivery of each service would be assessed. Ratification by industry was needed and an extra column added to the assessment table to facilitate this. The role of the committee would be to assess services where industry and the VFA could not agree on the impact of non-delivery.

2. SIV to provide further comments on services it considers not delivered.

3. SIV and Fisheries Management will take consultation offline to find a more accurate and transparent measure way to report the matter as the report indicates minimal consultation but this does not reflect the targeted, fishery specific approach used in 2016-17.

4. FCRSC noted that aquaculture licence holders had been consulted on the report by email from the Aquaculture Manager with no comment being received as acceptance of the report. This would continue as the consultation process for the report in this sector.

5. The final report to be accompanied by an assessment summary. The report to contain traffic lights indicating met or not met. The assessment report to include those services not met with a second tier of traffic lights of green, yellow and orange to indicate where a material impact has or has not resulted from under-delivery. Those services with an orange light will be taken to FCRSC for discussion.

6. The Guidelines will be updated to reflect the revised reporting and assessment process.

**ACTIONS:**

1. The Sec to circulate the revised final report by 15 August.

2. The VFA and SIV to work offline to seek a transparent and accurate approach to report on consultation.

**8(b) 2017/18 Service schedules**

**BACKGROUND:** Following discussion at FCRSC#44,

Draft service schedules for services to be delivered in 2017/18 were provided at meeting #44.The schedules were based on 2016/17 Schedules with revised costs and dates. Following discussion at this meeting, comments were collected from the Fisheries Management and Science branch and included in the document. Comments from SIV were received less than 2 days before FCRSC#45 and there was not sufficient time to incorporate or address these comments.

**OUTCOMES:**

1. FCRSC noted that the schedules would be checked and confirmed by appropriate industry representatives. A set period for receiving comments would be provided, after which the services and costs would form the service schedule for 2017-18.

2. FCRSC requested that the schedule be dated to assist with version control. The Secretariat agreed to the request but noted this didn’t guarantee that versions of the same date would be consistent.

3. The Sec noted that once finalised the schedules would be published on the website for public access. The Sec also advised that this was necessary in order for the cost recovery cycle to operate effectively. FCRSC #46 was confirmed as the final sign off point.

4. The committee endorsed having two versions of the service schedules. The first version would describe services and costs at the outset of the licensing year. The final version would describe the services at the end of the licensing year. The first version would be used to assess costs in the final report and to determine offsets in the following year. The final version would be used to identify changes to services that occurred within the licensing year and to determine services and costs for schedules in the following year.

**ACTIONS:**

1. Sec to circulate 2017-18 schedules to the Committee by 15 August for comment by 29 August.

2. FCRSC to finalise schedules at meeting #46 once comments have been incorporated as determined by the VFA.

**8(c) Cost recovery during fishery closures**

**BACKGROUND:** During the implementation of the prospective cost recovery system there have been instances when a fishery has been temporarily or permanently closed/access reduced. At meeting #44, FCRSC asked the department how such circumstances were addressed in terms of cost recovery. A paper was provided for meeting #45 with examples of licence buyout, closure due to fishery notice, and temporary closure due to environmental conditions.

**OUTCOMES:**

1. FCRSC noted that dry conditions in the CLE fishery had led to waivers being applied across all services relative to the number of licences being fished (following formal nomination of being inactive by fishers). This has occurred in two consecutive years but not in the current year. (Difficulty here is that a threshold of inactivity is required to justify a waiver e.g. in 2017-18 only 1 licence holder will not fish so the saving is less than $200. It also needs to be justified against other fisheries where inactivity on a licence for a full licensing year is made as a voluntary choice).

2. In the instance of the Port Phillip Bay buyout, the reduction in services was calculated on catch i.e. so that % allocation to commercial fishers decreased from 50% to 14%. Industry has previously questioned the fairness of continuing to recover some services (research) when the fishery will discontinue in a set period. The department has argued that catch is still important for management and the remaining fishers will remain but transfer to different arrangements.

3. FCRSC noted that there are distinct differences in the cost base and variation in the four Fishery Services i.e. that for administration and compliance services the impact of changes in licences has a fairly direct impact on the level of costs. For management and science, there is a threshold which is required to service a fishery and while a large change in licences may reduce the cost of services, a small change is unlikely to reduce costs. There are also services which may or may not reduce in the instance that a fishery is temporarily closed.

3. FCRSC noted that there are spatial and temporal influences that will impact the adjustment of costs recovered e.g. is closure temporary, reducing or permanent, are there localised influences that impact on the level of services required.

4. FCRSC noted that the recovery of costs would vary between fisheries.

5. FCRSC noted that the cost of services would still form the basis of cost recovery.

**ACTIONS:**

1. Sec to draft principles for applying cost recovery during fishery closure to be inserted into the Guidelines for the operation of the prospective cost recovery system for review at meeting #47.

**8(d) Refund of levies for under-delivered services**

**BACKGROUND:** At meeting #44, FCRSC discussed the matter of what happens when a service is not delivered following the significant saving made on the rock lobster stock assessment contract in 2016. The usual process being that an offset for the collected levies is provided in the following year. FCRSC asked the department to prepare a short policy paper on the matter to capture learnings from the current example and to provide guidance in the future. The matters for consideration included re-direction of funds, project management, legal responsibilities, and frequency of occurrence.

**OUTCOMES:**

1. FCRSC noted the paper that was prepared for the agenda item. In particular, it was highlighted that large reductions in service costs would be a rare occurrence.

2. FCRSC noted that the default position would be to provide savings as an offset in the following year.

3. FCRSC noted the preferred position did not exclude industry discussions to collect resources through the licence renewal period for undertaking specific programs. Examples already exist including levy collection on behalf of representative bodies and joint delivery of research services in the abalone sector. FCRSC noted articulation of principles and practice around these arrangements would help guide future committee members, although it needs to be recognised they are an additional mechanism for service delivery and do not form part of cost recovery. Southern Rock Lobster was proposed a useful case example.

4. FCRSC noted there are legal matters that need to be considered for government to be able to collect ‘non-cost recoverable’ levies and there is a regulatory requirement where changes to levies results in an increase.

5. FCRSC agreed that the mechanism to deal with non-delivery of services would be an offset in the following 2 years.

**ACTIONS:**

1. The Sec to draft principles around the matter for inclusion in the Guidelines and circulate these out of session.

**8(e) Review of levying in smaller fisheries**

**BACKGROUND:** At meeting #44, FCRSC expressed concern that the application of the small operator concession was problematic. It was noted that applying the concession across a whole fishery was problematic. In some instances, a large operator was receiving the concession because the rest of the fishery was made up of small operators. In other instances, genuine small operators were missing out on the concession because of a single large operator in the fishery. It was also recognised that value of the stock was as important as catch weight in determining viability of operators in a fishery.

**OUTCOMES:**

1. FCRSC noted the paper prepared by the department, including three options for addressing equity concerns in applying the small operator concession. The three options were:

(i) applying the concession on an individual basis

(ii) applying the concession as a flat rate based on GVP

(iii) providing the equivalent value of the concession to an industry representative body to distribute as a grant of some form.

2. FCRSC considered the three options recognising that each one had merits and downfalls. The committee conclude that the current system was overall as good as any of the proposed alternatives and the change to a new approach could not be justified in practical or financial benefits at this time.

3. FCRSC noted that the small operator concession had been considered during the review of the fees and levies and preparation of the RIS for the re-make of the Fisheries (Fees, Royalties and Levies) Regulations.

**ACTIONS:** No further action until the review informing the re-make of the Fisheries (Fees, Royalties and Levies) Regulations is released.

**8(f) RIS and re-make of Fisheries (Fees, Royalties and Levies)**

**BACKGROUND**:

At FCRSC #43, DEDJTR advised that the FRL Regulations needed to be re-made by 29 January 2018 due to their sunsetting on 30 January 2018. At meeting #44 DEDJTR noted that a RIS for the proposed Regulations would take place in July- August 2017 and FCRSC subsequently agreed that they should meet around that time to discuss the RIS. DEDJTR also advised that the remaking of the regulations would replace the annual regulatory amendment process ahead of the 2018-19 licensing year.

The item was discussed at Item 7.2 but is recorded here for ease of future reference.

**OUTCOMES**:

1. FCRSC noted the proposed timeframe for the public consultation on the RIS was mid-August to mid-September to allow a 28 submission period along with sufficient time to complete the necessary steps to be taken to have the proposed regulations to the Executive Council meeting on 5 December. DEDJTR advised that this was the usual process and timeframe for a RIS. FCRSC was advised that the time to finalise the proposed regulations would depend on the number and content of submissions, and the Minister has full power to make changes to the regulations.

2. FCRSC put forward different views on the best approach to manage their input in the RIS process.

3. Industry members of the committee proposed a two part approach. The first part was to write to the Minister requesting that she ‘apply to the Premier and Cabinet for the deferral of the requirement to the remake of the regulations within the ten year sunset’. Industry members proposed a stay of time due to the timing of the establishment of the VFA and Board and the opportunity that presents to review and improve current arrangements for cost recovery. The view that stronger industry participation in the review of current arrangements was needed prior to a RIS being released was also presented. A view was expressed that iterative improvements to the current system had occurred over the past 3 years and this be acknowledged, noting there will always be room for improvement.

The VFA noted 2018 is an election year and this will limit capacity for involvement of central agencies and may influence the political climate to make changes. It was also noted that re-making of the regulations did not preclude review and amendment within the ensuing ten years.

The Chair requested FCRSC to raise any matters that could not be addressed through the submission process. Industry members of FCRSC identified abalone royalties, and accuracy of analyses and recovery within the RIS as two important issues.

4. The committee agreed to hold its next meeting late in the RIS consultation period for the specific purpose of discussing the RIS and a drafting a submission on behalf of industry and observers would be invited to attend this meeting. It was noted that industry could be identifying matters of concern prior to the release of the RIS. The VFA and departmental representative on FCRSC noted it was not appropriate for them to attend the meeting but that government staff would be available in an advisory capacity on the day of the meeting.

**ACTIONS**:

1. The Chair to include industry request for deferral of RIS in his letter to the Minister, and secondly to extend the consultation period to 60 days.

2. The VFA to email the RIS to all licence holders who have provided an email address (to Fisheries Victoria previously) and to post a hardcopy to commercial licence holders who have not provided an email address.

3. Industry members of FCRSC to arrange a meeting in early September to discuss the RIS and proposed regulations.

4. The Secretariat to arrange a meeting room, catering, accommodation and availability of VFA staff.

**9) Other Business**

There was no further business raised at the meeting.

**ACTIONS:**

There were no actions for this agenda item.

**10) Next meeting**

**OUTCOME:** FCRSC Meeting #46 was scheduled for 5 September 2017.

The meeting closed at 1.40pm.

**ACTION ITEMS FROM FCRSC #45**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ITEM** | | **ACTION** | | **RESPONSIBILITY** | | **DUE DATE** |
| Previous Minutes | | | | | | |
| **45-5** | 1. Secretariat to amend FCRSC Terms of Reference to reflect new arrangements for FCRSC under the new VFA. 2. VFA to provide FCRSC with an organisational chart including sub-committees and attach this to the ToRs. 3. Secretariat to amend the FCRSC Terms of Reference and the Guidelines for the operation of the prospective cost recovery system to reflect the establishment of the VFA and to ensure the role of FCRSC is clear within this context. 4. The secretariat will circulate the documents to FCRSC for comment out of session and make follow up adjustments so that the revised documents can be confirmed at FCRSC #47 (noting #46 will focus specifically on the RIS to re-make the FRL regulations). | | Secretariat  Secretariat  Secretariat  Secretariat | | asap  asap  asap  asap | |
| Progress on Action Items from FCRSC #44 | | | | | | |
| **45-7(1)** | 1. Secretariat to amend final 2016-17 Cost Recovery Report to reflect SIV (J Davey) comments as provided by email on 24 July 17 and respond to SIV on comments outside scope of report (and copy FCRSC into reply). | | Secretariat | | Asap [Megan finalising] | |
| Matters raised by Chair, SIV Board | | | | | | |
| **45-7(2)** | | 1. The Chair to raise the matter of cross-subsidisation under cost recovery and seek policy guidance (eg transparency) in his letter to the Minister. | | Chair | | Letter to Minister asap [sent on 28 July] |
| 2016/17 Cost recovery report | | | | | | |
| **45-8(a)** | | 1. The Sec to circulate the revised final report by 15 August.  2. VFA and SIV to work offline to seek a transparent and accurate approach to report on consultation. | | Secretariat  VFA / SIV | | 15 August2017  asap |
| 2017/18 Service Schedules | | | | | | |
| **45-8(b)** | | 1. Sec to circulate 2017-18 Service Schedules to the Committee by 28 August for comment by 11 September 17. 2. FCRSC to finalise schedules at meeting #46 once comments have been incorporated as determined by the VFA. | | Secretariat  FCRSC | | 28 August 2017  Meeting #46 |
| Cost recovery during fishery closures | | | | | | |
| **45-8(c)** | 1. Sec to draft principles for applying cost recovery during fishery closure to be inserted into the Guidelines for the operation of the prospective cost recovery system for review at meeting #47. | | Secretariat | | FCRSC #47 | |
| Oil and Gas Exploration Costs | | | | | | |
| **45-8(d)** | 1. The Sec to draft principles around the matter for inclusion in the Guidelines and circulate these out of session. | | Chair | | asap | |
| Review of Levying in Small Fisheries | | | | | | |
| **45-8(e)** | | No further action until the review informing the re-make of the Fisheries (Fees, Royalties and Levies) Regulations is released. | | FCRSC | | When review released |
| RIS and re-make of Fisheries (Fees, Royalties and Levies) | | | | | | |
| **45-8(f)** | | 1. The Chair to include industry request for deferral of RIS in his letter to the Minister, and secondly to extend the consultation period to 60 days.  2. The VFA to email the RIS to all licence holders who have provided an email address (to Fisheries Victoria previously) and to post a hardcopy to commercial licence holders who have not provided an email address.  3. Industry members of FCRSC to arrange a meeting in early September to discuss the RIS and proposed regulations.  4. The Secretariat to arrange a meeting room, catering, accommodation and availability of VFA staff. | | Chair  Secretariat  Industry members  Secretariat | | asap |
| Next meeting | | | | | | |
| **45-10** | | 1. FCRSC Meeting #46 was scheduled for 5 September 2017. | | Secretariat | | August 2017 |