

**A REVIEW OF THE OPTIONS FOR THE CREATION OF
NATIONAL REPRESENTATIVE BODY FOR THE SEAFOOD
INDUSTRY**

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A NEW NATIONAL SEAFOOD INDUSTRY BODY

EXECUTIVE SUMMARY

Conclusion

This review concludes that there is an important role to be filled by a national seafood industry body and that there are significant benefits to industry to justify the cost of the organisation.

The review also concludes that a representative body will have to be financed by a voluntary funding mechanism and that if industry as a whole is not committed to its funding, any model will fail.

Recommendations

It is recommended that, if the industry is confident of reliable funding, a national representative body be created with a primary membership base of national sector organisations plus domestic post harvest representative bodies.

Provision would be made for non-national bodies to become members until such time as the respective fishery formed a national representative body.

If industry is not confident of reliable funding, it consider the creation of an industry services body that is funded by levies to provide research, marketing and other services to industry.

TERMS OF REFERENCE

The terms of reference determined by the Steering Committee for this review in the context of the wild catch, aquaculture, processing, distribution, marketing and promotion sectors:

- a) address options for an overarching national governance structure involving all of the above sectors of the seafood industry to ensure appropriate levels of resourcing and focus is achieved so that key issues are addressed in a streamlined fashion, including funding arrangements, communications profile etc;
- b) as part of the pathway to achieving 1. above, address the basis for effective engagement of the wild catch sector at the national level (to ensure that sector's equivalent standing with the other sectors); and
- c) prepare recommendations on effective working relationships with a number of service providers and research and development bodies within the seafood industry.

SECTION 1 - OPERATING ENVIRONMENT

Failure of Australian Seafood Industry Council (ASIC)

1. A number of people were consulted who had been involved with ASIC prior to and at the time of its demise in 2006. Other participants currently involved in the fishing industry were also consulted. ASIC's structure was essentially a federation of State bodies. Funding was by voluntary contributions.

2. Two main factors were quoted as being the cause of ASIC's difficulties:

- Internal tensions
- Funding commitments not being honoured in the face of emerging financial difficulties in its State member organizations.

3. Several reviews have been conducted into ASIC over the last 15 years with the final review being undertaken by Macarthur Agribusiness in 2002 – four years prior to ASIC going into voluntary administration. That review concluded *“the current ASIC funding arrangements are not sustainable”* and *“the current structure of the peak body is a major cause for the funding deficiencies”*. The Macarthur Agribusiness review also concluded that these deficiencies must be tackled head on and *“this is the unanimous wish of all of industry and external parties consulted during the review”*. Despite these observations and comments, no actions seem to have been taken to stop the downward trajectory of ASIC towards insolvency in less than four years. The consultations for this review, while very positive, could not be classified as a strong unanimous vote for a national representative body.

Both of the factors behind the failure of ASIC are a manifestation of a lack of commitment to the organisation by industry. Without commitment from industry, the experience of ASIC will be repeated.

Industry Structure

Production and Trade

4. The Australian seafood industry has a complex matrix of sectoral interests, production systems, government management arrangements, external interests competing for influence over the resource and post-harvest interests. The relative status/size of these interests is changing, resulting in different emerging perceptions of the industry's future.
5. The total gross value of production of the industry in 2005-06 was \$2.1 billion making it the fourth-ranked food based primary industry in Australia. The average annual volume of production has increased by 13% between 1991-93 and 2003-06. However, the real value of production has been falling steadily since 2000-01 largely due to exchange rate effects.
6. There has been a shift in the location of production over the last decade. The share of production in NSW, Victoria, Queensland, Western Australia and the Northern Territory has declined, while the share of the value of production in South Australia and Tasmania has increased. These changing fortunes reflect the influences of aquaculture production. In 2005-06, these two States had 42% of the value of production compared to 30% in 1997-98.
7. The gross value of exports in 2005-06 was \$1.55 billion representing 73% of production. 80% or \$1.2 billion of exports were edible products. The gross real value of exports has been declining since 1999-00.
8. Imports of fishery products in 2005-06 totaled \$1.3 billion. The value of imports has been steadily increasing for the last 10 years. The volume of imports has also been increasing. Total imports of edible products were 188,000 tonnes in 2005-06 – up from around 100,000 tonnes in the early 1990s.

9. The largest component of the industry is the wild caught fishery. The gross value of production is around \$1.4 billion and represents 67% of the total gross value of production for the industry. The sector is export orientated with over 85% of production being exported. The sector has over 11,000 permit/quota/licence holders.

10. Aquaculture production totaled \$750 million in 2005-06 and now represents about 35% of the gross value of fisheries production compared to 25% in 1996-97. There are about 3,200 licence holders in the sector.

11. Detailed production and trade data is available in ABARE's *Australian Fisheries Statistics* Series. A summary of the essential features and the discussion above for 2005-06 is shown in Figure 1.

Figure 1. Seafood Production and Trade Summary – 2005-06

Sector	Volume of production (tonnes)	Value of production (\$'000)	% of value of production
Wild caught			
- Commonwealth	62,769	278,025	13
- State	129,333	1,143,595	53
Aquaculture			
- Edible	48,811	589,366	28
- Non-edible	na	122,000	6
Total Domestic Production	240,913	2,132,986	100
Imports			
- Edible	188,477	1,028,463	
- Non-edible	na	236,110	
Total Imports	na	1,264,574	
Total Economic Activity¹	na	3,397,560	
Exports			
- Edible	52,302	1,237,341	
- Non-edible	na	309,646	
Total Exports	na	1,546,987	

Source: ABARE Fisheries Statistics 2007

Notes: 1. Does not include supply chain activity

Management Structures

12. The management structure of the seafood industry is fragmented across different levels of government under the terms of the Offshore Constitutional Settlement (OCS). Under the OCS, four management arrangements are possible and this has resulted in:

- The Commonwealth managing a range of fisheries through the Australian Fisheries Management Authority— usually associated with fisheries that cross State borders or involve extensive areas outside the three mile limit. All of the Commonwealth-managed fisheries are wild caught fisheries. The gross value of production in 2005-06 was \$278 million and has been declining over recent years.
- The States and territories managing the remaining wild caught fisheries through State and territory fisheries departments. The total gross value of production in 2005-06 was \$1.144 billion.
- All of aquaculture production is managed by State government fisheries departments. However, local governments are also involved through local planning processes. Aquaculture production in 2005-06 was \$748 million.
- Environmental departments are active at both Commonwealth and State Government levels in fisheries management.

These arrangements complicate the task of representative bodies and dilute the resources available. They also create difficulties in allocating functionality to the different levels of representative body. Duplication of effort often results.

Future Activity

13. Projections into the future are difficult to make and quantify in an industry as volatile as the seafood industry. There is, however, a broad general consensus:

- Demand for seafood in Australia will increase due to an increasing population and higher per capita consumption.
- Production from the wild caught sector will stay at current levels at best with continuing access pressures.
- The wild caught sector will continue with its export focus because of price incentives.
- Aquaculture will grow and represent an increasing proportion of production.
- Domestic production will not keep pace with demand and the level of imports will rise as a result.
- Input cost structures will increase.
- Local production will face increasing import competition because of price differentials.

A national representative body will have a rich environment of national issues arising from these circumstances and projections. Decreasing real values of production will have economic adjustment implications and increasing import competition pressures may add to these problems. A national strategy would seem necessary if this environment is to be addressed in any coherent way by the seafood industry, but this will be complicated by the Commonwealth/State mix of responsibility. An accommodation with the importing sector might be required.

Representative Structures

14. The complex structure of the seafood industry, its government management arrangements and the dynamics of changing production shares

has given rise to a complex representative structure for the industry. This has major implications for a national seafood representative body. There are about 70 broadly described fisheries, with some fisheries having species and spatial subsets.

15. A variety of representation vehicles have developed in this context. At the local level, associations representing specific areas or species in a fishery have developed. Haphazard aggregation into higher level bodies has produced State level bodies for species and areas. State Councils have been formed, reorganized and abandoned. Specific fisheries have developed national sector bodies. The Commonwealth managed fisheries have formed a body to represent their interests. Post harvest and importing industry associations, with interests in the seafood industry have also developed. A national representative body has had to operate on this inchoate foundation and the experience of ASIC demonstrates how difficult achieving success is, particularly in producing a sustainable revenue base.

16. Most of the representation is funded through voluntary levies or membership fees although in some States and territories quasi-compulsory or compulsory levies exist. Complex distribution arrangements exist in some cases. These contributions are additional to a wide range of licensing and compulsory levies collected to defray fisheries management expenses and research. In theory a small voluntary levy imposed on every participant in the industry would certainly generate a revenue stream sufficient for a national representative body.

17. However, in practice the story is entirely different. On a day-to-day basis fishers will pay their licensing fees, administrative levies and research levy contributions because not to do so means they will lose access to their fishery. The benefit is clear and immediate. For a national representative body the perception of the benefits to a fisher are so attenuated that willingness to pay is severely diminished. Furthermore, to the extent that fees are collected at a subordinate level for on passing to higher levels, increasing resistance occurs to the transfer of funds.

18. A national representative body is the last feeder in a long and unstable chain.

19. It is too difficult for this review to map the full complex matrix of representation entities, fees, licences and levies. However, four fisheries have been selected to give a broad insight into the issue and for comparative purposes the additional cost of a 25 cent per \$1,000 of production value is shown. A more detailed discussion of compulsory and voluntary levies is presented later in this report.

Commonwealth wild caught fishery- Northern Prawn FISHERY (NPF)

▪ Research levy	\$825,000
▪ AFMA management levy	\$1,275,000
▪ NPF Association	\$70,000
▪ CFA	\$5,500

A levy of 25 cents per \$1,000 of production value to support a national representative body would cost the NPF about \$20,000 and would be a significant increase on current fee levels for representative functions.

State wild caught fishery – Tasmanian Rock Lobster (TRLFA)

▪ Research Levies	\$76,000
▪ Govt administration levy	\$2,618,000
▪ TRLFA President levy (comp)	\$118,000
▪ TRFLA levy (vol)	\$35,000
▪ TFIC levy	\$74,000

A levy of 25 cents per \$1,000 of production value to support a national representative body would cost the TRLFA about \$15,000 in addition to the current level of representational fees/levies of \$293,000.

Commonwealth/State jointly managed fishery – SBT

▪ SA administration levy	\$295,000
▪ AFMA levy	\$1,400,000
▪ Industry association fees	\$783,000

A levy of 25 cents per \$1,000 of production for a national representative body would cost the SBT industry about \$50,000 per annum in addition to current association member fees of \$783,000.

Aquaculture fishery – NSW oyster farmers

▪ DPI permit and lease fees	\$415,000
▪ DPI research levy	\$140,000
▪ NSW Food Authority licence	\$470,000
▪ NSW Food Authority audit fees	\$250,000
▪ NSW Dept of Lands	\$360,000
▪ Local Council charges	\$140,000
▪ Product liability fees	\$360,000
▪ NSW Farmer's Association	\$120,000

A levy of 25 cents per \$1,000 of production for a national representative body would cost the NSW oyster industry about \$9,000. This would be a small addition to the current fee and charge structure imposed on this industry.

A coherent fee structure, which has comprehensive coverage of all elements of the seafood industry will be difficult to construct in the short to medium term. The size of the membership fee could cause defaulting. Free riding, particularly with those sectors of the wild caught sector, which do not have a national sector representative body, will be a problem.

Government Policies on Levy Collection

20. The Commonwealth Government has issued guidelines for the collection of compulsory levies on behalf of industry. The guidelines exclude the collection of levies for agri-political purposes. The guidelines issued by DAFF for the collection of levies explicitly state “Statutory levies must not be used to fund agri-political activities.” A full description of the levy system and guidelines is available on the DAFF website – www.daff.gov.au. Some State governments do collect levies, which are made available to representational bodies, but there is no universal practice and it is uncertain whether they would do so to support a national institution.

21. The Commonwealth will collect levies for research, industry development and marketing and this does present opportunities for financing activity of an appropriate vehicle, which could deliver some of the functionality of a national representative body such as strategic advice and policy development. Advice from the DAFF Levies Unit indicated that, in practice, establishing a levy arrangement will take at least two years and that there is a minimum revenue threshold of about \$2.5-3.0 million.

22. In the consultations for this review, the Department of Agriculture Fisheries and Forestry indicated there was a general preference for one representative body for the seafood industry for issues of national importance. In addition, they advised that access to government may be more difficult now that there is only one minister for fisheries, forestry and agriculture. Fragmented representation across the seafood industry will exacerbate this problem.

23. The Department of Agriculture Fisheries and Forestry also advised that start up funding for a national representative body will be limited at best. Current budget parameters suggest this circumstance will persist. Possibly, \$100,000 will be available for the first year, but there should be no expectations for funding beyond that year.

Funding for a new representative body will almost certainly have to be found from a voluntary contributions system. If a levy system were to be established for non-agri-political activity, industry should plan on a two year time horizon.

Other Community Interests

24. The stock of the wild caught fishing industry is regarded as a community asset, which must be managed on behalf of all community interests. In this context fishers must compete with interests that see value in fish stocks being preserved or restored and who see fishing practices as destructive to biodiversity and the environment. These competing interests are well organized and have government institutions representing their views, which compete in the bureaucracy with fishery management and policy institutions. They are represented by national bodies, which lobby government and promote their interests through the media.

25. The manifestation of these interests include the Environmental Protection and Biodiversity Conservation Act (EPBC), marine protected areas, native title legislation, environmental impact statements, recreational fishing, etc. The bottom line is access constraints for fishers and cost impositions.

The fishing industry should assume that these competing community interests will continue to press their position with increasing vigour at the national level. In its own interests, the seafood industry need to be similarly organised.

Other Relevant Organisations

26. There are a number of quasi-private bodies/corporations that have recently established themselves in the seafood industry environment seeking to fill gaps in services to the industry akin to those being delivered in other primary

industries: such as food safety and quality, market access, market and product promotion, R&D, environmental management etc. These bodies are discussed below. All these bodies however are currently largely dependent on direct and indirect government funding, along with compulsory or voluntary funding from industry itself.

27. More importantly, all these bodies require input, guidance, and feedback from industry on the type and nature of the services they currently deliver or propose to deliver in the future. The absence of a peak national body is seen as a real problem in this regard both by these bodies which seek this form of engagement and by industry players themselves who raise concerns that these bodies may become disconnected with the core concerns of industry or overstep their roles and step into quasi-lobbying type roles (eg into the 'cost of compliance' debate and into market access discussions).

28. In this context, the Commonwealth Fisheries Association (CFA) has sought a summit meeting with the various organisations to scope where funding for industry bodies is sourced and what responsibilities are being exercised.

Seafood Services Australia (SSA)

29. SSA is a private company providing services to industry. The services are focused on:

- Seafood supply chains
- Environmental management
- Safety and quality of seafood
- Trade and market development
- Occupational health and safety

30. The SSA Board agreed at its last meeting that trade market access and reductions in industry compliance costs would be two key issues for SSA to pursue in 2008.

31. Original membership was ASIC and the FRDC but these two organisations are no longer members. ASIC's involvement ceased following its demise in 2006 and FRDC resigned in October 2007. Two new members were admitted in October 2007 following FRDC's resignation – the National Aquaculture Council and Seafood Experience Australia.

32. Funding for SSA in 2006-07 totalled \$1,724,000, of which 12% was sourced from SSA generated income; 42% was sourced from the FRDC; and 46% was derived from SSA managed projects. Most of the funding for managed projects was obtained from government funded programs. SSA's business plan includes growth in funding to \$3.2 million in 2011-12.

33. SSA is an organisation with an activist approach to its role and any new seafood representative body would have to establish a clear a working relationship with it. This relationship would be in the areas of policy development and interaction with governments. SSA lobbies governments on matters of interest to it – eg market access - and coordination with a national representative body would be appropriate. However, the bulk of SSA's activities relate to specific services to industry, which would not be core business for a national representative body. The relationship need not therefore be intense and close. Membership of SSA would be sufficient to achieve coordination on matters of common interest.

Seafood Experience Australia (SEA)

34. SEA is an industry owned company. It commenced operations in December 2005 with the aim of promoting Australian seafood to consumers in Australia and overseas. Membership is limited to individual companies operating in the seafood industry unless the SEA Board agrees to admit some other body. Currently SEA has some 30 members.

35. Core funding comes from membership fees, which is supplemented by accessing project funds relevant to SEA's operations and fee for service

activities. Seed funding has been provided by the Australian Government but this is due to end in 2007-08. The on-going viability of SEA beyond the availability of seed funding may be a problem. In this context SEA is currently reviewing its strategies and may diverge from its current directions.

36. A national representative body would have a relationship with SEA similar to that of SSA to ensure coordination of matters of common interest, particularly in relation to marketing activity which relates to the image and economic performance of the Australian seafood industry. This need not be a close day-to-day arrangement and membership might be sufficient.

37. It might be noted that other industries have incorporated the functionality of these two bodies into one organisation, which are funded from levies systems.

Fisheries Research and Development Corporation (FRDC)

38. The FRDC is a statutory authority reporting to the Australian Government, with responsibility for planning, managing and investing in fisheries research in Australia. Its stated mission is to increase economic and social benefits for the fishing industry and the Australian community through planned investment in research in an ecologically sustainable framework.

39. The organization is funded by government payments, government matching of industry contributions and project funding from other sources. In 2007 revenue from these sources totaled \$25.8 million, of which \$16 million was provided by the Australian government and \$6.9 million was collected from the fishing industry through compulsory levies.

40. In this context, the FRDC is a significant participant in management/political structure of the fishing industry. It works in consultation, partnerships and co-investment projects with other bodies in the seafood industry; it sets strategic priorities for research and funds that research on the

advice of governments and the fishing industry; and it enters into a dialogue with industry and governments on policy and strategic advice.

41. It also exercises a stewardship role in relation to fisheries resources on behalf of the Australian community. \$10.7 million of revenue in 2007 was provided by the Australian government reflecting this role.

42. A national representative body would have a close working relationship with the FRDC, which would include the provision of strategic advice and possibly a position on the FRDC board.

Seafood Cooperative Research Centre (SCRC)

43. The SCRC was established in 2006 in Adelaide under the Australian Government's CRC Program. Under this program, \$35.5 million will be provided over a seven-year period to the SCRC to stimulate and provide comprehensive seafood related research and development and industry leadership on a national basis. The SCRC is undertaking research programs covering value chain profitability and product quality and integrity. Funding is also used for research to expand education and training in the SCRC's area of interest.

44. The government's funding must be matched by cash and/or in-kind contributions from participants from industry and research institutions. To date 39 companies, research institutions, industry bodies and government agencies are participating in the CRC.

45. The SCRC will add to the quantum of research in the seafood industry and parallel some of the work of the FRDC. However, it will not have the industry development role of the FRDC and not interact with governments to the same degree. Its activities will more likely be focused on the more specific interests of its participants. The relationship with a national representative body would therefore be less complex but still necessary particularly in relation to post harvest activity.

Issues for a National Body

46. In summary the operating environment for a national representative body will be:

- an industry with a declining share of production from the wild caught sector and an increasing share for aquaculture
- an export focus for the wild caught sector
- increases in domestic demand being met from lower cost imports
- an array of representative bodies at local levels focused on local issues
- an increasing development of national representative bodies for industry sectors with sector specific agendas but with many common national issues
- funding constraints for subordinate representative bodies, which might form a funding base
- no prospect for a compulsory levy structure
- limited scope for seeding funds from government
- increasing threats to access from other interests in the Australian community
- increasing demands to respond to environmental concerns
- more demanding market access and trade issues
- a complex array of other bodies representing national interests in industry development, policy, research and government interactions with the potential for competition and duplication with the functions of a national representative body

47. Unless this operating environment changes, the role for a national representative body would be strategic planning, communication and those cross cutting issues in the agri-political arena where a unified industry view would have most prospect of succeeding. The Steering Committee has identified a number of these:

- broad market access issues
- national taxation
- fuel rebate
- marine protected areas and marine parks
- EPBC Act issues
- native title
- regulatory functions and co-management
- food safety and emergency response mechanisms
- national workforce issues
- responses to national enquiries
- eco-labeling
- climate change
- national water policies
- advice to service providers and research institutions

48. This analysis cannot add to this specific list although a generic responsibility might be to give strategic direction on matters vital to the industry's future to fishing industry participants.

49. If a national body is not established, these activities could be taken up by default by other national bodies such as SSA and SEA or the FRDC in an ad hoc fashion or under a loose collective arrangement with other fishing industry bodies in a way that does not threaten funding sources. This would be a sub-optimal outcome.

50. National sector bodies such as the Australian Rock Lobster Association could take up these issues as they affect their particular industry. However, there is the danger that this would be seen as special pleading from sectional interests, or not attract sufficient attention, and a matter of national importance to the seafood industry might not be addressed. Again the fishing industry would have to accept a sub-optimal outcome.

SECTION 2 - OTHER PRIMARY SECTOR BODIES

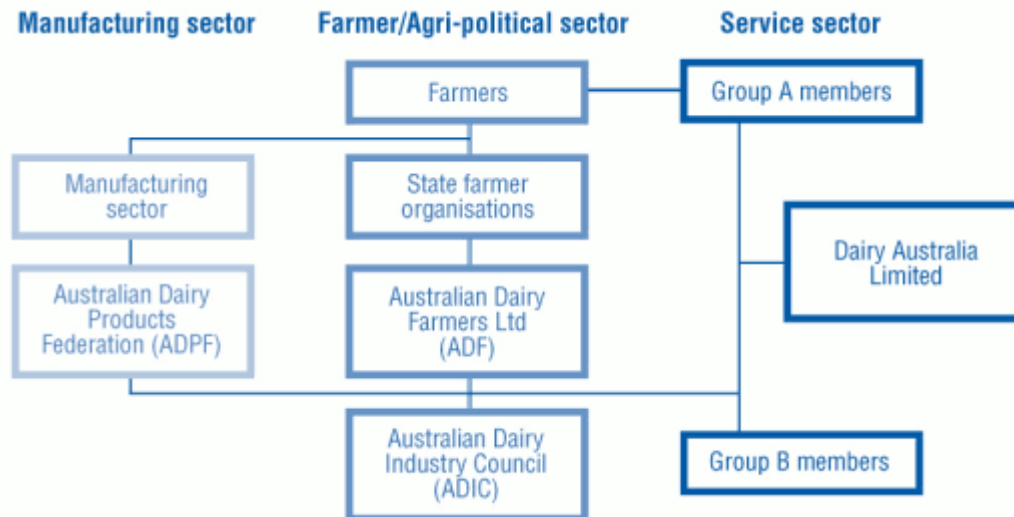
51. Other primary industries provide examples of how the development of industry representation has evolved and is now organized. Some are less complex than the seafood industry, focusing on a limited number of species/products, but they give a guide to how a seafood body might be constructed and the business plans they have developed to deliver their aims. Three industries have been examined – Dairy, Horticulture and Wine/Grapes.

Dairy

52. The dairy industry is of comparable size to the seafood industry. In 2006-07 the value of production was \$3.2 billion with post farm gate processing and marketing adding a further \$6 billion to economic activity.

53. The industry has undergone an extensive rationalization over the last 25 years with a reduction in the number of producers, and the elimination of State-based legislation which sought to control domestic markets. A processing industry has developed comprising large corporate dairy processors many of which are multinational firms. In this context the following structure has evolved for industry representation, research and services:

Figure 1. Dairy Industry Institutional Structure



54. Dairy Australia Ltd is the service provider, research agent and market development entity for the industry. It is funded from levies and matching funds from the Australian Government. Its activities are a combination of SSA, SEA and the FRDC. Revenue in 2007 was \$51.3 million, including \$30 million from levies and \$16 million from Australian Government matching grants.

55. Australian Dairy Farmers Ltd (ADF) is the national representational body for farmers and is funded from contributions from its six State members and income from assets. State members raise their funds from levies. Australian Dairy Farmers Ltd has eight staff. It also has a subsidiary company providing services to industry on a fee for service basis.

56. Australian Dairy Products Federation (ADPF) is the peak national policy organization for dairy product manufacturers. Membership is voluntary and it is funded from membership fees. ADPF has 27 members, which cover 90% of dairy processing activity. It is staffed by a part time individual.

57. The equivalent bodies in the seafood industry are the national sector bodies and the post harvest processing organisations although the linkages in the dairy industry seem stronger.

58. The Australian Dairy Industry Council (ADIC) is the peak national policy organization. It coordinates industry's policy and represents all sectors of the industry on national and international issues. The secretariat and operational support for the Council is provided by Australian Dairy Farmers Ltd.

59. On a day to day basis ADF and ADPF work separately and come together under the auspices of the ADIC when matters of common interest arise.

60. Matters addressed recently by these bodies in the agri-political arena include:

- Federal election submissions
- animal health and welfare
- biosecurity
- drought/water reform
- ethanol
- GM technology
- natural resources
- trade reform
- industrial relations
- infrastructure

61. The main areas where the role of the three representational bodies complements Dairy Australia's service role are trade, technical issues and natural resources.

62. An interesting fact concerning the willingness of the industry to contribute where there is no direct benefit to payers is the results of a poll in 2007 to

determine acceptance of the compulsory levy collected by the Australian Government. 64% voted to retain the levy at its current level, 4% voted to increase it, and 32% wanted to see the levy eliminated.

Horticulture

63. Horticulture is a multi species industry with a large number of enterprises. The value of production is estimated at \$7 billion. Most production is consumed domestically with the intention of lifting production through export activity. It has a number of similarities with the seafood industry.

64. The principal industry body is Horticulture Australia Ltd (HAL), which funds research, development and marketing for the industry. It was formed in 2000 and has a budget of around \$86 million, of which \$63 million is spent on research and development and \$12 million on marketing.

65. HAL's principal revenue sources are statutory levies (\$17 million), voluntary contributions (\$20 million) and government matching funds (\$35 million).

66. HAL is not able to undertake agri-political activity and the industry has formed the Horticulture Australia Council (HAC) for this purpose. HAC's membership is limited to national grower organizations and there are currently 17 members. Associate membership is available to other groups. Operating revenue comes from a sliding scale of voluntary membership fees with a maximum fee of \$20,000. The current budget is around \$250,000, which funds a secretariat of three people. HAC has a working relationship with HAL, which is the source of support in kind.

67. HAC has identified the following activities as key issues for it to address on behalf of the horticulture industry:

- industry code of conduct

- food labeling
- trade issues
- labour and skills
- pest and disease management
- land tenure
- natural resource management
- supermarket dominance

68. The horticulture model represents an arrangement that would suit the circumstances confronting the seafood industry – funding comes from voluntary measures; membership is based on national sector bodies rather than State bodies; and the industry shares some of the complexity of the seafood industry.

69. There is no intention of including importing interests into the industry structures.

Wine and Wine Grapes

70. The wine and wine grape industry is not as structurally complex as the seafood industry but it does share a profile of a large number of small independent growers and producers. It has a four institution structure:

- The Australian Wine and Brandy Corporation (AWBC) – a statutory body exercising some regulatory responsibilities and industry development functions with compulsory levy and fee for service income sources. Total revenue of \$16.2 million.
- Grape and Wine Research Development Corporation (GWRDC) – a statutory body to plan and fund research and with compulsory levy and government matching income sources. Total revenue of \$28.8 million
- Winemakers Federation of Australia (WFA) – a representational and service provider for the winemaking industry financed by voluntary levies and government program funds. Total revenue of \$3.7 million.

- Wine Grape Growers Australia (WGGA) – a representative body for the wine grape growing component of the industry financed by a complex arrangement of quasi-compulsory levy system, which varies from growing area to growing area. It also receives some government funding for project activities. Revenue from levies will be about \$500,000 in 2008.

71. WFA and WGGA undertake agri-political activity and policy development and coordination for their industry sectors. WFA is the larger organization because of its service delivery functions and employs 13 people – 11 based in Adelaide and 2 people employed in Canberra to have a presence and capacity to interact with government.

72. WGGA employs 2 people (will grow to 3-4) and has some history in common with ASIC. Up to 2004, the national representative body for wine grape growers was the Australian Wine Grape Growers Council (AWGC). It was experiencing internal tensions between State interests as it endeavoured to take a more national approach and was wound up in 2004. Following assistance from the Australian Government under the Industry Partnerships Program WGGA was formed in 2006.

73. The cost of the two organizations is small in relation to the value of wine production, which is now about \$5 billion.

74. The Wine Industry Relations Committee was formed in 2001 with membership from WFA and WGGA. It has been involved in sector relationships issues such as grower-maker contracts, code of conduct and dispute resolution. It is also responsible for providing advice to WFA and WGGA on key policy and advocacy issues of common interest.

75. In the wine and wine grape industry, the processors are the more dominant group in the representative structure. This is the opposite to the dairy industry where growers are the more dominant component.

76. Like the horticulture and dairy industries, the wine and wine grape industry has developed to a point where rationalization of industry bodies is regarded as necessary to respond to the current environment. A review of national organizational structures was commissioned and a report is currently being considered by the industry. Three options have been offered – keep the existing structure and improve its effectiveness; create an industry services body like those used in dairy and horticulture; and create a new all encompassing statutory body. Some form of national body to represent the whole of industry is regarded as necessary in whatever reform is adopted. The reasons cited are the need for unified policy development and uniformity in approaches to government on matters of common interest.

The experience of these bodies is a pathway for development of a well coordinated industry body for the seafood industry.

SECTION 3 - BUSINESS CASE

77. The business case for national representational activity is consistent across all structural models. It has both qualitative and quantitative elements.

Qualitative Benefits

78. There is a fundamental and universal value to all industries irregardless of their place in the Australian economy. No industry operates in a vacuum free from government regulation, community interest, competition from other sectors or economic pressure. Government policies are aimed at groups, not individuals. It is why industries form associations to represent their views in an environment where their commercial interests can be affected by other interests in the community. These can be local, State, national or sectoral in nature. Individual participants have great difficulty finding space to have their interests heard and can be too easily cast aside as self interested pleaders and rent seekers. An association is usually greater than the sum of its parts.

79. Other primary sector industries have recognized this view and have formed a variety of representational mechanisms. This analysis has examined three industries but the mechanisms are broadly consistent across all primary sector industries. However, the picture is clear, national representative bodies are formed, funded and maintained to:

- develop strategic policy for their industry
- give leadership
- represent the interests of their industry as a whole in any appropriate forum
- campaign in the community for recognition and a place at the table when their interests are affected

- provide a vehicle for communication with all of the industry over strategic and policy matters.

80. Other industries have recognized that if their national interests are not represented industry may suffer lack of recognition with potential costs to their industry.

81. The problem in having the intrinsic benefits to industry being recognized in a commitment to funding the activity is that the activities are merit goods – that is they are recognized as a community benefit but when asked would they meet the cost, individuals are reluctant to pay. Most of the time the benefits are not recognized until crisis occurs.

82. A solution to this problem for the seafood industry is to make a commitment and fund the organization for a period of three years – possibly at a lower than optimal level – so that the benefits can be seen directly. Sourcing some seed funding assistance from the government would facilitate this approach if some program could be identified.

83. There is a distinct danger in this approach, however, in that limited funding may result in poor performance and a subsequent diminishing of industry respect for the body.

84. Previous studies have identified the seafood industry's failure to recognize these benefits culminating in lack of support and funding. Over the last decade there have been three reviews with recommendations for change but little has happened. A solution proffered by the reviews has been to collect a compulsory levy but under current Australian Government policy this is not a feasible option for policy and operational reasons before testing the proposal in some form of vote within the industry.

85. However, an opportunity might exist to seek State government support of the kind of levy support they are giving to other industries but it would be very

difficult to build a uniform arrangement across the States and territories and would have a long gestation period.

86. The challenge will be to communicate the broader benefits and successes achieved down to the elements of the seafood industry, which will fund the activity.

Quantitative Benefits

87. It is difficult to quantify the benefits to the industry from a national body delivering the functionality outlined above. ASIC's energies were being directed to survival over the last few years of its existence and no body has existed since 2006. No documentation was available to calculate benefits delivered.

88. However, in a previous review – *Review of ASIC Membership and Structure conducted by Macarthur Agribusiness, 2002* - a number of savings generated by ASIC were identified. A table documenting these savings was developed and is presented below in Figure 2.

Figure 2. Savings Generated by ASIC

ISSUE	Estimated Saving to Industry
1. Maintain/extend the 1cent/litre (regional) and 2 cents/litre (remote area) rebate on all fuels sales, to vessels refuelling at sea.	\$1 million to northern prawn fishery alone
2. Extended the 18 cents/litre diesel rebate to all on-road transport	To be quantified
3. 40% cut in AQIS export charges	\$1.6 million per year
4. Abolished some telecommunications license fees on vessels	Est. of \$10,000 per annum
5. Auction/tender ballot	Est. potential up to \$300 million
6 Trialing alternatives – long line vessel observers	Observer cost \$700/day/vessel

89. Some of the identified savings cannot be solely attributable to ASIC activity as some of the matters cover other sectors, which would have been lobbying in relation to their sector interests. However, ASIC, as a national

representative body for the seafood industry, would have been adding weight to the presentations to government and would have been ensuring that the specific concerns of the seafood industry were not overlooked.

90. In terms of quantifying the benefits it might be better to look at the potential for what could be lost if decisions were taken because of the absence of an effective national seafood industry representative presence. Some examples do best to illustrate the point:

Fuel Tax Credit Scheme

91. The value of the Scheme to the fishing industry is estimated at \$150 million out of a total of \$4 billion rebated to all industry sectors. It is an important program for the fishing industry in particular because diesel fuel expenses make up a higher proportion of the industry's cost structure. By far the largest beneficiary is the mining industry.

92. While the Scheme looks like a permanent part of the Australian economy and is unlikely to be removed, it is exposed to tinkering. The Scheme's predecessor was created following the introduction of fuel excises which were hypothecated to road development. Rebates were provided to non-road users. However, over time fuel excises have become one part of the general tax base and no hypothecation principles remain. In this context it is a target for economic rationalists advising governments on taxation policy and environmentalists who might say it encourages excessive consumption.

93. If for some reason pressure developed to modify the Scheme, a strong national presence would be required to influence decision making. Other major beneficiaries all have strong national representative capacity but under current arrangements the seafood industry would have to present a fragmented array of smaller interest groups. Given the particular significance of the Scheme to the fishing industry, this a relatively low risk environment but with very high potential costs.

94. A 5% reduction in the rebate would cost the fishing industry \$3 million per annum.

Environmental Protection and Biodiversity Act (EPBC)

95. Unlike other primary industries, the wild caught sector of the seafood industry exploits a community resource, in which other elements of the Australian community have a strong interest. The EPBC Act, which commenced in 2000, is an expression of this interest. The Act requires that human activities, which have a significant impact on issues of national environmental significance must be reviewed and approved by the Australian Government. Decisions taken by the responsible minister under the Act can be challenged by any community interest in the Administrative Appeals Tribunal (AAT).

96. The concept of the Act is actively promoted. For example a program entitled the “EPBC Project” monitors the operation of the Act, helps community groups to achieve conservation outcomes and has its own website. The EPBC Project is supported by the Australian Government Department of the Environment and Heritage.

97. Organisations such as the World Wildlife Foundation – Australia (WWF) lobby for amendments to the EPBC to strengthen its coverage and powers. WWF also runs an active program to seek national listing of a variety of threatened species, ecological communities and key threatening processes.

98. Recently the Southern Bluefin Tuna industry was exposed to the risk to fishing from this legislation. The Minister’s decision to allow trade in the species was challenged in the AAT. The challenge was based on the fishery’s stock status, which is at a very low proportion of its virgin biomass. The defence against this challenge was that, while the stock status was low it was an international fishery being properly regulated by a regional fisheries management organization and that a unilateral decision by Australia would have no impact on the status of the stock and diminish Australia’s capacity to influence fishing.

99. This defence succeeded but is likely to be revisited if the regional fisheries management organization does not demonstrate competent stewardship of the fishery. The specific risk to the southern bluefin tuna industry is \$200 million per annum.

100. A number of other fisheries have exposures to the EPBC. For example, 19 out of the 28 fisheries managed by the Australia Government are defined by the Bureau of Rural Sciences as being overfished/overfishing. State managed fisheries have similar exposure.

101. One negative decision under the EPBC Act sets a precedent for other fisheries. A coordinated national seafood industry approach is required to influence how the EPBC Act is applied in a general sense and to bring the national interest in fishing access into the equation in EPBC decision making. Individual defences by specific fishery components are likely to be less successful.

Industry Viability

102. The financial viability of the fishing industry will always be subject to stressors. Some of these will be global and beyond the capacity of any Australian body to influence, for example exchange rates affecting international competitiveness and profitability. Other stressors may be a particularly local kind such as local government planning regulations adding to the cost of aquaculture enterprises.

103. A national representative body could, however, influence any decision making addressing the effects of these stressors. For example, should viability continue to deteriorate from exogenous factors, a national body could lobby government for a structural adjustment package. The Australian Government's current adjustment package provided \$220 million to several fisheries across a number of States and territories and has improved viability without reducing fishing access.

104. The seafood industry might want to have uniform rules apply to aquaculture as a strategic policy for the industry to avoid the cost of prosecuting a case with individual States and local governments. While the National Aquaculture Council could be expected to have responsibility in this area, a broader national body representing the seafood industry as a whole could lend weight to any program and possibly help secure program funding and support from the Australian Government.

Training

105. A general problem in the seafood industry is a shortage of adequately trained crew. It reduces the capacity to fish and to optimize the return on capital investment. A national training program, with universal recognition across Australia might be a strategic policy for the industry. A national body, representing all elements of the fishing industry, would be the most suitable vehicle for giving industry direction and coordination plus lobby State and Federal Governments to support the initiative.

106. If such activity resulted in fishing effort being able to be increased by 1%, total value of production would be increased by \$14 million.

SECTION 4 - COST OF ENTITY

107. The minimum cost of a separate body meeting all operational costs and based in Canberra would be \$300,000. This estimate is based on the experience of other sectors and assumes that an appropriate salary is paid to the CEO to secure a person of high calibre. However, a body of this size may well have insufficient critical mass to undertake the development work necessary to demonstrate the utility of the body and get runs on the board. The organization would also be very exposed to the personal circumstances of the CEO. There would be a risk that the organization was set up for failure.

108. A larger commitment would be required to ensure that the body had the best chance of establishing itself and to demonstrate its worth to industry. Another two policy/project staff would add considerably to capacity and, ultimately, the chances of success. A budget of \$500,000 would be required for a body of this size.

109. The higher budget might not be needed in the first year as the first step would be to appoint a CEO who would then be responsible for recruiting the remaining staff.

110. The cost could be reduced if it were possible to get support in kind from some other institution, such as free accommodation or administrative support, but this should not be contemplated if it means instability and uncertainty for the representative body.

111. The business plans contained in the rest of this report assume that a budget of \$500,000 will be provided.

SECTION 5 - FUNDING MECHANISMS

112. Funding will be the most important issue for a business plan to address. It bedevils other industry representative bodies and is the actual reason for ASIC being wound up. A few anecdotes illustrate the challenge:

- A previous report on ASIC by Macarthur Agribusiness observed “It seems the industry’s heart has often been passionate, the mind mostly ambivalent, but the pocket always weak.”
- When compulsory levies to fund the Queensland Seafood Industry Association were discontinued, membership declined very quickly from 3,000 to 300. Membership is starting to grow but is still only 450.
- 32% of respondents to a 2007 poll in the dairy industry wanted to see compulsory levies discontinued.

113. This review concludes that revenue of \$500,000 is the minimum required for the effective operation of a national representative body. It is also assumed that support from the Australian Government towards the body’s operational expenses will not be forthcoming. This is only 0.02 % of the gross value of production. Intrinsically this is a small figure. A levy/contribution of only 25 cents per \$1,000 of a seafood production would raise \$535,000. For a selected group of individual sectors, the contribution would be about:-

- Southern Rock Lobster - \$45,000
- Western Rock Lobster - \$75,000
- Southern Bluefin Tuna - \$55,000
- Abalone - \$55,000
- Aquaculture \$15,000
- Prawns - \$20,000
- Pearls - \$30,000

114. The cost to producers would be reduced if some or all of the post harvest chain and seafood imports were included in the revenue base. However, the

post harvest chain of merchants, processors, retailers and exporters would be progressively more difficult to access the further away the revenue base was extended beyond the harvesting sector. A contribution of \$50,000 from the post harvest sector might be a realistic goal focused on merchants.

115. The value of imports in 2005-2006 was \$1.26 billion. A levy/contribution from this sector of 25 cents per \$1,000 of imported value would raise \$315,000.

116. A revenue base related to exports would raise \$390,000 with a levy/contribution of 25 cents per \$1,000 of exported product.

117. The fundamental issue is how does the industry access these potential amounts and minimise leakage.

118. Figure 3. summarises six funding options for a national representative body. It does not canvass compulsory levies, which could be levied for other industry bodies under existing guidelines:-

Figure 3. Funding Mechanisms

Option	Would involve	Issues
1. Voluntary levies collected through State Seafood Industry Councils	Setting a contribution based on States' shares of production.	<p>Would require contributions significantly greater than previous contributions to ASIC.</p> <p>Not all States have relevant organizations.</p> <p>Not all States have adequate funding mechanisms.</p> <p>Dependent on comprehensive support from each State.</p> <p>This model failed with ASIC and there is high risk of funding being compromised.</p>
2. Voluntary levies using national sector organizations and Commonwealth sector	A contribution from each national body based on the sector's share of production.	<p>Would cover a large proportion of industry (at least 80%) but not all.</p> <p>Could access other industry components by a program directed at local associations, which would be relieved of funding obligations when a national organization was formed.</p> <p>Industry would have to commit.</p> <p>At risk of unreliable funding.</p>
3. A composite of options 2 and 3.	For those States that have levy systems (WA, Victoria, Tasmania and NT) make a contribution based on share of value of production. For other States and Commonwealth, each sector to make a contribution based on the value of production in those States for those sectors.	<p>A similar model is used in the wine grape industry.</p> <p>Would take advantage of state levy systems where they exist.</p> <p>SA collects levies for the wine grape industry and might do so for seafood.</p> <p>More complex than option 2.</p> <p>Require coordinated State Government action.</p> <p>Take longer to put in place.</p> <p>State organizations would want extensive involvement in the body's structures diluting sector association involvement.</p>
4. Export – Import Model	Would involve a voluntary levy on exports and imports.	<p>Would require importers to be part of the national body.</p> <p>The export and import industries would have to commit.</p> <p>Likely to take longer to set up as there is no existing base to work off.</p> <p>Point of collection of levy/contribution could be simpler.</p> <p>Revenue base could be affected by exchange rate variations.</p> <p>Questions of equity might arise because production for domestic consumption was not included in the revenue base.</p>
5. Government program funding	Funding for projects would be sourced to allow national body to undertake work, which would give more physical substance to its existence.	<p>Could not be used for agri-political activities.</p> <p>Would help to build the size of the organization, which would indirectly enhance strategy and representation functions.</p>
6. Industry project support	As for option 5 but targeted at industry.	As for option 5.

119. This analysis of the options for funding a national representative body demonstrates how tenuous funding can be where voluntary contributions form the revenue base for the organization. Commitment from industry to whatever

option was agreed is a non-negotiable pre-requisite. That commitment should also be for a period of at least three years to enable the organization to demonstrate its utility.

120. It is tempting to think that an alternative funding model, which allowed the organization to start small and grow as confidence in it increased, would present a more acceptable approach as the initial funding call would be smaller. This would be a mistake. A small body would have more difficulty in producing outcomes that demonstrated its utility. It would also expose the organization to a second round of commitment building when the call for an increase in funding was made.

121. Any model that incorporated a growing pattern of funding should only be based on the realities of physically building the organization reflecting lags in recruitment etc.

SECTION 6 - OPTIONS

122. Five structural options are presented for consideration:

1. No change
2. Policy council
3. National body without importers
4. National body with importers
5. Industry services body encompassing SSA,SEA and FRDC with agri-political representative body

Option 1. - No change

123. This option would reflect a view that the existing representational structures are adequate for the industry. It would also assume that existing research activities of FRDC and the SCRC are acceptable and the development plans of SSA and SEA are adequate for the delivery of services to industry. Or, it could reflect a view that the additional benefits from a national representative body do not justify the expense and effort of establishing a viable organization at this time.

124. These views were expressed during the consultations but were not a universal attitude. The preponderant view was for a national representative body. It was also suggested that the continuing absence of a national representative body for a further period of time might serve to demonstrate the utility of such a body and enhance the commitment of industry to the level necessary for success.

125. The advantages of option 1 are:

- It would not be necessary to expend effort if commitment was not there or was unreliable

- Recognises the significant challenge in funding a representative body for the industry and maintaining the commitment
- A body would not be set up that might be subject to organisational stress
- National sector organizations have been involved in managing cross cutting issues with no apparent significant failure.
- SSA and SEA would be able to continue on their development pathways without the need to adjust to the influence of a national representative body.

126. The disadvantages are:

- There would be exposure to the risks identified in the business case
- The seafood industry would continue not having a national representative body unlike other primary industry sectors
- Development of a national strategy for the seafood industry would languish
- Access to government funding and assistance for industry development and marketing would be left to the best efforts of SSA and SEA without the benefit of a national recognized body giving broad industry support.
- Access to government might be constrained.

Option 2. - Policy Council over National Sector Bodies

127. Under this option, a policy council would be formed from representatives of the national sector bodies (eg, NAC, Abalone Association of Australasia, Australian Council of Prawn Fisheries) and the Commonwealth Fisheries Association. The council would not be created as a body with formal status. It would not have a secretariat or employees. It would have a chairman selected from the seafood industry who would have the time available and ability for the positions limited representational function. The chairman might have a seat on SSA, SEA, and the FRDC boards to add some weight to the position.

128. A relatively small voluntary contribution from council members would be collected to pay a stipend to a chairman who would need to be selected partly on his capacity to commit time to the council.

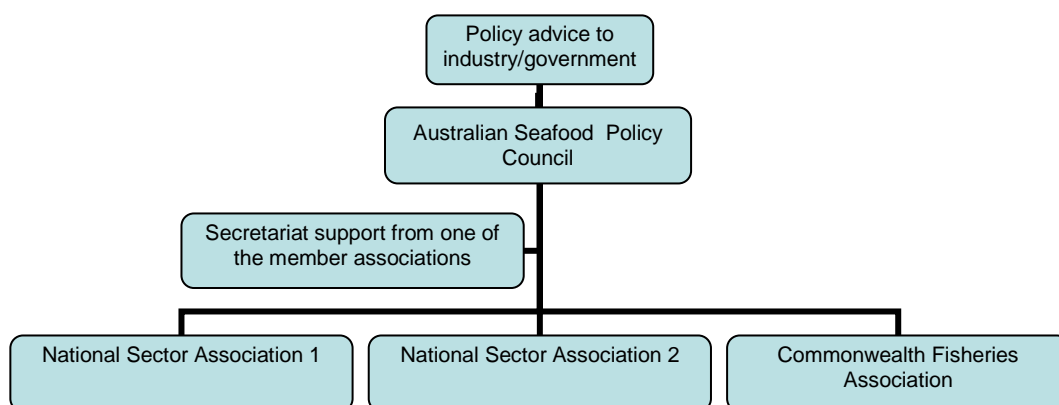
129. The council would meet on a regular basis, say on a quarterly basis, in association with a meeting of the board of one of its constituent members. It would discuss matters of national interest and make submissions to government in the name of the industry. Support for this activity would be provided by the secretariats of the constituent members possibly on a rotational basis. Lobbying would not be possible because the council would not have any on-going physical presence.

130. There would be no cost to industry other than the in-kind support given by the members.

131. Similar arrangements exist in the dairy and wine grapes/wine industries and can be demonstrated to work.

132. The following chart provides an outline of the options structure:

Figure 4. Option 2. Organisational Chart



The advantages of option 2 are:

- The industry would be seen to have a national representative body

- The creation of a formal body with funding arrangements with all of the attendant difficulties would not be required.
- It would provide a starting point for a national representative body to grow from.
- It would demonstrate the benefits of cooperation and collective development of policy and strategies.

The disadvantages are:

- The body would not have an on going existence creating problems of stability
- Its activities would be subject to the goodwill of the member organisations and the skills of the chair
- It would not be able to lobby for a national policy in any meaningful way. This would have to be done by individual associations.
- Linkages to SSA, SEA and the FRDC would not be strong and there would be some duplication – eg, NAC is a member of SEA and SSA.

Option 3. – Separate National Body Without Importers

133. Option 3. Requires the creation of a body with substance as an incorporated association; a corporation incorporated under specific federal or state legislation; or a public company limited by guarantee under the Corporations Act. It would need to have elements required in the legislation – a board of directors with specified responsibilities, articles of association, governance measures, financial reporting, etc. The body would be located in Canberra for reasons of access to government.

134. As discussed earlier, the organisation would require an annual budget of \$500,000 and employ 3-4 staff. The general purpose of the organisation would be to promote the interests of the seafood industry. Its functions would include representation and promotion of the industry in appropriate forums; strategic policy development for the industry; issue identification and management;

lobbying government; advice to members; and communication to industry. The body would link to SSA, SEA and FRDC through membership and/or a place on their boards. SSA, SEA and FRDC would follow their existing developmental pathways, subject to considering any relevant advice from the new body.

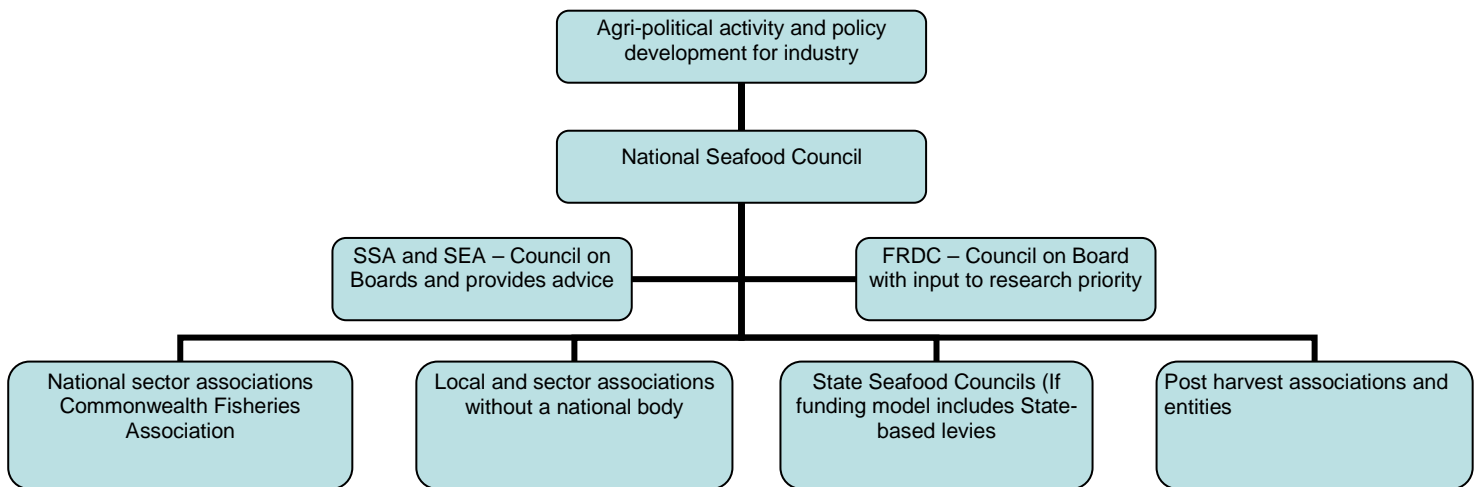
135. Membership would be based on national sector associations and the CFA but would need to be flexible and allow any party, excluding importers, with an interest in the Australian seafood industry to become a member. This would be necessary and have to be pursued vigorously if the parts of the wild caught fishery not represented by national associations were to be included.

136. A decision would have to be taken on the funding model for the body. Option 2. in the funding mechanisms identified earlier in this report would be the quickest to establish but be more prone to failure. Option 3 would be more robust, but would require State government agreement and take some time to get established. If the industry was prepared to adopt a longer time frame for establishment, this would be the recommended course. It would require the relevant State seafood councils to be represented.

137. The board would not contain representation from each member. This would be too unwieldy. A board of around 8 people would be the optimum size comprising 4 people selected on the basis of skill and a rotating group of four people selected to represent members.

138. Figure 5. outlines the organisational structure of this model.

Figure 5. Option 3. Organisation Chart



The advantages of option 3 are:

- The seafood industry would have a unified and recognised voice across the value chain.
- There would be capacity for agri-political activity and policy development for industry
- Being based on national sectoral associations would be an extension of the existing development towards these bodies in the seafood industry.
- The funding sources might be more reliable.
- Could be established reasonably easily.

The disadvantages are;

- Still exposed to the funding uncertainties that created problems for ASIC. (In compiling this report it was reported that some potential members are already experiencing funding difficulties of their own).
- Would require a level of commitment from industry that has not been demonstrated in the past.

- Incorporation of small fishing sectors would require a lot of effort for comprehensive coverage.
- If funding was sourced in part from State governments, the body would take a considerable time to set up. State bodies would want a significant place in the body's organisational structure.

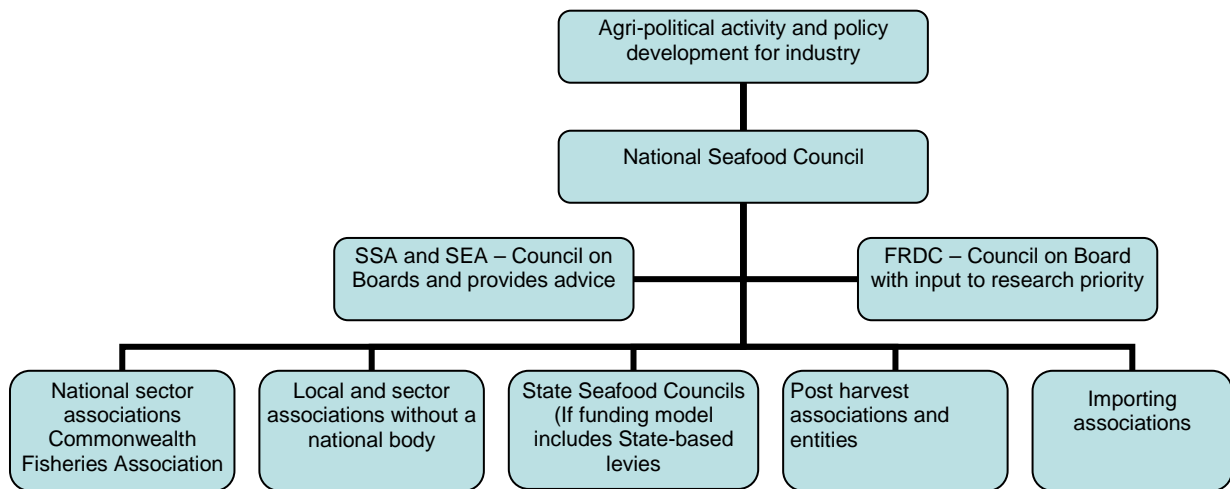
Option 4. Separate national body including importers

139. This model is the same as incorporated in option 3 except eligibility for membership would be extended to importers. The advantages over option 3 are the more extensive coverage of industry and a significant increase in the revenue base. The principal disadvantage is that importers are in competition with some elements of the domestic wild caught and aquaculture industries which could cause destructive internal tensions. It should be noted, however, that similar tensions in the wine grape and wine industry are being managed. The dairy and horticulture industry organisations do not include importing interests.

140. Setting a membership fee for importing interests in a national representative body might also cause some difficulties for funding reliability. The main activities of a national representative body would be heavily focused on the issues identified in Section 1 and these are not of particular interest to importers. Once operational a national representative body might not seem to be delivering benefits to importers, which could lead to questioning of its utility and instability in funding.

141. The organisational structure is set out in Figure 6.

Figure 6. Option 4. Organisation Chart



Option 5. Industry Services Body

142. This model involves the creation of an industry company with responsibility for services to industry including research, development, marketing, training, occupational health and safety etc. It would absorb the current functionality of the FRDC, SSA and SEA and be similar in structure to the horticulture and dairy models. It is a significant change from the current arrangement and would require legislation.

143. The purpose in this model would be to create an entity of considerable scope and expertise as a first step with potential access to government funding for set up expenses and support. It would allow industry effort to be tightly focused in one organization and avoid the attenuation of effort that occurs when several separate bodies with linked functions are operating.

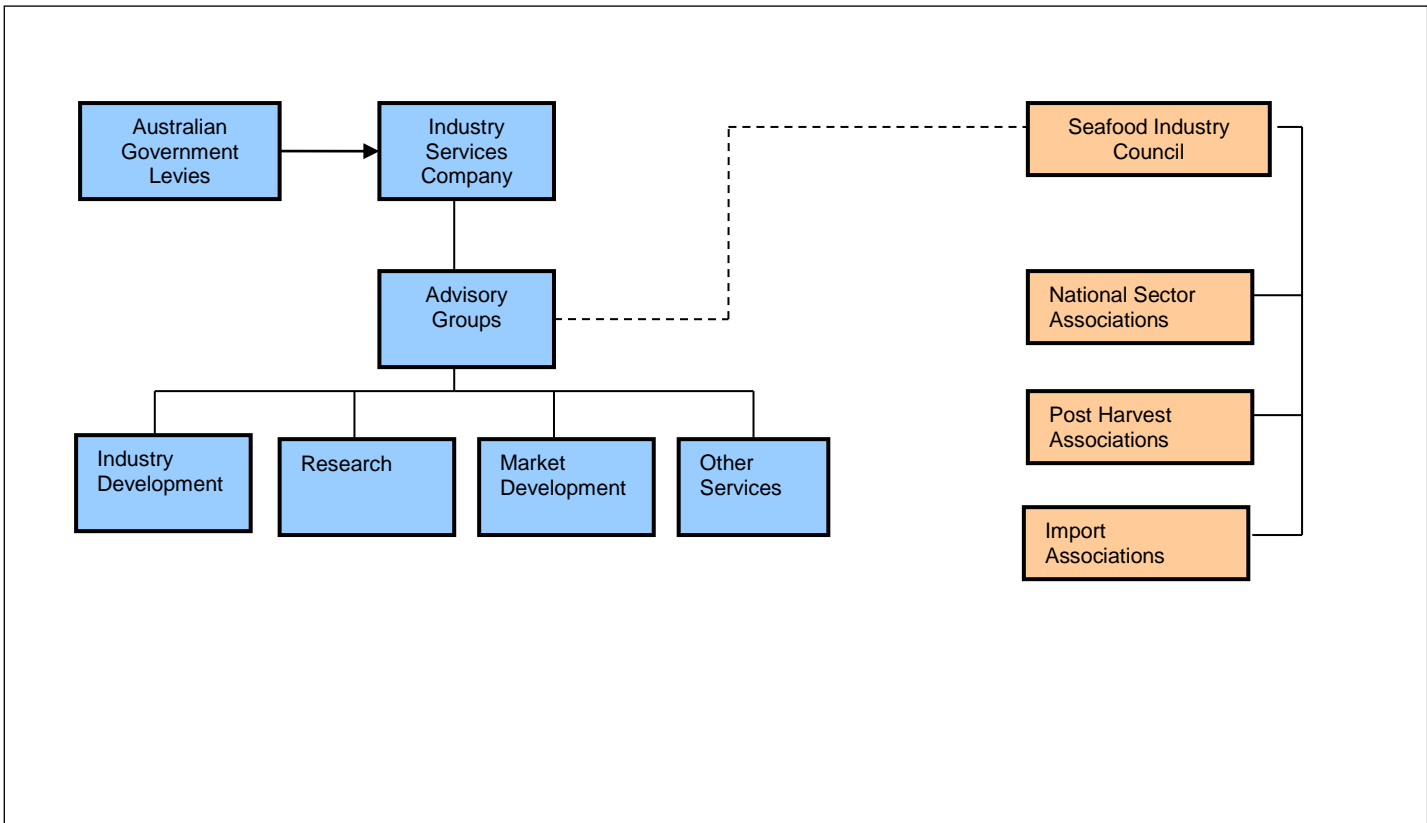
144. Following its establishment, and after a period of operation, an agri-political organization would be created based on national sector associations

and with close links to the industry services company. This is the horticulture model where the Horticulture Australia Council, while separate, is able to access the experience and the expertise of Horticulture Australia Ltd. It is one of the models being considered by the wine grape and wine industry.

145. The FRDC already addresses the bulk of this activity and would be the logical starting point for such an entity. However, industry would have to create an organization to represent it in the development phase, which would take at least two years. It would take a large commitment from industry to establish.

146. An organization chart for option 5. is shown in Figure 7.

Figure 7. Option 5. Organisation Chart



The advantages of option 5. are:

- Would produce an organisation with considerable authority and status, which could be the source of energy to support the creation of a national representative body.
- Would focus industry's energy and create an environment of shared commitment to industry's national interests. Would be able to develop and maintain a strong focus on the industry as a whole.
- Has a competent organization (FRDC) on which to build the entity and provide the day-to-day wherewithal to manage the development pathway.
- Offer opportunities for more efficient management and reporting.
- Government assistance is likely to be available to develop the entity particularly because legislation and a Commonwealth statutory authority would be involved.
- It would maximize levy collection and government revenue matching opportunities.

The disadvantages are:

- The option represents a major change in the industry's structure and could not be done quickly.
- It would involve tampering with the FRDC, which is working well and is regarded highly by industry.
- Vested interests may not support the exercise.
- A strong commitment would be needed from industry.
- While the body was being developed and bedded down, a national representative body would not exist and agri-political activity would have to be managed by individual national sector bodies pursuing their own interests.

On balance it is recommended that Option 3 be pursued if industry is confident that there is sufficient commitment to fund the organization in a sustained way through voluntary mechanisms.

If industry is not confident about funding, Option 3 is not recommended as a repeat of the ASIC experience is likely.

Option 5 is recommended as a pathway to a sustainable national body extensively involved in the development of the industry, albeit without an agropolitical function.

Pathway Between the Options.

147. There are several development pathways between the options that can be identified:

- Industry could elect for option 1. and wait for circumstances (a crisis) to emerge and then move to option 3 or 4. and then to option 5.
- The process could start with the informal arrangement of option 2. and evolve to option 3. or 4. when the time seemed right
- Option 3. or 4. might be the starting point if it were thought the commitment from industry was there and ultimately develop a case to go to option 5.
- Start at option 5. and build a representational body as described in option 3. at some later stage.

148. Pathways of these kinds are attractive in the sense that the increasing levels of commitment required would be based on some experience. On the other hand, pathways would take some time to evolve and reform exhaustion could take hold.

SECTION 7- BUSINESS PLAN FOR A REPRESENTATIONAL BODY

149. This plan gives effect to Option 3 as the recommended structure for a national representative body.

Structure of Organisation

150. The new representative body would be formed as a company under the Corporations Act and be located in Canberra. It would have a budget of \$500,000 per annum to enable it to employ an executive director and two policy development officers. Membership would be formed from national sector bodies of the wild caught fishery (including the CFA), the National Aquaculture Council and national associations from the post harvest sector. Additional associate membership would be available to other fisheries organisations not covered by national sector bodies until such time as a national body was formed for those fisheries.

151. Fees would be collected from national sector organisations, NAC and other fisheries organisations on the basis of 25 cents per \$1,000 of gross value of production. Associate members would contribute at a lower rate and would not have any voting rights. Post harvest organisations would contribute a sum to be agreed reflecting the value added by their sector and have voting rights.

Purpose/mission

152. The main purpose/mission of the new representative body would be to represent and improve the interests of the seafood industry at the national level through representations to government, developing a strategic view and national policy for the industry, building an effective working relationship with other organisations in the industry and providing services of recognized value to industry.

Short-term Steps

153. The first step would be the establishment of an organising group from the prospective membership to begin the process of setting up of the company. Some of this group would be interim board members and office bearers in the new company. The remaining seed funding available from the Australian government should be used for this purpose.

154. Establishment of the company would include legal, funding and membership arrangements, which should be put into place and funds committed before the employment of an executive director. It is vital that the organisation be set up with good corporate governance protocols covering financial procedures, reporting against statutory requirements, voting rights and board decision making.

155. While the interim board would be essentially representative in composition, it should move as soon as possible to incorporate members selected on skills.

156. The interim board should seek the highest calibre person possible for the position of executive director who would in turn recruit the remaining staff in the organisation.

157. With the appointment of the executive secretary, pursuit of the longer term objectives would commence.

Key Result Areas and Strategies

158. The new body would have four key result areas (KRAs) and a range of strategies to achieve each result area.

KRA 1. Effective development and maintenance of a reliable funding mechanism.

159. While KRAs are normally output oriented, this issue is of such importance to the ongoing effectiveness of the organisation that it has been ranked first in the list of tasks. This task would be pursued in the set up phase of the organisation.

160. The strategy would be effected by:

- Establishing the list of national organisations and post harvest entities, which would become the foundation membership, and securing commitment to raising \$300,000 from this group in the first year. This commitment would be increased to \$500,000 for subsequent years.
- Establish a comprehensive list of all representational bodies in the industry to identify the maximum membership base and revenue source for the body.
- Extend the membership to the remainder of the wild caught sector as a matter of priority by specific targeting relevant associations. The commitment of the foundation membership would be offset by revenue from this source as it developed.

KRA 2. Establishment of a strong association with the national government.

161. A strong and effective association with government is necessary for a representative body to produce outcomes for industry. This will be achieved by:

- Employing an executive director with demonstrated experience and achievements in lobbying government
- Establishing a network of contacts across relevant government entities to specifically represent the interests of the seafood industry
- Securing representation on committees etc, which have been formed by government to advise it on generic primary sector issues

- Securing representation on committees etc, which have been formed in relation to broad economic/social issues of importance to industry.
- Identifying and accessing all opportunities for funding assistance from government programs.

KRA 3.	Developing a strategic view and national policies for industry.
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162. This activity is essential for a national representative body in its role of assisting in the development of industry. A national policy/strategic construct provides the environment for a relationship with the working elements of industry and other industry bodies. This will be achieved by:

- Appointing at least one policy development officer to assist the executive director and undertake policy analysis.
- Appointing a communications officer to develop and manage extensive communications with all components and levels of industry so that the work of the body is recognised and valued.
- Establish a website, to be operated by the communications officer, to optimize exposure of the body's operations and its policies.
- Establishing a protocol for identifying, in consultation with industry, a list of policy/strategic/planning issues for development of a national position on those matters. Board appointed committees would supervise this activity.
- Promulgation of agreed positions throughout industry for use by industry in appropriate forums. Presentation of these policy decisions to government in whatever context arises.
- Develop and maintain a media response mechanism that is available to respond to issues emerging in the media and to promote the responsible behaviour of the fishing industry.

KRA 4.	Good working relationships with other industry bodies.
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163. A national representative body will have working relationships with other representational bodies operating at State, regional and species specific levels.

It will also have a relationship with other national bodies associated with the industry, particularly the FRDC, SCRC, SSA and SEA. These organisations will also benefit from knowledge of industry's position on policy, strategy and planning in their respective operational contexts. There will be industry wide benefits from reductions in costs, reduction in duplication of effort, reallocating roles and responsibilities, increasing understanding of each others' roles and consistent positioning on policy matters. To achieve this task, the representational body should:

- Become a member of SSA and SEA.
- Seek an appointment on the boards of FRDC and the SCRC.
- Establish a network of contacts with other bodies to clarify respective roles and responsibilities and maintain a clearing house for circumstances when concerted effort at all levels is required.
- Seek to be involved in activities being managed at other levels where localised decisions could evolve into national issues.

SECTION 8 – PROCESS FOR THE CREATION OF AN INDUSTRY SERVICES BODY

164. This section relates to Option 5 – the creation of an industry services body. It is not a business plan but a description of the steps that might be taken if industry wanted to explore such a major change in industry structures. The horticulture industry (2003) and dairy industry (2001) have established these bodies and they are operating very successfully. The forestry industry established a body in 2007 and the wine grape and wine industry is currently considering the creation of such a body.

165. While the creation of an industry services body would not establish an agri-political body it would create an overarching industry body that would have an industry resource for considering strategies and developmental policies for the seafood industry. It would involve absorbing SSA, SEA and FRDC activities into the one entity using the FRDC as the organisational base.

166. The broad structure of the steps to follow would be;

Step 1 The steering committee approach DAFF for agreement to the remaining \$100,000 of seeding funding to be used to explore with industry, including the existing institutional stakeholders, the desire for the creation of a new industry services body to cover research, marketing and industry services. The body would be created as a company under the Corporations Act.

Step 2 If DAFF agrees or another funding source can be found, appoint a management committee from industry and engage some technical support for the committee with responsibility for:

- Specification of a model after discussion with other industries on the details of their arrangements and the implementation processes followed.

- Promulgation of the model to industry to ascertain the level of support for the creation of such a body including a mechanism for measuring the support

Step 3 If there is demonstrable industry support, approach the Australian Government to begin the process of change. This will involve:

- Establishing what funding support is available for the change agenda – the Australian Government has programs for industry development
- Negotiating with governments for necessary legislative change
- Managing the process to change the levy structure for the industry – there is an opportunity to broaden the revenue base

Step 4 Determine a transition strategy involving:

- The legal and physical creation of the new structure
- Governance arrangements
- The assumption of functions from other bodies
- Appointment arrangements for board members and other non-employee personnel
- Transfer arrangements for employees
- Operating machinery such as accommodation, communications etc.

Step 5 Implementation using the FRDC as the management entity with supervision from the management committee.

167. Industry should assume that the timeline to step 5 will be at least two years.

Consultation List

Name	Organisation
Bill Nagle	Steering Committee Chairman
Jeff Moore	Steering Committee EO
Bob Murphy	Department of Agriculture Fisheries and Forestry (policy and program management)
Clayton Harrington	Department of Agriculture Fisheries and Forestry (policy and program management))
Anna Pellew	Department of Agriculture Fisheries and Forestry (levies)
Andrew Pearson	Department of Agriculture Fisheries and Forestry (levies)
Glenn Hurry	Australian Fisheries Management Authority
Patrick Hone	Executive Director, FRDC
Russell Neal	Former Executive Director, ASIC
Graeme Turk	Sydney Fish Markets
Peter Franklin	Former Executive Director, Commonwealth Fisheries Association
Kris Newton	Executive Director, Horticulture Australia Council
Harry Peters	Seafood Importers Association of Australia
Stuart Richey	Director, FRDC
Simon Bennison	Executive Director, National Aquaculture Council
John Sanson	Tasmanian Rocklobster Fishermen's Association
Neil Green	Queensland Seafood Industry Association
George Raptis	Raptis and Sons Pty Ltd
John Cole	Western Australia Fishing Industry Council
Neil Stump	Tasmanian Fishing Industry Council
Brian Jeffries	President, Tuna Boat Owners Association
Bob Pennington	South Australian Fishing Industry Council
David Carter	Austral Fisheries Pty Ltd
Ron Edwards	Chairman, Seafood Experience Australia
Geoff Gorrie	Chairman, Seafood Services Australia
Graeme Stuart	Western Australia Fishing Industry Council
Annie Jarrett	Northern Prawn Council
Eve Robinson	CEO, Northern Territory Seafood Council
Lisa Wilson	CEO, Australian Dairy Farmers Ltd
Rod Trelooggen	President, Tasmanian Rocklobster Fishermen's Association
Peter Stahle	CEO, Australian Dairy Producer's Federation
Dominic Nolan	Winemakers Federation of Australia
Mark McKenzie	CEO Wine Grape Grower's Association
Bob Cox	Secretary, Seafood Experience Australia

