



TASMANIAN ABALONE COUNCIL LTD

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QUOTA HOLDER SUB-COUNCIL ANNUAL GENERAL MEETING

Friday September 5, 2014
The Old Woolstore

Minutes

Attendance:

Alan Gray (Chair) Brown, B Cobbing, M Daft, A Hansen, D Hansen, D Lisson, J McKibben, A Brown, G Bull, R Caccavo, J Clarke, C Gunson, B Hallock, A Hitchens, K Hoskin, J Hault, M Marriott, A Marriott, G Moroney, L Norris, S Pearsall, R Royle, R Scanlon, P Seabourne, P Sharp, G Shaw, N Wallace, G Woodham, J Freeman (minutes)

Apologies:

F Bender, B Amos, A Hunt, R Rex, R Young, CL McKibben, H Gasparinatos, F Ledwell, P Gane, E Petrascu, D Garlick, J Larby, T Bush, P van der Woude, M Webster, B Amos, A Hunt, F Bender, R Rex, C McKibben, R Young, H Gasparinatos

Welcome:

Alan welcomed members.

Minutes of previous meeting:

Resolution: That the minutes of the Sub Council Meeting held on Wednesday 12th February 2014 having been circulated be taken as read and confirmed.
Moved John Hault and seconded Rob Scanlon

Business arising from previous meeting:

Pennicott Adventures – no reports have been received from the Department. The venture operates in the eastern zone under recreational rules, but under commercial rules for license and quota.

6th Abalone/Paua Convention NZ Report:

Alice Marriott

The Abalone Council Australia website shows the individual reports from the Australia and New Zealand Abalone Convention go to Convention Presentations.

There is still a huge amount – equal to the whole production of Australia, of 5,000t from Australia, South Africa, Chile and New Zealand combined. Only serves to undermine our market prices. FRDC recognises need to reduce IUU. Ref. Dr P Cook.

Chinese Abalone farms – there has been such a prolific production that there is an abundance of frozen abalone in storage. Chinese government is reducing funding to support their farms, positive for us. Ref. Dr P Cook.

FRDC flagged there will be reduction in funding for research and development projects That 17 million had been spent over the last 15 years, scarce now.

P Hone reported work being done on the IUU problem and that VMS may reduce the illegal quantity.

Data loggers have been a 'major management change'.

Divers' participation in FRAG meetings and discussion has increased.

Dr Norman Ragg presented a biological description of the effects of sediments on gills, respiratory and reactive responses of the abalone

Abalone under stress –reproduction affected, the workshop agreed that there is a deficit in abalone biology regarding growth, fecundity and size limits.

Royalty Update:

A meeting with the Minister and Premier discussed Centrostephanus, the NSW ban on abalone, the Diver review, Royalty review and the Abalone Industry Development Fund.

- Royalty negotiations;
Greg and Dean had a meeting with Premier Will Hodgman and Brad Stansfield, in which they explained the royalties from all fishing industries. A commitment of a staged reduction of 1% from January 2015, a further 1% January 2016, and 1% January 2017 was given. The Government is in talks with the Legislative Council of reviews of all marine industries for a fee structure to be introduced across the board.
- Salmon industry;
The Government is under considerable stress to implement further development of the salmon industry.
- NSW ban;
Ongoing talks with NSW Minister, ban is like to stay in force
- Centrostephanus;
Our industry is the only industry funding any research.
- Are there too many divers for the TACC? – a motion will be put at the AGM

2014 Catch Update:

There is 70t a month left to take – giving the West a break

Status of the fishery – divers are reporting that the general "health" of the fishery is improving.

FRAG meeting on Thursday 4th September

- The CPUE report is derived from **RAW** data from diver docket books and shows that there should be a reduction in quota around the state. As a management tool it doesn't take into account weather and varying conditions. The FRAG committee and the Department suggest a status quo for 2015.
- Also discussed were boundary changes on the West coast, bringing the northern zone down to George Rock on the East Coast.
- The divers view was mixed, some seeing good recruitment, but needing to see 2 or 3 years of recovery.
- The Department's view is status quo, with some concerns about Northern Zone, with a full stock assessment required.
- At the AGM speakers will give a full review of the process.
- Status of the East Coast is showing signs of recovery. Long term sustainability is important.

- A Hansen - the size limit on the East Coast 132 – 138mm should be reduced back to 132mm.
The fishery is just starting to recover and would be risky to reduce the size limit. Important to have a breeding biomass left in the water for sustainability. There is market resistance to smaller fish. The science behind the size limit is robust and can be audited. To maintain our export approval we have to maintain sustainability
- Bass Strait – is a large area and fishing well. IMAS reports are being reviewed in what data is entered and the way it's interpreted.
- what data is entered and the way it's interpreted.

'Funding The Future' Resourcing vs Reward: Darvin Hansen

- Initial questioning that established that most quota holders present:
 - Have been in the industry for decades
 - Expect to hold their abalone investments for the next decade either personally or within their family
 - Hold abalone as their largest single investment
 - When starting off in the industry, reinvested most of their initial abalone quota/license income into paying off the related debt, outside of basic living expenses. Are very glad they did.
 - Have invested outside the abalone industry
 - Presently, about half invest 20%+ of their abalone quota income in non-abalone investments, and the other half invest 0-20%.
 - Have not achieved a 10% rate of return or better with their non-abalone investments
- To summarize, most quota holders have an outlook potentially suiting a longer-term investment focus, they already invest a significant amount in non-abalone investments, but don't achieve very good returns with this expenditure.
- Diagram showing that the Tasmanian Wild Abalone Industry Is effectively a quasi-corporation consisting of shareholders (quotaholders), Production (dive sector, processing sector), Sales (processing sector) where >99% of earnings are effectively declared as a dividend.
- Presentation graphs showing the;
 - Typical Corporate structure vs the TACL
 - Tassal reinvestment vs Tasmanian Abalone Industry Reinvestment. Tassal have reinvested 64%+ of their earnings back into their business on average, over the last decade. Tasmanian abalone quota holders have reinvested less than 1%. Source: Tassal financial statements.
- Take-Home Reinvestment Message; Especially in the face of threats:
 - If you want earnings from your business to be able to grow or even maintain, reinvesting a significant percentage of earnings in that business is mandatory.
- Reinvestment Policy for Maintenance & Growth;

If it is possible that funds can be employed to yield significantly more in future earnings (e.g. returns of 10% or more are reasonable) than if those funds weren't employed, then these funds should be reinvested.
If you want to accumulate a fund for contingencies, then retain some more earnings.
Declare the remainder as a dividend.

- Threats we face;
Abalone aquaculture increasing supply of substitute product, *Centrostephanus*, disease, aquaculture in Tasmanian waters – risk to abalone productivity and biosecurity.
- Values;
Suitably cold water areas for farming salmon, Block 6-24, hold 70% of our blacklip abalone, representing something closer to 80% of the value of the fishery.

If Block 14 was producing at a level it sustained for 21 years, it would be producing 220 tonnes, worth \$5.4M per year in earnings to quotaholders. Total value ~ = 60\$M.
It is now producing only 20 tonnes per annum.

Block 13 has been able to produce 360 tonnes for 21 years. The Actaeons produces more than Block 14, and is close to Tassal's Browns' & Lippies expansion.
- Good Public Relations costs money!
- Are we resourcing appropriately?

The full presentation can be viewed in the Members Section of the website

The Salmon Industry is regularly in the media – we need to push back

There is a nitrogen cap in the channel area; Macquarie harbour has not been successful due to the lack of flushing.

Tassal and Huon Aquaculture have announced they are going to double their production offshore (!) over 5-15 years with a footprint directly over productive abalone beds. There is 1.5 to 2 million fish in these pens.

TACL is gathering information on salmon farms around the world to create an argument against the expansion.

Suggest a line from Partridge Island to Scott Point – a line in the sand with no further cages north of this line

The current leases are not viable with feed lots.

Any current breaches attract a \$400 fine!

Monitoring points are upstream from the pens and don't reflect the macro algal situation close to position of the pens.

Huon Aquaculture – North Bruny Island, Trumpeter Bay – have an existing lease and plan to diversify, expand and extend this lease to (4) sites further south.

The increased risk of sediment will create an OH&S issue for divers attracting predators.

Dean has developed a joint submission with Southern Rock Lobster for a combined strength of industry approach, which is nearly ready to submit.

Suggest - 5 nautical miles offshore for deep water and flushing, and where a nautical hazard is negligible. There should be a minimum distance offshore.

Propose to members;

Dean asked the Members for approval to go ahead with the joint submission and media contact regarding the proposed salmon farms expansion.

AGREED

AWA China Update: Dean Lisson

Dean showed a presentation on the 'Australian Wild Abalone' marketing program in China and the 'Seafood Trade Advisory Group'.

➤ Why invest in Marketing and STAG

In 1999 Tasmania produced 25% of total annual global production of abalone

15 years later - 2014 – Tasmania produces 2% of total annual global production

Austerity measures in China

Stubborn strength of AUD

Tariff and non tariff trade barriers

➤ Funding for the Australian Wild Abalone™ ceases in July 2015

- Marketing Levy required maintaining the AWA™ Program

- Business Case currently being developed for presentation to industry

- 6th National Convention proposed 1.5% of GVP to roll out AWA™ program across China, Hong Kong, Japan, Singapore & Taiwan

- \$290 per unit or 53 cents per Kilogram is currently equivalent to 1.5% GVP

5 units - \$1450 per annum

10 units - \$2900 per annum

20 units - \$5800 per annum

30 units - \$8700 per annum

The full presentation can be viewed in the Members Section of the website

General Business / open discussion

- Tourism and the effect on the industry,
'Seduction Tours' – has a 12 month permit with a yearly review for 3 years.
Does the industry see this as appropriate, and do we support future permits.

- Dive sector profitability;

The harvest sector is a pivotal part of the business where profitability is questionable. Looking to the future a profitable sector is needed, Board is asking the quota holders to support divers and at the AGM

Election of Chairman 2014/15

Alan Gray stood down from the chair and Dean Lisson called for nominations;

Alan Gray was nominated by John Hault and seconded by Chris Gunson.

Alan Gray accepted the nomination and was duly elected.

Meeting closed 4.50pm