Commission Guidance: Reporting Performance Against AFMA's Net Economic Returns Objective

Purpose

This paper details how the Australian Fisheries Management Authority (AFMA) monitors and reports its performance against the net economic returns objectives of the Commonwealth Fisheries Harvest Strategy Policy and *Fisheries Management Act 1991*.

It clarifies how AFMA currently reports on economic performance and importantly, improves the understanding of economic risk to fisheries from management of Commonwealth fisheries. This interim paper will be replaced by a more comprehensive Fishery Management Paper once the current Review of the Commonwealth Fisheries Harvest Strategy Policy 2018 and Guidelines is complete.

Need for this Guidance

Since 1989, the Australian Government, principally through the activities of AFMA has pursued an economic objective as part of its management of Commonwealth fisheries.

The Commonwealth Fisheries Harvest Strategy Policy requires AFMA to maximise net economic returns (NER) to the Australian community from the management of a fishery. Where feasible, this is achieved by:

- specifying an appropriate catch or effort target for each of the key commercial stocks taken in that fishery, which together across the commercial stocks achieves MEY for the fishery; and

- implementing management measures which do not impede economic efficiency in the fishery.

Attempts to simplify terms and concepts underpinning AFMA's economic objective have led to confusion concerning both the intent of the objective and ways to measure AFMA's performance against it. The paper details how this objective is currently interpreted, measured and reported in the ABARES Fishery Status Report and AFMA Performance reporting documentation.

Reporting framework

AFMA describes and sets out how it measures and achieves its legislative objectives through key corporate reporting documents, namely Portfolio Budget Statements, Corporate Plan and Annual Operational Plan. Each year AFMA reports on performance against these measures through our Annual Report. Copies of these documents are available here

AFMA pursues its economic objective by setting harvest level targets for key commercial stocks, which contribute to meeting maximum economic yield (MEY) for the fishery, as set out in the Commonwealth Fisheries Harvest Strategy Policy. MEY for a stock is pursued by setting catch or effort levels that are sustainable and best enable net economic returns to be maximised. In some cases, alternative targets to MEY may be used by AFMA to meet international arrangements, achieve ecological or stock recovery objectives or seek fishery-wide (rather than species-specific) MEY. In these cases, AFMA aims to maximise economic returns from the management of a fishery within that context.

In addition to AFMA reporting performance, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) independently assesses AFMA's performance against its objectives and reports this in the Annual Fishery Status Reports for Commonwealth Fisheries ([here](#)).

"ABARES use a range of indicators to assess the economic status of fisheries. These include surveys of NER calculated by ABARES for some of the most valuable Australian Government–managed fisheries, together with productivity measures and fisher terms of trade that support the interpretation of a fishery's trend in NER. For other fisheries, indicators of fishery revenue and costs (for example, estimates of gross value of production [GVP], and measures of fishing effort and fuel prices) are analysed to evaluate likely changes in NER. The level of unused fishing rights ('latency') can also provide an indication of NER for data-poor fisheries" (ABARES).

AFMA's key economic reporting metrics have been developed to link directly with the ABARES framework and assessments. This is to ensure an independent view of our performance, take advantage of ABARES' expertise and avoid duplication of data collection and reporting. Both reporting frameworks also allow AFMA to consider economic risk when making decisions about management measures for a fishery.

Current Economic Performance Indicators

The number of stocks with target reference points based on MEY, an agreed proxy thereof or a multi-stock harvest strategy - No change or increase

Using ABARES Methodology we report how each fishery management settings meet the key elements of the Commonwealth Fisheries Harvest Strategy Policy, ie:

1. The number of key commercial stocks with harvest strategy targets based on MEY or the best available proxy;

2. Improve the number of stocks assessed as being on economic target;

3. For those stocks that are assessed as not on economic target, improve the number that are heading towards their target reference point.

Net Economic Return, as assessed in the ABARES Status of Fish Stocks Report - Positive trend over previous three years

Drawing on the analysis and assessment conducted by ABARES and summarised in the annual Fishery Status Report, AFMA details NER performance across stocks (positive / negative/ no change/not available).

Reporting and Using the Advice

How comprehensively AFMA reports on the net economic return performance of a fishery/sub fishery/ species depends on the information available. In some fisheries (e.g. low effort, limited data, low value or fisheries with data confidentiality constraints) economic performance is reported qualitatively and is heavily reliant on input from expertise in the Resource Assessment Group (RAG) and Management Advisory Committees (MACs).

AFMA is mindful of the following issues when interpreting NER performance of fisheries:

1. Managing a fishery to maximum economic yield aims to maximise net economic return. However, MEY is a "moving" target that depends on a range of biological and economic variables that change over time, most of which are outside the control of AFMA, such as exchange rates and fuel prices. This means that careful analysis is required to interpret inter-annual NER movements, with those movements explained in the context of movements in other indicators, including fishery level productivity and fisher terms of trade.

2. For most Commonwealth fisheries, where bio-economic modelling may not be cost effective, trends in NER are the best available indicator for the economic performance of the fishery but it is not possible to know whether NER is being maximised by an analysis of NER on its own. RAGs and MACs play a role in interpreting these trends.

3. Until there is sufficient timely economic data available and/or cost-effective and reliable near real time data, reporting on NER by ABARES will reflect historical NER rather than current NER.

4. Given NER is influenced by many factors outside AFMA's control, careful consideration and interpretation of NER trends must be undertaken to attribute changes in NER to management of Commonwealth fisheries.

5. The focus for AFMA is to ensure that factors within its control that affect NER – that is fisheries management - do not impede economic efficiency in the fishery.

6. AFMA should consider impacts on NER where different options exist to achieve a fishery management outcome or objective.

Available economic information is used by RAGS, MACs, AFMA Management and the AFMA Commission to assess economic risk when looking at things such as stock status, setting future catch levels and recommending major management changes. Where information gaps are identified targeted research is contracted to assist future decisions.

Future Reporting Arrangements

AFMA is working with key stakeholders to improve how we report against the NER objective. This work will be implemented through a new Fishery Management Paper on reporting against AFMA's economic objectives. We have established the following key criteria for this new policy:

1. Easy to understand, use a common language and be consistently applied across all Commonwealth fisheries;

2. Set at a fishery level – as this is how the economic objective is stated under the Commonwealth Fisheries Harvest Strategy Policy;

3. For fisheries where data are available, the reporting metric will be NER as it is closely related with MEY;

4. For some fisheries NER may not be feasible to estimate (e.g. too few boats, seasonal fishery, limited data, or fisheries with confidentiality constraints). These fisheries will be differentiated for reporting purposes. For these fisheries, general economic health (Use of proxy NERs, improving, worsening, stable) will be reported based on qualitative information and commentary provided by members of MACs and RAGs and ABARES Fishery Status Reports.

5. At a minimum, 80% of Commonwealth fisheries by value (including those fisheries where data confidentiality does not allow GVP to be reported) should be reporting NER /Proxy NER, estimates or trends;

6. NER should be reported as an index against a base year to demonstrate trends over time. Reporting as an index will also avoid data confidentiality issues with regard to reporting actual NER for fisheries with data confidentiality concerns; and

7. Trends will be reported in a way that carefully considers external factors and economic risks influencing net economic return and which AFMA has no control over, such as exchange rates and fuel prices. Mechanisms will be put in place to ensure that this information is collated consistently and regularly. RAGs and MACs will play a critical role in contributing information and interpreting NER trends.

To better report on fisheries with low data or confidentiality issues AFMA is:

1. Working with ABARES to develop a non-survey method of reporting NER index for fisheries;

2. Utilising fishery specific work already completed or underway to develop economic performance indicators which in turn will be and are used by ABARES when assessing fishery performance in the Fishery Status Reports.

3. Working with ABARES and CSIRO to agree a data cleaning process for quota trade/lease price information. This information will be published regularly on the AFMA web site and where relevant, used by ABARES to help assess a fisheries economic performance.