

# Economic Working Group

Meeting 2 – Minutes

15-16 April 2019 1:00pm – 4:30pm (15<sup>th</sup> April)

9:30pm – 3:30pm (16<sup>th</sup> April)

AFMA, Canberra



Australian Government

Australian Fisheries Management Authority

**UNCLASSIFIED**

## **Chair**

Mr Ian Cartwright

## **Participants (15 April)**

Members: Sarah Jennings, economic member for SESSFRAG and SERAG; Robert Curtotti, economic member for SquidRAG and SharkRAG; Sean Pascoe, economic member for SPF Scientific Panel; Julian Morison, member with commercial fishing industry expertise; Caleb Gardner, member with recreational fishing expertise, Thomas Kompas, NPRAG; Nigel Abery, AFMA member.

AFMA invited participants: Ian Butler, Sayan Chakrabarty, Sally McCarthy, Steve Bolton, Steve Eves, David Power, Don Bromhead.

Other invited participant: Annie Jarrett (NPFI)

## **Apologies**

Members: John Tisdell, TTRAG.

## **Participants (16 April)**

Members: Sarah Jennings, economic member for SESSFRAG and SERAG; Robert Curtotti, economic member for SquidRAG and SharkRAG; Sean Pascoe, economic member for SPF Scientific Panel; Caleb Gardner, member with recreational fishing expertise, Thomas Kompas, NPRAG; Nigel Abery, AFMA member.

AFMA invited participants: Sayan Chakrabarty, Sally Weekes, Don Bromhead, Daniel Corrie.

## **Apologies**

Members: John Tisdell, TTRAG; Julian Morison, member with commercial fishing industry expertise.

## **Introduction and welcome**

Mr Ian Cartwright opened the second meeting of the formalised Economic Working Group (EWG) at 1:00 pm as Chair.

## **Adoption of Agenda**

The EWG confirmed the agenda including subgroup (Attachment A) and new items on Network analysis of quota markets; ABARES upcoming resource sharing workshop; and the CBA of individual accountability for discards were added to the agenda.

## Declaration of interests

Members were requested to declare any conflicts of interest, pecuniary and otherwise, relating to Agenda Items. Conflict of interest declarations are provided below (Table 1).

**Table 1. EWG declaration of interest as at 15 and 16 April 2019**

EWG declaration of interest as at 15 April 2019

Participants	Declared interest 15 April 2019
Ian Cartwright	Member AFMA Commission
Sean Pascoe	Economic Expert, CSIRO. Economic member for the SPF expert panel. Team Leader, Marine Resource Economics Team, CSIRO. Involved in drafting Commonwealth Fisheries Harvest Strategy Guidelines. Research provider involved particularly in economic research funded through FRDC.
Sarah Jennings	University of Tasmania. Economic member for both the Southern and Eastern Scalefish and Shark Fishery (SESSF) and SERAG. Attends the South East Management Advisory Committee (SEMAC) as invited participant. Occasional research provider with specific conflicts to be declared on case by case basis
Robert Curtotti	Australian Bureau of Agricultural and Resource Economics. Economic member for SquidRAG and SharkRAG.
Julian Morison	Director, BDO EconSearch, Adelaide
Caleb Gardner	University of Tasmania. Member SPF Scientific Panel, Director Sustainable Marine Research Collaboration Agreement (UTAS-Tasmanian Government), Director Southern Rock Lobster Ltd.
Thomas Kompas	Australian National University, Economic member for the Northern Prawn Fishery RAG (NPFRAAG).
John Tisdell	University of Tasmania, Economic member for Tropical Tuna (TT) Resource Assessment Group (RAG) and Great Australian Bight (GAB) RAG
Nigel Abery	A/g Senior Manager PEER, AFMA
Ian Butler	Senior Management Officer, AFMA
Sayan Chakrabarty	Economist, AFMA
Steve Bolton	Senior Manager, AFMA
David Power	Manager, AFMA

Participants	Declared interest 15 April 2019
Steve Eves	Senior Fisheries Management Officer, AFMA
Annie Jarrett	CEO, NPF Industry Pty Ltd

#### EWG declaration of interest as at 16 April 2019

Participants	Declared interest 16 April 2019
Mr Ian Cartwright	Member AFMA Commission
Sean Pascoe	Economic Expert, CSIRO. Economic member for the SPF expert panel. Team Leader, Marine Resource Economics Team, CSIRO. Involved in drafting Commonwealth Fisheries Harvest Strategy Guidelines. Research provider involved particularly in economic research funded through FRDC.
Sarah Jennings	University of Tasmania, Economic member for both the Southern and Eastern Scalefish and Shark Fishery (SESSF). Attends the South East Management Advisory Committee (SEMAC) as invited participant.
Robert Curtotti	Australian Bureau of Agricultural and Resource Economics, Economic member for SquidRAG and SharkRAG.
Caleb Gardner	University of Tasmania, Member SPF Scientific Panel, Director Sustainable Marine Research Collaboration Agreement (UTAS-Tasmanian Government), Director Southern Rock Lobster Ltd.
Thomas Kompas	Australian National University, Economic member for the Northern Prawn Fishery RAG (NPF-RAG).
Nigel Abery	A/g Senior Manager PEER, AFMA
Sayan Chakrabarty	Economist, AFMA
Don Bromhead	Manager Tropical Tuna Fisheries, AFMA.
Sally Weekes	Manager, SPF, Scallops, Squid
Daniel Corrie	Senior Management Officer, AFMA

### Actions from the last EWG meeting and progress to date

EWG members noted progress/status of the action items from the first meeting of the formalised EWG, held on 10 April 2018 (Table 2).

Table 2. Progress on action items from the EWG meeting 10 April 2018

Action items	Progress/Status
Action 1: AFMA Management to circulate the draft NPF indicators paper to the EWG members in confidence for consideration and comments at its next meeting.	The paper has been distributed
Action 2: Clarify the 'EWG flow of advice' chart of the ToR with respect to the EWG requesting/providing research and funding advice to AFMA management.	The flow chart has been updated in the AFMA website: <a href="https://afma.govcms.gov.au/sites/g/files/net5531/f/uploads/2018/06/EWG-TOR_Confirmed-at-10Apr2018EWG_FlowChartUpdated.pdf">https://afma.govcms.gov.au/sites/g/files/net5531/f/uploads/2018/06/EWG-TOR_Confirmed-at-10Apr2018EWG_FlowChartUpdated.pdf</a>
Action 3: AFMA to update FAP12 to clarify further the role of economists within the RAGs.	Updated in the in the AFMA website: <a href="https://afma.govcms.gov.au/sites/g/files/net5531/f/fap12_to_reflect_legislative_changes_and_economic_advice_-_october_2018.pdf">https://afma.govcms.gov.au/sites/g/files/net5531/f/fap12_to_reflect_legislative_changes_and_economic_advice_-_october_2018.pdf</a>
Action 4: A standard item on economic aspects (of the fishery) to be included on each RAG agenda	A standard item on economic aspects (of the fishery) is included on each RAG meeting agenda and brief the meeting accordingly.
Action 5: The EWG suggested exploring a partnership with ABARES to find a cost effective method of collecting data to estimate net economic return (NER) for more fisheries at certain intervals (proposed 3 years) and expand the fishery economics survey to be similar to that used in South Australia (e.g. conduct survey once every three years). AFMA will assess which indicator(s) would measure best its management performance against the legislative objective of "maximizing the net economic returns to the Australian community from the management of Australian fisheries". The results will be provided to the EWG.	Ongoing – Robert Curtotti & Sayan Chakrabarty to provide a report.
Action 6: AFMA will update and finalise the draft CBA report.	CBA finalised but not public due to confidentiality (commercial in confidence information about e-monitoring costs). The outcome of the project is provided in the AFMA website: <a href="https://www.afma.gov.au/assessment-costs-and-benefits-discarded-fish-being-deducted-operators-fishing-quota">https://www.afma.gov.au/assessment-costs-and-benefits-discarded-fish-being-deducted-operators-fishing-quota</a>
Action 7: AFMA will continue to work on the proposal on Economic	Reviewing project scope – ongoing

Risk Assessment Framework based on the EWG suggestions.	
Action 8: AFMA to prepare a plain English summary of the multi-species MEY research report, in consultation with Dr Pascoe, for circulation to MACs and RAGs.	Done – summary was circulated.
Action 9: AFMA to invite an industry participant at the next EWG meeting to provide relevant expertise and engagement.	Annie Jarrett to present the NPF indicators paper at the EWG meeting.

### **Agenda Item No. 3: Indicators report proposed by NPFI & NPFI position statement in relation to structural adjustment**

In September 2017 NPFI provided the Commission with a draft report on bio-economic indicators to monitor fishing capacity with an objective to maintain a biologically and economically sustainable fishery. It is expected that this information would provide fishery trends to inform investment in the fishery and early warning to AFMA and industry to develop structural adjustment risk strategies.

This agenda item sought advice from the EWG on a management approach of using bio-economic indicators (agreed by the NPFI, NPRAG and NORMAC) to monitor trends in the fishery and proposed triggers to initiate structural adjustment of the NPF as required.

The EWG agreed that the NPFI proposed bio-economic indicators were appropriate (with minor clarifications) to monitor trends in the fishery. The EWG noted that the following triggers for structural adjustment, they were proposed as follows:

- A minimum Net Economic Return (NER) (Total Fishery Profit).
- A combined minimum headrope per SFR for quad gear or headrope length for twin gear AND the minimum number of fishing days of the banana prawn season and in the tiger prawn season.

The EWG agreed that the proposed NPFI bio-economic indicators triggers were appropriate with minor changes as follows:

- A minimum Net Economic Return (Total Fishery Profit) of \$5 million/annum (in real terms).
- A combined minimum of 6cm headrope per SFR for quad gear or 6.6cm headrope length for twin gear AND the minimum number of fishing days of 44 days in the banana prawn season and 92 days in the tiger prawn season.

In addition to the above indicators, the EWG recommended that some secondary indicators should be monitored (without having triggers), such as average NER per boat, lease price/sale price, a proxy for excess capacity – comparing the number of boats and days fished with maximum available.

The EWG agreed that the NPFI proposed process was appropriate with minor changes (Attachment B).

EWG recommended adding a fourth step to the 3 step process noting the results will be monitored by RAG and further action taken if needed. The intent is to give the proposed adjustment time to take effect with measurable changes. The EWG did not support minimum holding as an option as it would be an impediment to trade/autonomous adjustment. The meeting noted that this view was consistent with the Kompas/Spring 2015 report on structural adjustment for the NPF. It was noted that minimal holdings could be considered as a last-resort action to facilitate adjustment.

### **Agenda Item 3 Actions**

The EWG agreed with the NPFI proposal with minor amendments and recommended that the MAC and RAG review the triggers annually to see if any of the criteria are individually breached, noting that the RAG routinely reviews effort levels and utilisation to assess performance over time.

### **Agenda Item No. 4: AFMA Key Performance Indicator review – progress to date**

The Economic Working Group (EWG), in its previous meeting on 10th April 2018, considered proposed amendments to current economic key performance indicators (KPIs) by fishery as well as six proposed new economic indicators. The EWG suggested undertaking a trial to estimate and verify **data availability** and measurability of the proposed amendments and new indicators.

The EWG noted that AFMA, in collaboration with ABARES, has commenced an audit of the key fisheries economic indicators, including progress to date. The EWG was presented with an overview of some data that are available from ABARES published reports.

The EWG discussed a number of different high level economic key performance indicators for AFMA Management to report to the AFMA Commission on a regular basis. The EWG noted that not all of these indicators will be available for all fisheries. In some fisheries only one or two indicators will be available. Only one or two critical indicators may be needed to make a decision. The EWG discussed various indicators that AFMA management could provide to the AFMA commission. The EWG agreed to develop and refine the economic indicators out of session. The EWG also recommended that in addition to high level indicators for the AFMA commission AFMA should collect other economic data and develop other 'operational' fisheries economic indicators in collaboration with fishery RAGs to be used by RAGs to understand the economic situation in a specific fishery and to inform the RAG/MACs when providing economic advice (for example monitoring for economic based changes in targeting behaviour as discussed in Agenda item 6).

### **Agenda Item 4 Actions**

- a. The EWG recommended that AFMA continue to collaborate with ABARES on economic indicators, including using unpublished ABARES data.
- b. The EWG recommended that as a part of an economic data needs process, a standard economic data reporting template be developed in collaboration with fisheries managers and RAGs.

AFMA to develop economic data/indicators reporting template for fisheries.

c. The EWG will develop and refine indicators.

## **Agenda Item No.6: Monitoring Economic Factors that Drive Targeting Behaviour in Fisheries.**

AFMA has asked the EWG to provide advice about potential indicators for monitoring economic factors that are driving targeting behaviour of fishers. Specifically, using revenue per unit effort (\$PUE) or other economic indicators that include input prices, output prices and catch per unit effort (CPUE).

The EWG noted the indicator approaches developed by the Forum Fisheries Agency (FFA) and used in the Western and Central Pacific Fishery Commission that integrate changes in economic factors (costs and returns indicators) with changes in CPUE (a proxy “returns” indicator).

The EWG discussed the merits of using these types of indicators to inform management decisions, including the development of species specific indicators (in some fisheries, where relevant) that might help explain shifts in species targeting in fisheries.

The EWG agreed that using economic indicators that included changes in fishing cost, revenue and/or CPUE would be beneficial in helping understand targeting behaviour and could help inform CPUE standardisation and TAC setting decisions in some cases. The advantage of these types of indicators are that they have the potential to be “in-season” and relevant to recent/current economic conditions in fisheries.

### **Agenda Item 6 Actions**

AFMA Management work with ABARES and fishery RAGs/MACs on developing and reporting on relevant demand driven economic data that help illustrate economic factors which may influence fisher targeting behaviour.

## Agenda Item No. 7: Economic performance of the Bass Strait Scallop Fishery

AFMA asked the EWG to provide advice about how to integrate economic information into the TAC setting process for the Scallop fishery to maximise the net economic returns to the BSCZSF fishery.

The EWG noted that the set of existing economic data collected (annually) by ScallopMAC, with the addition of more fine scale information on beach price, would support an analysis of the economic performance of the fishery.

The EWG recommended that an analysis estimating MEY be performed from available data (or using proxies) as well as finer scale beach price information, assuming a random stock size. EWG recommend that stop fishing in-season triggers should not be pursued at this point given some concerns about the validity of this approach in a quota-managed fishery.

### Agenda Item 7 Actions

- a. AFMA to commission an analysis to estimate MEY in the Bass Strait Scallop Central Zone Scallop fishery. The outcome will be used by AFMA to inform TAC setting. Analysis to be completed by 31 May 2019.
- b. To support the MEY analysis, AFMA management to seek beach price and quantity sold weekly for as far back as possible (or whatever is available) from processors.
- c. AFMA Management to request from fishers their operating costs (e.g. operating cost per unit of effort) and how it changes through the season to support ground truthing of information relating to costs.
- d. AFMA Management to undertake an analysis of the holdings/licences held by Bass Strait Scallop SFR holders in other fisheries (State and Commonwealth).

## Agenda Item No. 8: Quota price filtering/cleaning

AFMA introduced mandatory reporting of quota and gear Statutory Fishing Rights (SFRs) trading price in July 2017. The price information will be used to inform management decisions.

AFMA sought advice from the EWG on quota transfer and lease price data cleaning methods to detect/flag errors and inconsistencies.

The EWG recommended filtering the quota price data by removing points more than two standard deviation away from the mean of all of the prices for that SFR type then re-running the standard deviations calculation and again removing points more than two standard deviations away from the mean. The EWG also recommended that AFMA try other methods and choose a method based on their performance.

## **Agenda Item 8 Actions**

AFMA Management to trial the EWG recommended quota price cleaning/filtering method and other methods and report findings back to the EWG for further advice.

## **Agenda Item No.10: Other Business**

A project scope for a proposed FRDC project on Network analysis of quota markets was presented to the EWG for advice / endorsement. Given that case studies were to be drawn from Commonwealth fisheries, the EWG endorsed the project scope, noting its value with caveats about the limited ability of managers to address issues of market failure.

The EWG chair to provide a letter of support from the EWG for the network analysis project scope.

An update on ABARES resource sharing workshops was provided to the EWG. The EWG noted that ABARES would hold a second workshop on resource sharing by June, 2019.

The EWG briefly discussed the Benefit Cost Analysis (BCA) of Individual accountability for discards of quota species report.

## **Agenda Item 10 Actions**

Dr Sarah Jennings would report back to the SEMAC on BCA of individual accountability for discards. Dr Sarah Jennings encouraged AFMA to discuss likely changes in industry behaviour with industry when conducting BCA in the future.

**Next meeting:** TBA