

Economic Working Group

Meeting 1 – Meeting Minutes

16 December 2015 9am – 3:45pm

AFMA, Canberra



Australian Government

Australian Fisheries Management Authority

UNCLASSIFIED

Introduction and Welcome

Introduction and apologies

The Economic Working Group (EWG) Chair, Beth Gibson, opened the meeting at 9:05am and welcomed participants. The Chair took the opportunity to outline a brief history of the role of the economic members on fishery Resource Assessment Groups (RAGs) and highlight that this is an opportunity for the EWG to provide AFMA with the feedback on what has been working and where improvements could be made.

The Chair noted that the EWG was informal at this stage. AFMA is hoping to hold another meeting by the end of this financial year, at which time the continuation and formalisation of the EWG will be considered. The Chair asked EWG participants to consider a possible chair, if the EWG is formalised.

Declaration of interests

The Chair asked participants to declare any conflicts of interest, pecuniary and otherwise, with items of the Agenda. All participants expressed that there were no conflict of interests while introducing themselves (Table 1).

Table 1. EWG declaration of interest

Participants	Declared interest
Dr James Findlay	AFMA CEO. No pecuniary interest.
Beth Gibson	Acting Chair. AFMA employee. No pecuniary interest.
Dr John Tisdell	Economic member for TTRAG and GABRAG. No pecuniary interest.
Dr Sarah Jennings	Economic member for SESSF and SlopeRAG. No pecuniary interest.
Dr Tom Kompas	Economic member for NPFRAG. No pecuniary interest.
Dr Robert Curtotti	Economic member for SquidRAG and Shelf RAG. No pecuniary interest.
Dr Sean Pasco	Economic Expert, CISRO. Research provider involved particularly in economic research funded through FRDC, but considered that this did not create a conflict with the EWG. No pecuniary interest.
Dr James Innes	Economic Expert, CISRO. No pecuniary interest.
Dr Nigel Abery	AFMA employee. No pecuniary interest.
George Day	AFMA employee. No pecuniary interest.
Steve Bolton	AFMA employee. No pecuniary interest.
Vyt Vilkaitis	AFMA employee. No pecuniary interest.
Steve Shanks	AFMA employee. No pecuniary interest.
Sally McCarthy	AFMA employee. No pecuniary interest.
Sandra Sharma	AFMA employee. No pecuniary interest.

Opening & welcome

The AFMA CEO welcomed participants. Dr Findlay noted that, historically, RAG meetings in most fisheries have typically spent considerably more time on biological/ environmental issues than economics. He advised that the AFMA Commission is keen to increase the amount of economic advice it receives from the RAG and hoped that the meeting will provide an opportunity to help AFMA improve it's economic engagement. The CEO also outlined the diverse nature of Commonwealth fisheries and recent developments.

Adoption of Agenda

The EWG noted the draft agenda (Attachment 1) and the Chair asked if there were any additional items.

The Chair requested to move agenda item *1.7 Maximum Economic Yield and its applications in fishery* to before lunch, to provide the opportunity for Dr Tom Kompas to participate in the discussion.

All agreed and no new items were added.

The use of a recorder was noted. The Chair sought comments and noted that the recording was only to be held until the minutes were finalised. No comments or objection were made.

Review the participation of economic members on AFMA's RAGs

1.1 Statement of Economic Working Group (EWG) scope of operation

AFMA outlined the scope of the EWG. AFMA reiterated the opportunity for the EWG to present recommendations to the Commission to enhance the inclusion of fisheries economics in management and improve consistency across RAGs.

Action 1: AFMA will provide key outcomes and recommendations of EWG to the AFMA Commission

1.2 Role and advice from economic members on AFMA's RAGs

AFMA sought discussion and information on common issues experienced by the economic RAG members in the 3 years that they have been on AFMA RAGs.

There were general discussions on economic data, Maximum Economic Yield (MEY), undercaught Total Allowable Catch (TAC), fleet inefficiency and investment in the fleet. Market constraints, transparency and onshore factors were also discussed. More details can be found under relevant agenda items.

There were common themes expressed by several RAG members including:

- A concern that the RAG structure is still mainly focused on the biological sciences and there continues to be resistance to integrating economics into key recommendations beyond the used of targets or proxies from the Commonwealth Harvest Strategy Policy (CHSP).

- A preference by RAGs to refer economic matters to the Management Advisory Committees (MACs), considering them to be economic issues
- A lack of data and time provided to undertake analysis prior to engagement
- Industry members generally welcome having an economics member on the RAG, recognising the business side of fisheries. However, the purpose of the economist role is misunderstood at times.
- Concern about the availability of data and the setting of accurate MEY targets, instead of proxies; although it was recognised that this may not be possible in low value fisheries.

Recommendations:

- a) AFMA should address gaps in on price elasticity and economic data, particularly in the NPF
- b) Economic data, where possible, should be provided to the Economic RAG members in adequate time to provide advice
- c) AFMA should consider including analysis of the robustness of the MEY target in each fishery, particularly for NPF Banana prawns
- d) AFMA should consider using the NPF economic data template in other fisheries to collect economic data such as price, revenue, costs
- e) AFMA needs to focus on optimising efficiency in fisheries as well as setting MEY targets.
- f) RAGs should include members from the whole of the seafood chain (eg, fishers and processors)
- g) AFMA should clarify the role of the economist in RAGs and emphasis that economics is as important as biology in managing a fishery
- h) AFMA should consider whether additional participation or observer attendance of economic experts on MACs would be beneficial
- i) AFMA should consider to continue and formalise the EWG.

Action 2: EWG to develop a list of questions and issues on which further advice could be sought from RAGs including:

- a. How to factor in consideration of biological, economic and social trade-offs for different stock rebuilding paths?
- b. Should RAGs routinely include members from the whole of the seafood chain (eg, fishers and processors)?
- c. Should economists play a role in MACs as well as RAGs?
- d. Need to check robustness for MEY and efficiency for Banana prawns
- e. Need to investigate price elasticity in the NPF
- f. Need to investigate optimising efficiency in fisheries
- g. Need to investigate the reasons for undercaught TACs (Policy, EWG)

Action 3: Consider whether other fisheries should collect similar economic data to the NPF (such as price, revenue, costs). Investigate whether the NPF economic data template could be shared with other fisheries.

Action 4: AFMA to confirm if Sydney fish market prices can be provided to RAGs.

1.3 Key economic issues arising across AFMA and most important issues for AFMA to work through

The EWG discussed the economic issues that were viewed as priorities for AFMA, noting that AFMA can influence some economic factors more than others.

Recommendations

AFMA's list of priority economic issues should include:

- a. Ensure the appropriate economic targets are set and are flexible enough to optimise efficiency in the fishery and respond to changes in the market
- b. Develop the right economic incentives
- c. Promote efficient quota markets
- d. Develop a better understanding of the economic environment of AFMA fisheries
- e. Investigate the reasons for uncaught TACs.

Action 5: AFMA to present the EWGs list of priority economic issues to the Commission.

Action 6: AFMA to seek a draft copy of Dale Squires' paper on Input and Output controls to circulate to the participants of the EWG.

1.4 Collection of Quota price information

AFMA advised the EWG that it will soon be collecting quota trading price information. AFMA sought advice on what information should be collected in addition to that already proposed. AFMA also noted that it had proposed that only aggregated data of trades with 5 or more buyers and 5 or more sellers would be released to the public.

AFMA staff summarised advice provided through discussion with water trading agencies. EWG members provided information on their experience in water trading schemes. The mechanisms to reduce market failure, such as trading boards, were discussed at length. It was also recognised by EWG that trading of SFRs may occur in packages with boats, swaps for other quota or non-financial trades. It was agreed that where the estimated price of a traded quota was not provided on a quota trading form and an inter-party trade had taken place, other trades occurring around this time could reflect the price that the inter-party traded quota should have traded for.

Recommendations

- a. Quota price information should be collected at the detailed level (that is, individual trade information). AFMA could use confidentiality agreements for analysis, and publish aggregated data that does not identify individuals (eg, 5 trade rule).
- b. Collecting quota price information is considered useful including the collection of the transfer price and a way to identify if the trade was an interparty trade.
- c. Interparty trades should be verified, where possible, and the data treated as distinct from other price data.

- d. Further consultation is required on what economic data is being collected and what could be collected, including the estimated value of the quota being traded or the estimated value of the other items in a package.
- e. Collect other useful information for each trade, for example postcode and fishing sector. This information can help identify constraints to trade.
- f. Provide as much transparency as possible for quota trading.

Action 7: AFMA to consider if collecting postcodes and fishing sector information can be collected with each trade.

Action 8: AFMA to investigate if interparty trades can be ascertained or verified.

1.5 AFMA Economic KPIs

AFMA sought advice on the application of economic performance measures for a diverse range of fisheries, including small fisheries and international fisheries. AFMA noted that currently the top 30 species by GVP are being used, some of which are not managed by AFMA.

Recommendations

- a. The EWG supported reporting economic performance on a fishery by fishery basis.
- b. International stocks should be reported separately. For international stocks, AFMA could consider reporting on effective participation in RFMOs and institutional factors such as secure property rights.
- c. AFMA could consider using the following performance measures:
 - Institutional factors such as secure transferable property rights, number of complaints, level of trading, investment into the fishery. The details of the economic environment would also be useful to identify any external factors that may influence these measures.
 - Capacity utilisation measure as a relative measure
 - Trends in quota prices and ratio of lease to sale price (this reflects confidence in the value of the fishery).

Action 9: AFMA to investigate using the EWG recommended performance measures in the future.

1.6 Optimal uses of fisheries resources including uncaught TACs

AFMA sought comments on the trend of uncaught TACs and advice on the economic drivers and the economic implications. The topic was discussed under other agenda items throughout the day. The EWG agreed that while AFMA should still investigate the drivers behind this

trend, not fully catching a TAC may reflect market changes. AFMA noted that there are planned projects to investigate the reasons for uncaught TACs.

Recommendations

- a. It is useful to investigate the reasons for uncaught TACs, noting that there may be a variety of reasons, including changing demand or a need to test the robustness of MEY estimates
- b. Collect and analyse economic data to gain a better understanding of the economic environment and behaviours of operators
- c. Use the best tools and available information to calculate MEY, considering cost effectiveness
- d. It may be appropriate for the costs associated with managing Threatened, Endangered and Protected (TEP) interactions to feed back to MEY values, and this could provide incentives to minimise these interactions.

Action 10: Support research into reasons for uncaught TACs.

Action 11: AFMA to circulate paper co-written by EWG members Sarah Jennings, Sean Pascoe, James Innes and others on *Mitigating undesirable impacts in the marine environment: a review of market-based management measures*.

1.7 MEY and its application in fisheries

EWG discussed the current process for establishing MEY. There was agreement amongst the RAG members that the current MEY calculations could be improved with more information, such as price elasticity. It was noted that many of the fisheries only had proxy MEY targets. However, it was recognised by the group that MEY calculations for some fisheries would not be cost effective. The group discussed the complications surrounding multispecies fisheries and calculating MEY for those fisheries. The incorporation of other sectors into MEY calculation, such as recreational and indigenous fishers, was discussed. There was an understanding reached that effects on the community would require a whole of Government approach at a regional level, which may be beyond AFMA's mandate.

Recommendations

- a. AFMA should consider incorporating price elasticity and consumer impacts into MEY targets in order to maximise fishery and consumer benefits.
- b. Incorporate checks on the robustness of MEY calculations.
- c. That a single proxy may not be appropriate and a combination of different proxies for different species may be preferable.
- d. It may be more cost effective to manage and analyse only 5 or so key species in a fishery and monitor other species.
- e. EWG recommended a staged approach to tackling MEY calculations with the following priorities;
 1. Multi species modelling
 2. Incorporating consumer effects such as price elasticity

3. Incorporating information on multiple sectors and the flow on effects to these sectors, including community impacts.

Action 12: EWG to postpone discussion on Dr Cathy Dichmont's tier model until the paper is released for the FRDC and CSIRO funded project *Operationalising the risk-cost-catch trade-off*

Action 13: AFMA to investigate the feasibility of incorporating price elasticity and consumer impacts into models.

Action 14: AFMA to seek the draft paper by Professor Tom Kompas on MEY modelling for tuna fisheries in the Pacific region to circulate to EWG participants.

1.8 Economic data AFMA should collect and report

The types of data, the limitations on that data and data collection processes were discussed. The EWG agreed that ABARES surveys provided good quality data but recognised the limited number of fisheries surveyed and time delay with the data collection process. The group was unsure of the details of all the effort data that AFMA collects. The cost of obtaining current data was also reiterated. AFMA's e-monitoring programs and the promotion of e-logbooks may provide additional data.

Recommendations

- a. Catch and effort data is required, such as size of vessel, engine power, age of fleet and crew number.

Action 15: EWG will consider AFMA's specific economic data needs and discuss these at the next meeting

1.9 Economic incentives to reduce environmental impacts/ environmental offsets

A range of options were discussed including tradable quota of bycatch, group payment prompting peer group pressure, fee reduction for good behaviour, offset schemes, restriction on access to areas and accreditation for good behaviour. It was suggested that penalties could increase in increments for categories of adverse activity. It was recognised that any incentive would need to be acceptable biologically, legally and socially, and focussed preferably on individual operators.

Recommendations

- a. Agreed that economic incentives would be beneficial to drive positive change.
- b. Recommended that a combination of both positive and negative incentives could be effective, with the use of positive incentives being a preferred action.

Action 16: EWG will investigate possible economic incentives at the next meeting.

AFMA Economic Working Group
AFMA, 73 Northbourne Ave, Civic, ACT, 2600
16 Dec 2015 (commencing at 9 am)

AGENDA

Time	Item	Presenter
9:00 am	Welcome	Chair
Review the participation of economic members on AFMA's RAGs.		
9:05 am	1.1 Statement of the Economics Working Group (EWG) scope of operations	AFMA Management
9:30 am	1.2 Role and advice from economic members on AFMA's RAGs	AFMA Management
Provide economic advice to AFMA		
10:00 am	1.3 Key economic issues arising across AFMA and most important issues for AFMA to work through	AFMA Management
10:45 am	Morning tea	
11:00 am	1.4 Collection of Quota price information	AFMA Management
11:30 am	1.5 Economic Key Performance Indicators for AFMA	AFMA Management
12:30 pm	Lunch	
1:00 pm	1.6 Optimal utilization of fisheries resources including Uncaught TACs	AFMA Management
1:45 pm	1.7 Maximum Economic Yield and its application in fisheries	AFMA Management
2:15 pm	Afternoon tea	
2:45 pm	1.8 Economic data AFMA should collect and report	AFMA Management
3:45 pm	1.9 Economic incentives to reduce environmental impacts / Environmental offsets	AFMA Management
4:15 pm	Close	Chair