

# Economic Working Group

Meeting 1 - Minutes

10 April 2018 9:30am – 3:30pm

AFMA, Canberra



Australian Government

Australian Fisheries Management Authority

**UNCLASSIFIED**

## Chair

Mr Ian Cartwright

## Participants

Members: Beth Gibson, AFMA member; John Tisdell, economic member for TTRAG and GABRAG; 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

AFMA invited participants: Nick Rayns, Nigel Abery, Abul Bari, Sally McCarthy, George Day, Steve Bolton, Tod Spencer, Mike Gerner and Mathew Daniel

## Apologies

Members: Tom Kompas

AFMA invitees: Ryan Murphy, Trent Timmiss, Don Bromhead.

ABARES Invitee: Anthony (Andy) Moore

## Introduction and welcome

Mr Ian Cartwright opened the first meeting of the formalised Economic Working Group (EWG) at 9:30 am as the inaugural Chair. The Chair welcomed participants and reminded all that AFMA was making an audio recording of the meeting to facilitate preparing minutes. (Note: When the minutes have been completed, the recording will be destroyed.)

The Chair then requested the members and other invitees to introduce themselves.

## Adoption of Agenda

The EWG confirmed the agenda (**Attachment 1**) and no new item was 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 10 April 2018**

Participants	Role with AFMA or other organisation	Declared interest 10 April 2018
Mr Ian Cartwright	Member AFMA Commission	No pecuniary interest
Dr Julian Morison	Director EconSearch	Works on FRDC funded projects. No pecuniary interest
Dr Caleb Gardner University of Tasmania	Member SPF Scientific Panel Director Sustainable Marine Research Collaboration Agreement (UTAS-Tasmanian Government) Director Southern Rock Lobster Ltd.	No pecuniary interest
Dr John Tisdell University of Tasmania	Economic member for Tropical Tuna (TT) Resource Assessment Group (RAG) and Great Australian Bight (GAB) RAG	No pecuniary interest
Dr 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. Occasional research provider with specific conflicts to be declared on case by case basis.	Involved in FRDC/AFMA SESSF undercaught TAC project No pecuniary interest
Dr Tom Kompas Australian National University	Economic member for the Northern Prawn Fishery RAG (NPFRA). Research provider involved particularly in economic research funded through Commonwealth Scientific and Industrial Research Organisation (CSIRO) and FRDC, but this does not create a conflict with the EWG.	Absent
Mr Robert Curtotti Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)	Economic member for SquidRAG and SharkRAG.	Works on ABARES research projects No pecuniary interest
Dr Sean Pascoe CSIRO	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.	Works on AFMA and FRDC funded research projects No pecuniary interest
Beth Gibson	Senior Manager PEER AFMA member on EWG	No pecuniary interest

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

EWG members noted progress/status of the action items of last meeting of the informal EWG, held on 13 September 2017 (Table 2).

**Table 2. On-going work from the EWG meeting 13 September 2017**

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.	<ul style="list-style-type: none"> <li>- Northern Prawn Fisheries (NPF) indicators draft paper was not available before 10 April 2018 meeting, but expected to be available shortly afterwards.</li> <li>- <b>Action 1:</b> Once available the paper will be distributed to the EWG members with a request for out of session review/ comments within two weeks.</li> </ul>
Action 2: AFMA to consider incorporating behavioural economics issues into EWG work program, organise a presentation from Behavioural Economics Team of the Australian Government (BETA) and explore opportunities for BETA and AFMA to work together in the future.	AFMA is exploring specialised staff training in behavioural economics as well as workshops on case studies.
Action 3: EWG to review and comment on the draft ToR of formalised EWG and proposed EWG work program within two weeks of receiving the draft documents.	The EWG draft ToR was presented at this meeting for confirmation.
Action 4: AFMA Management will update the draft EWG work program to include scoping and developing a project proposal for an Economic Risk Assessment during 2017-18 & 2018-19.	The work program 2017-18 and 2018-19 was presented at this meeting for consideration.
Action 5: EWG to consider inviting external fisheries economists, to participate as observers in future EWG meetings, as a mechanism to build capacity and facilitate succession.	Included in the draft ToR with opportunities to invite external fisheries economists at EWG meetings.
Action 6: AFMA Management to circulate the latest ComRAC high priority scoping paper on multispecies MEY to EWG for comment by 29 September 2017 so they can be considered at the next AFMA Research Committee (ARC) and ComRAC meetings.	EWG comments were sent for consideration at the 9 Oct 2017 ARC meeting.
Action 7: DAWR to include EWG in their targeted consultation workshop on the draft HS Guidelines, which is scheduled for November 2017.	EWG members were invited to participate in the DAWR workshop.

<p>Action 8: Given that multispecies MEY research is a work in progress, the EWG needs to remain involved in the project's development and seek a member on the project Steering Committee of the proposed project currently under ComRAC consideration.</p>	<p>Informed ARC Secretariat for actions.</p>
<p>Action 9: As part of its feedback on the project scope of the multispecies MEY currently under ComRAC consideration, the EWG sought that the current emphasis of multispecies MEY research on the SESSF needs to be expanded to include less complex multispecies fisheries.</p>	<p>Informed ARC secretariat for actions. PEER will pursue the issue further.</p>
<p>Action 10: A case study to estimate price elasticity of SESSF fishery as a separate piece of work in parallel with the current MEY study will be scoped by AFMA with inputs from EWG members.</p>	<p>A project proposal put to COMRAC (an FRDC project) by Dr Pascoe.</p>
<p>Action 11: In the process of amending AFMA's current economic KPIs by fishery, consider removing the word 'Maximum' from the phrase "a) Maximise the number of key commercial stocks with harvest strategy targets based on maximum economic yield or the best available proxy" of the current economic indicators.</p>	<p>Will propose to Commission when the final proposal on revised economic KPIs presented for consideration.</p>
<p>Action 12: The EWG commented on the draft KPIs and suggested the following changes to be made by AFMA</p> <ul style="list-style-type: none"> <li>- prioritise 'ratio of lease to transfer price of quota' and 'ratio of NER to estimated NER at MEY' subject to data availability as additional indicators;</li> <li>- continue to review and amend 'quota values' to read 'trend in transfer value of quota'</li> <li>- continue to review and amend 'ratio of fisheries GVP to AFMA management cost' to read 'ratio of per cent change in fisheries GVP to per cent change in AFMA management cost';</li> <li>- further review 'fleet capacity utilisation' and 'average NER per boat (productivity only)'; and</li> <li>- do not continue with 'latency' and 'ratio of asset value to gross earnings'.</li> </ul>	<p>Updated the KPI discussion paper incorporating the EWG suggestions. Trials of the proposed KPIs are conducted where data available.</p>
<p>Action 13: AFMA will review Fishwell Consulting study on patterns of discards, if available, to identify and consider any relevant information that might be useful for the CBA.</p>	<p>Fishwell study reviewed and considered / incorporated the relevant points in the CBA draft report</p>

## **Agenda Item No. 4: Confirm EWG Terms of Reference (ToR) and work program 2017-18 & 2018-19**

The EWG draft terms of reference (ToR) were considered and confirmed as the final ToR, subject to clarification of the link between the EWG and AFMA Management with respect to research needs/advice in the 'flow of advice chart'.

The work program 2017-18 & 2018-19 was agreed by the EWG. The program will be reviewed after one year.

The EWG was informed that economic members on RAGs wished to have their roles more clearly defined. It was also agreed that there was a need for an opportunity to formally include economic considerations at each RAG meeting.

### **Agenda Item 4 Actions**

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.

Action 3: AFMA to update FAP12 to clarify further the role of economists within the RAGs.

Action 4: A standard item on economic aspects (of the fishery) to be included on each RAG agenda

## **Agenda Item No. 5: AFMA's Key Performance Indicator review**

AFMA is reviewing its economic KPIs that are reported against in the Corporate Plan and Portfolio Budget Statements and investigating other economic KPIs that can help AFMA track economic conditions in its fisheries.

AFMA presented the proposed amendment of the main economic indicators and draft six new indicators for discussion by the EWG members.

The EWG agreed to the amendments of AFMA's main economic indicators that AFMA reports on in its Annual Report, Corporate Plan and Portfolio Budget Statement. AFMA will replace the current indicators that report on the top 30 stock/species, based on gross value of production, by indicators that report on the fisheries with management plans and have economic or other targets in their harvest strategies. The members noted that

- currently 10 fisheries operate under management plans, of which five are managed solely by AFMA, the remainder under international agreements;
- three fisheries have economic targets based on maximum economic yield (MEY) and estimation of fishery MEY for SESSF is currently being researched;
- the target reference points (TRP) of other fisheries are based on either international agreements, or ecological or stock recovery considerations;
- these different reference points need to be considered while deriving the main economic indicators by fishery.

The EWG members discussed the proposed six indicators in detail including other possible indicators like market capitalisation of quota units instead of their market price to measure the size of the fishery, total lease value as proxy for economic yield, lease price as a per cent GVP as measure of private rents and efficiency. The members also suggested to document objectives and rationale of the proposed indicators more clearly.

Other important issues discussed were:

- while reporting the trend in transfer value of quota it needs to be noted that the transfer market may be very thin;
- need to ensure that the indicators remain relevant and acceptable by the stakeholders;
- regularly updating secondary data like fuel price, exchange rate is important;
- AFMA needs to be engaged with the stakeholders for cooperation during data collection.

Finally the EWG agreed to consider the proposed following indicators as and when data to estimate these indicators are available. Among these a few can be considered as primary indicators and the others as secondary.

- a) Ratio of lease to transfer price of quota – AFMA commenced collecting data on quota prices and is expected to be available to calculate the ratio after July 2019.
- b) Ratio of NER to estimated NER at MEY – Net economic return (NER) data on major fisheries are available from ABARES publications. A methodology to estimate at fishery MEY or other TRP needs to be developed.
- c) Trend in transfer value of quota – AFMA commenced collecting data on quota prices and is expected to be available after July 2019. A number of years (say 5 years) data will be required to report a statistical trend.
- d) Ratio of change in fisheries GVP to change in AFMA management cost – the ratios on major fisheries (CTS and GHT of SESSF, NFP and ETBF) can be derived based on ABARES published survey estimates.
- e) Average NER per boat – the indicator on major fisheries (CTS and GHT of SESSF, NFP and ETBF) can be derived based on ABARES published survey.
- f) Fleet capacity utilisation – the data on potential catch by vessel needs to be estimated through modelling to derive fleet capacity utilisation.

The EWG discussed data needs to determine the performance of AFMA's fisheries, potential ways this data could be collected and how other jurisdictions such as South Australia collect such data.

### **Agenda Item 5 Actions**

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 "maximising the net economic returns to the Australian community from the management of Australian fisheries". The results will be provided to the EWG.

## **Agenda Item No.6: Cost Benefit Analysis of individual accountability for discards of quota species.**

AFMA's Quota Administration Policy states that AFMA will monitor opportunities to introduce individual accountability where it is cost-effective to do so, for example where increased at sea monitoring is being introduced as part of ongoing management. AFMA undertook a cost benefit analysis (CBA) in the Eastern Tuna and Billfish Fishery (ETBF) and Gillnet, Hook and Trap (GHAT) Fishery (where e-monitoring operates) to determine if the management of discards based on individual accountability is currently cost effective in those fisheries. The CBA indicated that under the assumptions in the report it is cost effective to implement individual accountability in the ETBF but not in the GHAT. However there may be issues in the ETBF, for example, international fisheries arrangements, which may impact on the capacity to introduce individual accountability for discards.

The EWG noted the completion of Cost-Benefit Analysis of Individual Accountability for Discards against Quota. It suggested some changes to update the report. AFMA will now finalise the report and consider a future course of action.

### **Agenda Item 6 Actions**

Action 6: AFMA will update and finalise the draft CBA report.

## **Agenda Item No. 7: Quota Undercatch & Overcatch provisions – impact on economic efficiency of the fishing fleet**

AFMA's Quota Administration Policy states that AFMA will review the undercatch and overcatch arrangements after the review of the Commonwealth Harvest Strategy Policy and the implementation of the 28 day quota reconciliation arrangements. AFMA reviewed the undercatch and overcatch arrangement, including feedback from stakeholder consultation and economic advice from ABARES.

AFMA presented the background and sequence of developments, details of ABARES advice and industry views and sought further economic advice from the EWG.

The EWG discussed relevant issues and agreed with the advice from ABARES that undercatch and overcatch provide economic benefits by allowing flexibility for industry to balance quota at the end of the fishing season and suggested retention of the existing undercatch and overcatch arrangements.

## **Agenda Item No. 8: AFMA specific questions to be included on the ABARES recreational fishing socio-economic survey**

ABARES is undertaking a national recreational fishing survey on socio-economic aspects of recreational fishing (the survey excludes estimating catch and effort). ABARES provided the opportunity for AFMA to include up to six questions in the survey to obtain data that it is not able to get from other means. The EWG was asked to provide advice about the economic data that could be obtained through that survey.

AFMA presented a set of draft questions developed through internal consultation. The EWG considered those question and recommended the following basic questions to be included in the proposed ABARES national survey recreational fishing. These questions will be rephrased by ABARES for inclusion in the survey.

1. Do you fish beyond 5 km offshore? (>3 nautical miles are Commonwealth waters). If yes, where did you go during the past 12 months and why?
2. What proportion of the total fishing time do you fish in water beyond 5 km offshore?
3. Which of the species listed do you target? (from a list of common Commonwealth species)
4. What species do you catch more often in the Commonwealth waters?
5. To what extent do you believe commercial fishing in your target area affects your fishing efforts? What do you believe are the impacts?

### **Agenda Item No.9: Economic risk assessment project proposal**

AFMA presented a project concept to undertake a risk assessment of factors that could impact the economics of AFMA fisheries. An expected outcome from this project is development of a forward looking, evidence-based economic risk assessment framework that will allow AFMA and industry to better manage the economic risks inherent in the complex and uncertain environment in which Commonwealth fisheries operate.

The EWG considered the proposal as work in progress and suggested to work narrowing down the scope, identifying the risks that are AFMA's responsibility, and justifying how the outcome can influence management decisions.

#### **Agenda Item 9 Action**

Action 7: AFMA will continue to work on the proposal on Economic Risk Assessment Framework based on the EWG suggestions.

### **Agenda 10: Multispecies maximum economic yield (MEY)**

Dr Sean Pascoe provided an update on progress of work on developing Multi-species MEY targets. This was a FRDC funded project and developed a bio-economic model based on SESSF.

The EWG noted that the results of the project will be utilised in the next research project into multi-species MEY which is intended to produce multi-species fisheries MEY targets that can be used in the SESSF. EWG suggested that a plain English summary be prepared for circulation to MACs and RAGs.

#### **Agenda Item 10 Action**

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.

## Other Business

AFMA is considering incorporating behavioural economic techniques to improve fisheries management outcomes in some cases. AFMA provided an update on this issue.

In addition EWG suggested that it may be appropriate to invite an industry participant at the next EWG meeting to provide relevant expertise and engagement.

### Agenda Other Business Actions

Action 9: AFMA to invite an industry participant at the next EWG meeting to provide relevant expertise and engagement.
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Next meeting:           Teleconference in July 2018

                                  Face to face meeting in October/November 2018

## Attachment A

### Economic Working Group 10 April 2018 - Confirmed Agenda

#### Objective:

Assist AFMA to pursue its objective: maximising the net economic returns to the Australian community from the management of Australian fisheries.

Date	10 April 2018, Tuesday
Time	9:30 am – 3:30 pm
Location	Aquarium L6, AFMA Canberra
Chair	Mr Ian Cartwright
Expected attendees	Members: Sean Pascoe; Sarah Jennings; Thomas Kompas; Robert Curtotti, John Tisdell, Julian Morison, Caleb Gardner, Beth Gibson  AFMA invited participants: Nick Rayns, Nigel Abery, Abul Bari, Sally McCarthy, George Day, Steve Bolton, Trent Timmiss, Ryan Murphy, Don Bromhead, Tod Spencer, Mike Gerner, Sally Weeks, Yvonne Zunic  Other Invited: Anthony (Andy) Moore (ABARES)

Agenda item	Speaker	Time and Action
1. Welcome, apologies and acceptance of agenda	Chair, Ian Cartwright	9:30 am (20 Minutes) For Noting
2. Declaration of conflict of interest	All	9:50 am (10 Minutes) For Noting
3. Outcomes from the last EWG (summary of action items) and progress to date	Nigel Abery	10:00 am (20 Minutes) For Noting
4. Confirm EWG Term of Reference & work plan	Nigel Abery	10:20 am (30 Minutes) For Confirmation
Tea Break		10:50 am (15 Minutes)
5. AFMA Key Performance Indicator review – progress to date	Abul Bari	11:05 am (30 Minutes) For Advice
6. Cost Benefit Analysis of individual accountability for discards of quota species – progress to date.	Abul Bari	11:35 am (30 Minutes) For Advice

Agenda item	Speaker	Time and Action
7. Quota Undercatch & Overcatch provisions – impact on economic efficiency of the fishing fleet	Nigel Abery	12:05 pm (30 Minutes) For Advice
Lunch		12:35 pm (45 Minutes)
8. AFMA specific questions to be included on the ABARES recreational fishing socio-economic survey	Anthony (Andy) Moore & Sally McCarthy	1:10 pm (30 Minutes) For Advice
9. Economic risk assessment project proposal	Nigel Abery	1:40 pm (30 Minutes) For Advice
10. Multi-species MEY research update.	Yvonne Zunic & Sean Pascoe	2:10 pm (30 Minutes) For Noting
11. Review and confirm actions and advice.	Chair	2:40 pm (35 Minutes)
12. Other Business - - application of behavioural economics to fisheries issues (to note) - any other  Close of meeting	Chair	3:15 pm (15 Minutes)

Note: AFMA will make a sound recording of the meeting for administrative purposes.