

Economic Working Group

Meeting 2 –Meeting Minutes

23 February 2017 10am – 3:00pm

AFMA, Canberra



Australian Government

Australian Fisheries Management Authority

UNCLASSIFIED

Participants

Dr Nick Rayns, Beth Gibson, Dr John Tisdell, Dr Sarah Jennings, Dr Tom Kompas, Dr Sean Pascoe, Robert Curtotti, Dr Nigel Abery, Dr Abul Bari, Sally McCarthy, Vyt Vilkaitis, Dr Ian Butler, Steve Bolton, Don Bromhead, George Day, Paul Ryan and Jo Fisher.

Apology

Dr James Innes, Ryan Murphy, Trent Timmiss, Brodie MacDonald, Brigid Kerrigan, Mathew Daniel, Andrew Powell, Nate Meulenberg and Tod Spencer.

Introduction

The Economic Working Group (EWG) Chair, Beth Gibson, opened the meeting at 10:00am and welcomed participants. After introducing herself, the Chair requested participants introduce themselves. She then outlined the role and scope of the EWG in providing expert advice on economic issues that would support fisheries management decision making.

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 John Tisdell	Economic member for TTRAG and GABRAG. No pecuniary interest.
Dr Sarah Jennings	Economic member for SESSF and SERAG. Attend SEMAC as invited participant. No pecuniary interest (Occasional Research provider with specific conflicts to be declared on case by case basis).
Dr Tom Kompas	Economic member for NPFRAG. Research provider involved particularly in economic research funded through CSIRO and FRDC, but this does not create a conflict with the EWG. No pecuniary interest.
Dr Robert Curtotti	Economic member for SquidRAG and SERAG. 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.

1.1 Welcome by Dr Nick Rayns

Dr Nick Rayns, Executive Manager Fisheries Management Branch welcomed participants. He provided an overview of the Commonwealth Fisheries, Commonwealth Harvest Strategy Policy (CHSP) and Bycatch policy reviews and some general comments about market challenges in fisheries management including changes in governance as a result of climate change, and forthcoming changes in the fisheries legislation to incorporate recreational and indigenous fisheries.

Dr Rayns encouraged the participants to come up with recommendations to provide direction and advice on economic issues for fisheries management. He also expected EWG will hopefully have some advice to assist measuring the performance of multi-species fisheries that are challenging to manage economically and ecologically.

Adoption of Agenda

The EWG noted the draft agenda (Attachment 1) and the Chair asked if there were any additional items. There was no new items added in the agenda.

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.

1.2 Outcome from the last EWG meeting and progress to date

AFMA went through all the actions identified in the minutes of the last EWG meeting and noted completed and on-going actions (Table 2).

Nick Rayns added further background on uncaught total allowable catches (TACs) and non-recovering species and the application to Fisheries Research and Development Corporation (FRDC) to further investigate the reasons behind these issues. He expressed the importance of looking at all the potential drivers, including: regime shifts, recreational catch, climate, undeclared catch, and prior overfishing. Economics of fishing is likely to play a role in this as well.

Table 2. Actions from the last EWG meeting

Action items	Status
Action 1: AFMA will provide key outcomes and recommendations of EWG to the AFMA Commission	Complete
Action 2: EWG to develop a list of questions and issues on which further advice could be sought from AFMA and/or RAGs	On-going
Action 3: AFMA to consider whether other fisheries should collect similar economic data to the Northern Prawn Fishery (NPF) (such as price, revenue, costs). Investigate whether the NPF economic data template could be shared with other fisheries.	On-going
Action 4: AFMA to confirm if Sydney fish market prices can be provided to RAGs.	Complete
Action 5: AFMA to present the EWGs list of priority economic issues to the Commission.	Complete
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.	Complete
Action 7: AFMA to consider if postcodes and fishing sector information can be collected with each trade.	Complete
Action 8: AFMA to investigate if interparty trades can be ascertained or verified.	Complete
Action 9: AFMA to investigate using the EWG recommended performance measures in the future.	On-going
Action 10: Support research into reasons for uncaught TACs.	On-going
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.	Complete
Action 12: EWG to postpone discussion on Dr Cathy Dichmont's tier model until the paper is released for the FRDC and Commonwealth Scientific and Industrial Research Organisation (CSIRO) funded project Operationalising the risk-cost-catch trade-off	Complete
Action 13: AFMA to investigate the feasibility of incorporating price elasticity and consumer impacts into models.	Considered an issue for the NFP RAG
Action 14: AFMA to seek the draft paper by Tom Kompas on Maximum Economic Yield (MEY) modelling for tuna fisheries in the Pacific region to circulate to EWG participants.	Complete
Action 15: EWG will consider AFMA's specific economic data needs and discuss these at the next meeting	On-going
Action 16: EWG will investigate possible economic incentives at the next meeting.	Complete

1.3 AFMA's Key Performance Indicator review

AFMA presented the background to AFMA's Key Performance Indicator (KPI) review, and proposed amendments of the current economic indicators as well as an additional set of KPIs. AFMA then invited discussion/comments on proposals for amended and new KPIs. After detailed deliberations the EWG considered that further work was necessary before any amendment to the current KPIs or new KPIs could be agreed. The important points emerging from the discussion were:

- a) Agreement on amending the current indicators based on fishery instead of stock/species.
- b) In the case of multi-species fisheries, which species should be considered (noting that there is a project about classifying species into key commercial, secondary commercial, by-product and bycatch under the project developing the revised Bycatch Policy).
- c) Whether to consider only the major fisheries (e.g., fisheries that have a management plan) or to include smaller fisheries with perhaps different KPIs.
- d) New KPIs should be limited to a few.
- e) New complementary KPIs should be both for AFMA's management performance as well as for industry's economic/financial performance.
- f) Further review of the pros and cons of the proposed new KPIs.
- g) Some of the proposed indicators are not appropriate for AFMA purposes e.g., gross value product (GVP) is good as an indicator of relative size of a fishery but not as an indicator to measure performance.
- h) Other KPIs were suggested, such as ratios of i) AFMA management cost to GVP, ii) Net economic return to the estimated Net Economic Return at MEY; and iii) lease price to transfer price of quota SFRs.
- i) There was some discussion on MEY. Although it is considered to be a measure of economic benefit to the Australian community, it is not clear that MEY maximises the benefit to which parts of the community. That is, the traditional way of calculating MEY is for the fishing fleet as this is where AFMA has management responsibility.

Action 1: AFMA will further review and amend proposed KPIs for EWG consideration out of session before they are adopted for the purposes of AFMA's Annual Report.

1.4 Cost Benefit Analysis of individual accountability for discards of quota species.

AFMA is developing a cost benefit analysis (CBA) for individual accountability for discards of quota species and presented four proposed scenarios to the EWG for comment: a base case reflecting existing arrangements, and other scenarios reflecting various combinations of logbook, observer and e-monitoring coverage. The EWG provided comments on

- a) Considering cost effectiveness analysis where benefits are not quantifiable;
- b) Sensitivity analysis to take into account a range of important cost and/or benefit items;
- c) Advantage of using net present value (NPV) as criteria against benefit-cost ratio (BCR) or internal rate of return (IRR);
- d) Justification of 'introducing new e-monitoring' as an option for CBA;
- e) Another possible option to use a sensitivity analysis to determine at which level of reduction in discards it the project has a net benefit. and
- f) Possible costs and benefits of fisheries under consideration.

There were questions about the actual effectiveness of electronic monitoring (EM) for supporting individual accountability, especially for smaller species in trawl fisheries. What is the cost of rolling out EM to a fishery that does not already have it? There were also questions about who is responsible for actual discards – owners, skippers or crew? It was suggested that

AFMA might provide scenarios to fishers to see benefits of individual accountability. There is a need to account for having to stop fishing as a result of catching choke species.

Action 2: AFMA will continue to work with EWG as it develops the cost benefit analysis.

1.5 Economic incentives

The EWG considered possible economic incentives to promote compliance with fishery management rules and advised to categorise the proposed incentives/dis-incentives into two groups:

- a) Fee for services to impose costs on non-compliant behaviour, and
- b) Penalties to minimise interactions with protected species and habitat.

The EWG advised AFMA to use economic incentives as part of a suite of management tools and to develop a decision framework that considered the relative costs/ benefits of economic incentives, together with their effectiveness and social acceptability.

Action 3: AFMA will consider EWG advice as it further develops proposals to use economic incentives to improve compliance with management arrangements.

1.6 Increasing the transparency in the quota trading market

AFMA sought advice from EWG about increasing the transparency and efficiency of the quota Statutory Fishing Right (SFR) market. The EWG advice included publishing aggregated data on prices and associated trade information (volume of trades and time period), ways other industries have set up less complex double blind trading systems and the market efficiency benefits, such as:

- a) reduced transaction costs from searching for buyers/seller or using a broker;
- b) fairer market prices (low chance of buyers/seller being drastically under/overcharged);
and
- c) more liquid market (increased availability of buyers/sellers).

The EWG also indicated that other trading markets (such as the Australian Stock Exchange and the Goulbourn Murray Water Authority – for water rights) were initially set up and run by government organisations to establish the market. The EWG considered that there could be a role for government in starting up markets to make them more efficient but not in interfering with markets that are otherwise operating efficiently (e.g. Government organisations should not set prices).

Action 4: AFMA will continue to work with the EWG in developing measures to improve transparency and efficiency in the quota market.

1.7 Integrating economic advice into AFMA decision-making

AFMA sought advice from the EWG on the framework for economic advice from AFMA RAGs/ MACs and AFMA management. The EWG suggested that RAG economists should provide the following types of advice to RAGs:

- a) different maximum economic yield (MEY) targets and proxies used for stocks;
- b) changes to the targets/Recommended Biological Commercial Catches (RBCC)/TACs based on current economic information relevant to the fishery;
- c) net present value of different TAC options (such as rebuilding times or stepped cuts to TACs); and
- d) economic implications of any proposed changes in management arrangements.

The EWG agreed that this economic advice should be developed as part of the stock assessment harvest strategy operation and integrated with the broader biological modelling, but bearing in mind the Risk-Cost-Catch framework.

The EWG agreed that RAGs would benefit from a standard set of economic information, such as:

- a) fish prices and trends for key species;
- b) exchange rates and trends;
- c) wholesale diesel prices and trends;
- d) quota permanent transfer and lease prices (with the ratio between them) and trends for key quota species in a fishery (where reliable data is available); and
- e) breakdowns in the distribution of quota holdings and trends.

This information relates to the main revenue and cost drivers in fisheries and influences MEY targets, and could potentially be used to recommend adjustments to the targets and TAC for the season. It also provides information about the different cost structures operating for those who hold or lease quota.

Action 5: AFMA will consider the feasibility of providing this information to the RAGs on a regular basis, which could extend the Commission's report.

Economic Working Group Agenda

Objective:

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

Date	23 February 2017
Time	10:00 am – 3:30 pm
Location	Aquarium L6, AFMA Canberra
Chair	Beth Gibson
Attendees	Sean Pascoe; John Tisdell; Sarah Jennings; Thomas Kompas; Robert Curtotti; James Innes; Nick Rayns; Nigel Abery; Abul Bari; Sally McCarthy; George Day; Vyt Vilkaitis; Ian Butler; Steve Bolton; Trent Timmiss; Brodie MacDonald; Brigid Kerrigan; Jo Fisher; Matthew Daniel; Don Bromhead; Ryan Murphy; Andrew Powell; Nate Meulenberg; Tod Spencer.

Agenda item	Speaker	Times
1. Welcome	Dr Nick Rayns	10:00 am
2. Outcomes from the last EWG and progress to date	Nigel Abery	10:10 am
3. Feedback on AFMA Key Performance Indicator review.	Abul Bari	10:20 am
4. Feedback on the Cost Benefit Analysis of individual accountability for discards of quota species.	Abul Bari	11:15 am
Lunch		12:15 noon
5. Further economic incentives	Nigel Abery	1:00 pm
6. Increasing transparency in the quota trading market. (Double blind trading system; steps towards greater transparency).	Nigel Abery	1:45 pm
7. Framework for economic advice from AFMA RAGs / MACs and AFMA management (to the Commission).	Nigel Abery	2:30 pm
Close		3:30 pm

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