

TORRES STRAIT PRAWN MANAGEMENT ADVISORY COMMITTEE	Meeting No. 6 10-11 July, 2008
FINANCE Cost Recovery	Agenda Item No. 5.1 FOR NOTING

RECOMMENDATIONS

5.1.1 The TSPMAC **NOTES** that:

- (a) Australian operators hold approximately 75% (6,867 days) of the total allocated effort for the Torres Strait Prawn Fishery (9,200 days) as of March 1, 2008;
- (b) the annual budget for the fishery, provided at Item 5.2, represents 100% of the management costs for the 75% of the fishery allocated to the holders of TSPF boat licences; and
- (c) costs associated with managing any portion of the Total Allowable Effort held in trust by the Australian Government for the purposes of meeting obligations under the Treaty for catch-sharing arrangements with PNG, will only be cost-recovered from the Australian sector if the effort is temporarily transferred to the holder of a TSPF boat licence, on a user pays system.

BACKGROUND

Following the Australian Government funded buyback of TSPF boat licences and effort in 2006 approximately 25% of the allocated fishing days were purchased. The Australian Government holds these days in trust to meet our obligations to PNG under the Torres Strait Treaty.

Following the buyback, Australian operators have repeatedly raised concerns over whether or not the Australian sector is paying for the management of the approx. 25% PNG portion of the fishery (TSPMAC No. 2, Item 9.2; TSPMAC No. 3, Item 6.2; TSPMAC No. 5). Industry members have consistently argued that TSPF boat licensees should only be required to cover the management costs of the approx. 75% of the Fishery that they hold and are entitled to use from year to year. At TSPMAC No. 5 industry members requested that PZJA agency staff “*Determine why all industry members are not paying a portion of the cost recovery*” (TSPMAC No. 5, Action item 5.5), and for an explanation to be provided at the next TSPMAC meeting.

During the 2007 and 2008 seasons, only the variable component of the levy regulations was recovered from Australian operators utilising unused PNG effort. The variable component charged for the 2007 and 2008 seasons was \$16.50 and \$9.88 respectively. For the 2010 season, the full cost of managing any unused PNG effort (should PNG make the effort available to Australian operators) will be levied to operators on a user pays system.

DISCUSSION

PZJA agencies responsible for the TSPF budget (AFMA and QDPI&F) have previously indicated that the management costs for the fishery, expressed in the annual budget and associated levy regulations, covers the actual management costs for the Australian portion of the fishery. Specifically, the budget covers 100% of the 75% of the fishery allocated to Australian operators (recorded in the minutes of TSPMAC No. 3, Item 6.2).

Should the PNG 25% not be taken up by PNG cross-endorsed operators in a given year, then through the preferential entitlement provisions in the Treaty, that 25% or portion thereof, will be offered to the holders of TSPF boat licences. Should Australian licensees gain access to the PNG portion of the fishery under Australian jurisdiction in a given season, then those operators taking up the effort would be responsible for the cost of managing that effort.

The process is described in sections 4.8 and 4.9 of the Draft TSPF Management Plan 2008 (attachment 4.1C of Agenda Item 4.1), provided below. The process for collecting levies on PNG units is provided for in section 4.9(3)(b) of the draft Plan. Extracts from the Draft Torres Strait Prawn Fishery Management Plan 2008 are provided below:

4.8 PNG units

- (1) A PNG unit is a unit of fishing capacity in the TSPF held in trust by the Australian government for the purpose of meeting its obligations under the Treaty for catch sharing arrangements with PNG.
- (2) Before the start of each fishing season, the PZJA will determine the number of PNG units that will be available to PNG for that season.
- (3) The number of PNG units determined under subsection 4.8(2) will not exceed the number set out in paragraph 4.2(2)(b).
- (4) The determination under subsection 4.8(2) will:
 - (a) be in accordance with agreement reached with the PNG government at annual catch sharing discussions; and
 - (b) take into account relevant catch data and offsetting arrangements.

4.9 Temporary transfer of PNG units

- (1) The Australian government may temporarily transfer PNG units to a holder of a PNG boat licence with a TSPF Treaty endorsement, or a holder of a TSPF boat licence, as set out in this section.
- (2) The PZJA will give first preference for temporary transfer of PNG units to the holders of TSPF Treaty endorsements.
- (3) For any PNG units remaining after all temporary transfers made under subsection (3), the PZJA will determine:
 - (a) the method for temporarily transferring the PNG units to TSPF boat licence holders; and
 - (b) a process for collecting levies payable by TSPF boat licence holders who are to have PNG units temporarily transferred to them for a season.
- (4) A temporary transfer of PNG units:
 - (a) must be of whole PNG units only; and
 - (b) does not take effect until it is registered; and
 - (c) entitles the temporary transferee to use the PNG units during the fishing season for which the temporary transfer is registered; and
 - (d) remains in force for that season.
- (5) The holder of a PNG unit that has been temporarily transferred is not entitled to transfer or temporarily transfer the unit.



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In summary, the annual TSPF budget provided at Item 5.2 represents 100% of the management costs for the 75% of the TSPF allocated to the holders of TSPF boat licences. In addition, costs associated with managing any portion of the Total Allowable Effort held in trust by the Australian Government for the purposes of meeting obligations under the Treaty for catch-sharing arrangements with PNG, will only be cost-recovered from the Australian sector if the effort is temporarily transferred to the holder of a TSPF boat licence, on a user pays system.

FINANCIAL IMPLICATIONS

No new financial implications.

TORRES STRAIT PRAWN MANAGEMENT ADVISORY COMMITTEE	Meeting No. 6 10-11 July 2008
FINANCE FY 08/09 TSPF Budget	Agenda Item No. 5.2 FOR DECISION

RECOMMENDATIONS

5.2.1 The TSPMAC NOTES:

- (a) the consultation process undertaken to finalise the combined AFMA/QDPI&F 2008/2009 Torres Strait Prawn Fishery budget;
- (b) the Australian Fisheries Management Authority's 2008/2009 Torres Strait Prawn Fishery budget totalling \$421,286, representing an increase of \$902 from the 2007/2008 financial year;
- (c) the Queensland Department of Primary Industries and Fisheries 2008/2009 Torres Strait Prawn Fishery budget totalling \$173,780, representing an increase of \$5,225 from the 2007/2008 financial year;
- (d) the total 2008/2009 Torres Strait Prawn Fishery budget totalling \$595,065, representing an increase of \$6,126 from the 2007/2008 financial year;
- (e) the total Torres Strait Prawn Fishery budget to be used in calculating the 2009 levy base will be \$561,618;
- (f) the draft Explanatory Statement for the 2008/2009 Torres Strait Prawn Fishery budget;
- (g) the costs that would be incurred by hiring an independent chair for the TSPMAC.

5.2.2 The TSPMAC **AGREES** to the 2008/2009 cost recovered Torres Strait Prawn Fishery Budget totalling \$561,618.

BACKGROUND

An action item from the 1st meeting of the TSPMAC was for "AFMA and DPI&F to liaise and jointly provide future budget information to industry for comment prior to the budget being finalised."

AFMA 2008/2009 budget for the TSPF

In line with this action, the AFMA portion of the 2008/2009 draft budget was presented at an out of session meeting of the TSPMAC (via teleconference) on 6 May 2008. At this time the AFMA portion of the TSPF budget totalled \$458,745. The TSPMAC noted the draft AFMA budget and requested that PZJA agencies endeavour to minimize management costs throughout the 2008/2009 financial year, including a review of the number and location of TSPMAC meetings. The initial draft budget, explanatory statements and minutes from the Out-Of-Session (OOS) TSPMAC meeting are provided at agenda item 6.1.

QDPI&F 2008/2009 budget for the TSPF

At the time of the OOS meeting, the QDPI&F budget was yet to be drafted. The QDPI&F budget has since been finalised.

Independent MAC chair

At TSPMAC No. 5, members discussed the possibility of having an independent Chair. Industry members commented that an independent chair would provide an important view on issues within the fishery, without there being a potential conflict of interest. AFMA reviewed the Torres Strait Committees budget (FRTC) to confirm that the TSPF is not being charged for TSPMAC administration. It was confirmed that no funds have been budgeted for an independent TSPMAC Chair.

DISCUSSION

AFMA 2008/2009 budget for the TSPF

As a result of industries request to review and minimize the TSPF budget for the next financial year at the OOS teleconference of May 6, 2008, AFMA carried out an audit of past budgets in comparison to the 2008/2009 budget, and were able to reduce costs by a further \$37,459. The reductions were made in the salaries, overheads and the logbook components of the budget. Thus, the final AFMA portion of the proposed 2008/2009 TSPF budget is **\$421,286**, representing an increase of \$902 from the 2007/008 financial year. The budget was approved at the AFMA Board meeting on 25-26 June 2008. A detailed breakdown of the AFMA portion of the budget is provided at Attachment 5.2A. Of the \$421,286, AFMA will be paying for \$33,447 from the observer and surveillance & compliance portion of the budget. Thus, the total amount to be applied to the 2009 levies will be **\$387,839**.

QDPI&F 2008/2009 budget for the TSPF

The QDPI&F portion of the TSPF budget for 2008/09 financial year, to be used in the calculation of the 2009 season levies is provided in Table 5.2A below. The budget of **\$173,780** represents an increase of \$5,225 from the 2007/2008 budget.

Table 5.2A. QDPI&F 2008/2008 draft TSPF budget

Description	2008/09	2007/08	Variance
Management (QDPI&F)	109,579	106,219	3,360
Compliance (QB&FP)	64,200	62,336	1,864
Total	\$ 173,780	\$ 168,555	\$ 5,225

Combined 2008/2009 budget for the TSPF

The explanatory statement for the 2008/2009 TSPF cost recovered budget is detailed in Attachment 5.2B.

Table 5.2B shown below, details the combined 2008/2009 AFMA and QDPI&F budget for the TSPF in comparison to the budget for the 2007/2008 financial year. The total budget for 2008/2009 is **\$595,065**, representing an increase of **\$6,126** from the 2007/2008 financial year.

However, AFMA subsidises the observer program and surveillance & compliance operations each year, as shown in Attachment 5.2A. Thus, the total budget to be used in calculating the levies for the 2009 season will be **\$561,618**, representing an increase of **\$9,647** from the previous year (Table 5.2B).

Table 5.2B. Combined 2008/2008 TSPF budget

Description	2008/09	2007/08	Variance
Management (QDPI&F)	109,579	106,219	3,360
Compliance (QB&FP)	64,200	62,336	1,864
Combined AFMA budget	421,286	420,141	902
Sub-Total	\$ 595,065	\$ 588,696	\$ 6,126
Less AFMA contribution	-33,447	-36,725	(3,278)
Total	\$ 561,618	\$ 551,971	\$9,647

Independent MAC chair

The Executive Officer of the TSPMAC determined the costings associated with hiring an independent TSPMAC chair (Table 5.2C below). It is estimated that an additional \$8,526 would need to be added to the annual TSPF budget to accommodate an independent chair.

Table 5.2C. Estimated costs of contracting an independent TSPMAC chair.

Description	Total cost (3 meetings/yr)	Cost per meeting
Travel Allowance - Domestic	1,278	426
Air Fares - Domestic	2,100	700
Misc. Meeting Expenses (sitting fees etc.)	5,148	1,716
Total annual cost	\$ 8,526	\$ 2,842

FINANCIAL IMPLICATIONS

The Australian Governments levy relief program, in recognition of the structural adjustment, concluded in the 2007/2008 financial year. Consequently, costs of running the fishery will be 100% cost recovered for the 2008/2009 financial year.

Australian Fisheries Management Authority
Budget - 2008/09

F RTP - TORRES PRAWN (F RTP)

	Total Budget			Government Funding			Levybase*		
	2008-09	2007-08	Variance	2008-09	2007-08	Variance	2008-09	2007-08	Variance
6110 - SALARIES	85,585	71,076	14,509	-	-	-	85,585	71,076	14,509
6115 - Recreation Leave	7,111	-	7,111	-	-	-	7,111	-	7,111
6117 - Long Service Leave	2,317	1,776	541	-	-	-	2,317	1,776	541
6211 - Employers Productivity Superannuation	-	1,536	(1,536)	-	-	-	-	1,536	(1,536)
6212 - Employers Superannuation Contribution	13,180	8,808	4,372	-	-	-	13,180	8,808	4,372
6213 - Payroll Tax	5,747	4,884	863	-	-	-	5,747	4,884	863
6214 - Comcare Premium	593	456	137	-	-	-	593	456	137
Sub-total Salaries	114,534	88,536	25,998	-	-	-	114,534	88,536	25,998
Sub-total Consultants and contractors	-	-	-	-	-	-	-	-	-
6410 - Travel Allowance - Domestic	3,976	4,500	(524)	-	-	-	3,976	4,500	(524)
6420 - Air Fares - Domestic	7,700	6,650	1,050	-	-	-	7,700	6,650	1,050
6430 - Mileage Allowance	1,500	1,500	-	-	-	-	1,500	1,500	-
6433 - Taxi, train bus costs	800	600	200	-	-	-	800	600	200
6434 - Car Hire	200	-	200	-	-	-	200	-	200
6451 - Hire of Facilities	2,700	-	2,700	-	-	-	2,700	-	2,700
6452 - Hire of Office Equipment	2,400	1,200	1,200	-	-	-	2,400	1,200	1,200
6453 - Meals Provided	300	2,400	(2,100)	-	-	-	300	2,400	(2,100)
6454 - Miscellaneous Meeting Expenses	-	300	(300)	-	-	-	-	300	(300)
Sub-total Travel and meetings	19,576	17,150	2,426	-	-	-	19,576	17,150	2,426
6610 - Postage	600	600	-	-	-	-	600	600	-
6915 - Legal Costs & Fees	5,000	5,000	-	-	-	-	5,000	5,000	-
7010 - Gazette of Notices About Fisheries	600	600	-	-	-	-	600	600	-
7111 - General Printing	1,200	800	400	-	-	-	1,200	800	400
Sub-total Other expenses	7,400	7,000	400	-	-	-	7,400	7,000	400
Direct expenditure	141,510	112,686	28,824	-	-	-	141,510	112,686	28,824
7911 - Board	3,482	4,245	(763)	-	-	-	3,482	4,245	(763)
7912 - Policy	957	659	298	-	-	-	957	659	298
7914 - General Management	8,168	5,641	2,527	-	-	-	8,168	5,641	2,527
7916 - Communications	1,639	2,025	(386)	-	-	-	1,639	2,025	(386)
7918 - Legal	2,485	2,909	(424)	-	-	-	2,485	2,909	(424)
7920 - Financial Management	4,638	3,913	725	-	-	-	4,638	3,913	725
7922 - Human Resources	11,417	9,601	1,816	-	-	-	11,417	9,601	1,816
7924 - Information Systems	15,711	13,064	2,647	-	-	-	15,711	13,064	2,647
7926 - Support Services	20,760	25,499	(4,739)	-	-	-	20,760	25,499	(4,739)
Overheads	69,256	67,557	1,699	-	-	-	69,256	67,557	1,699
Research	-	-	-	-	-	-	-	-	-
7812 - Logbooks Data Entry	15,345	39,045	(23,700)	-	-	-	15,345	39,045	(23,700)
7814 - Observers	147,841	154,457	(6,616)	29,568	30,892	(1,324)	118,273	123,565	(5,292)
7816 - Surveillance & Compliance	7,757	11,666	(3,909)	3,879	5,833	(1,954)	3,879	5,833	(1,954)
7825 - Data Management	16,377	18,805	(2,428)	-	-	-	16,377	18,805	(2,428)
7826 - Torres Strait Administration	23,199	16,168	7,031	-	-	-	23,199	16,168	7,031
Indirect Costs	210,520	240,141	(29,621)	33,447	36,725	(3,278)	177,073	203,416	(26,343)
TOTAL EXPENDITURE	421,286	420,384	902	33,447	36,725	(3,278)	387,839	383,659	4,180

TSPMAC #6 Agenda item 5.2 -Attachment 5.2B
Explanatory statement for the TSPF cost share budget for 2008/09 financial year
(2009 season levies)

There has been an overall increase in the 2008/2009 TSPF budget of \$9,647 when compared to the 2007/2008 financial year.

The areas of the budget that have increased in cost are within AFMA's Direct Costs section, totalling \$28,824. These increases are mainly attributed to salaries and on-costs, travel and meeting expenses. Within AFMA, salaries have increased do to a restructure that has resulted in a greater proportion of the Senior Manager's time being allocated to the TSPF.

Similarly, QDPI&F management budget has increased by \$3,360, due primarily to salary increases that are in line with the standard public service enterprise bargaining wage increases and associated increases in payroll tax and superannuation. The QB&FP budget has also increased by \$1,864 due to salary increases.

A general increase has also occurred in the AFMA overheads line item of \$1,699. There has also been an overall increase in the cost of running the AFMA Thursday Island (TI) office (\$7,031). The proportion of the costs attributed to the TSPF for the running of the TI office is 2%.

There has been a substantial decrease of indirect costs associated with the AFMA budget (excluding Torres Strait administration mentioned above) totalling \$29,621. Reductions include:

- reductions to the logbook program from \$39,045 in FY 07/08 to \$15,345 in 08/09, This is the result of changes to the structure within AFMA resulting in less FTE time being apportioned to the TSPF;
- reductions in the observer program of \$6,616 from FY 07/08 to FY 08/09. The budget decrease is due to a reduction in administration Full Time Equivalent costs following the internal AFMA restructure and reduced operational costs. Despite the budget decrease there is a 15% increase in the number of observer days; consistent with the Ministerial Direction for enhanced monitoring;
- reductions in the data management of the fishery of \$2,428 which is mainly attributed to changes to salaries and AFMA overheads;
- and reductions to AFMA's surveillance and compliance portion by \$3,909. The decrease to the compliance and surveillance portion is a result of decreased salaries, on-costs and overheads from the AFMA compliance portion; and