

TORRES STRAIT PRAWN MANAGEMENT ADVISORY COMMITTEE	Out of Session 3 November, 2010
FINANCE 2010/11 final budget and 2011 season levies	FOR NOTING Item 1.1

RECOMMENDATION

1.1 That the TSPMAC **NOTES:**

- (a) That the costs for routine data analysis for the TSPF have been added to the budget as per the TSPMAC 10 recommendation, however these costs are \$20 000 not \$30 000 as was agreed to (TSPMAC decision 10.3.1.2);
- (b) That AFMA reduced observer coverage to 60 days on the basis that this would still meet the target observer coverage;
- (c) That AFMA overheads were reviewed and it was determined that an old budget version was presented at TSPMAC 10 and there were no Government overheads in the final 2010 levies.
- (d) The final combined AFMA and QPIF budget for the TSPF has been calculated using past cost recovery policy approved by the PZJA using the cost recovery impact statement 2004 (CRIS 2004) (Table 1) and totals \$466,835, with \$448,817 being cost recovered from industry and \$18,018 in government contributions;
- (e) the proposed levies for the Torres Strait Prawn fishery for the 2010 fishing season as set out in the draft *Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2010* will comprise a \$2895.59 per licence (fixed cost) and a \$21.19 per unit (variable cost);
- (f) the draft explanatory statement for the 2011 levy regulations (attachment 1); and
- (g) the draft *Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2010* are awaiting PZJA OOS endorsement prior to submission to the next available Federal Executive Council meeting for approval to ensure that these will have effect before the fishing season commences on 1 March 2010.
- (h) That PZJA agencies are recommending that the PNG days are not offered to Australian operators for the 2011 season, as this may inhibit the internal leasing market.

BACKGROUND

Final 2010 TSPF budget

At TSPMAC 10 in June 2010, the TSPMAC considered the draft 2010/2011 combined AFMA and QPIF budget for the TSPF totaling \$473,043. The TSPMAC made the following decision at this meeting:

*TSPMAC **AGREED** to include the costs for routine data analysis for the TSPF in the budget (\$30 000), to request that AFMA reduce observers to 60 days on the basis that this would still meet the target observer coverage and to request that AFMA review overheads.*

The TSPMAC also requested that AFMA review the overheads as there was question as to Government contributed to overheads in 2009/10 and not 2010/11.

Following AFMA's review of comments from TSPMAC, the observer coverage was further reduced to 60 days from 90, resulting in a saving of \$19,635 (excl. overheads). The routine data analysis was added into the QLD component of the budget resulting in an increase of \$20 000 (excl. overheads; \$10 000 less than originally agreed to by the TSPMAC; TSPMAC decision 10.3.1.2). AFMA also determined that there had been an error in the overhead line item of the budget presented to TSPMAC 10, and in fact there was no Government contribution to overheads in the 2009/10 budget. This means there is no inconsistency in the funding being provided by Government for overheads.

2011 TSPF Levies

The Governor-General is empowered under the *Levy Act 1985* to make Regulations for the purposes of collecting levy in relation to licences issued under the *Torres Strait Fisheries Act 1984*. Federal Executive Council procedure requires that the Minister approve, and propose to the Governor-General, the Regulations.

The levies have been calculated using fixed and variable components to give a licence fee and a unit fee respectively. The fixed cost component consists of logbooks; surveillance and administration; and management, of which industry contributes 100%, 50% and 60% of costs respectively. The variable cost component consists of data entry; surveillance and administration; and management, of which industry contributes 100%, 50% and 40% of costs respectively.

PNG days

In 2009, the PNG effort was allocated to Australian operators on a pro rata basis by setting the TAE at 12,325 days. This additional allocation was free of additional cost for individual operators. None of the additional PNG allocation was used during this season.

Following a recommendation of the TSPMAC, the additional PNG effort was not allocated to Australian operators during the 2010 season through concern that it would undermine the leasing market for Australian units between Australian operators. If Australian operators would like additional effort, there is latent effort other operators would like to lease out. By minimising arrangements which can inhibit the leasing of Australian units, it will help with reducing latent effort in the fishery. While there are Australian units waiting to be leased, there is little justification to bring additional PNG units in. Further, effort patterns in the fishery (2008, 4,111; 2009, 2,599 and 2010 effort to 27 October, 2,075) over the past three seasons indicates that few operators have used their entire effort allocation, meaning there would be no need to lease in additional effort until effort in the fishery increases.

DISCUSSION

Combined AFMA and Fisheries Queensland 2010/2011 TSPF budget for calculating the levy base

The total combined AFMA and QPIF budget for the TSPF for 2010/11 (2011 season) using CRIS 2004 (the current cost recovery principles) is \$466,835. In line with the 2004 CRIS, \$18 018 is provided in Government contributions towards this budget, meaning the total budget to be cost recovered from industry for 2010/11 is \$448,817 (Table 1). This is a decrease of \$53,223 compared to the 2009/10 budget.

Table 1 Combined AFMA and Fisheries Queensland 2010/2011 TSPF budget compared to 2009/10 TSPF budget using current cost recovery policy approved by the PZJA

Description	2009/10	2010/11	Variance
Management (QPI&F)	117,475	106,427	11,048
Compliance (QB&FP)	68,995	56,960	12,035
Combined AFMA budget	384,365	303,448	80,917
Total budget	\$570,835	466,835	104,000
Less Government contribution	-31,455	-18,018	13,437
Total cost recovered budget (levy base)	\$539,380	448,817	90,563

A breakdown of the 2010/11 budget calculations and how the levies are derived is provided below in Table 2.

Each year, budget acquittals are undertaken for the previous years budget, and any surplus or deficit is accounted for in the following years levy calculations. As the 2009/10 budget was underspent by \$126,655, this amount is taken off the 2010/11 budget to be cost recovered. Consequently the final amount to be cost recovered from industry through the levies for 2010 is \$322,162. This comprises \$176,630.80 in 'fixed' licensing costs and \$145,531.20 in 'variable' costs for the fishing unit component. The total levy base for the fishery is based on the budget for the fishery and recovers the attributable costs of managing the TSP Fishery taking into account any surplus or deficit from the previous years budget.

The levy regulations provide for the variable component of the levies is charged on a per unit basis.

Table 2. Levy Calculation. Note that "budgeted costs" are the total costs for the cost recovered budget for 2010/11 (government contributions have already been included) however the "total to be attributed" is the budget for the levy base which takes into consideration any surplus or deficit from the 2009/10 budget.

	Budgeted Costs 2010/11	Carryforward Surplus/ (deficit) from 2009/10 budget	Total to be Attributed	License component 2010	Unit component 2010
AFMA Data management	17,065	(643)	17,708	0	17,708
AFMA Data entry and logbooks	10,248	11,112	-864	-864	0
QBFP surveillance	56,960	0	56,960	28,480	28,480
Administration/ other & licensing					
AFMA	258,117	116,186			
QPIF	106,427	0			
Subtotal	364,544	116,186	248,358	149,014.80	99,343.20
TOTAL	448,817	126,655	322,162	176,630.80	145,531.20

The Regulation amends the *Fisheries Levy (Torres Strait Prawn Fishery) Regulations 1998* (Principal Regulations) decreasing the levy for licenses granted or renewed in respect of the Torres Strait Prawn Fishery from \$4,189.45 in 2010 to \$2,895.59 per licence (fixed component) for the 2011 season and a decrease in the levy for each individual unit allocated authorised by

licences from \$27.58 for the 2010 season to \$21.19 per unit (variable component) for the 2011 season.

There has been an overall decrease in the 2010-2011 TSPF budget of \$104,000 or 18 percent when compared to the 2009/10 budget.

2010/11 AFMA TSPF budget

There has been an overall decrease in the AFMA TSPF budget of \$80,917 for 2010/11 (Table 3).

Table 3. Total AFMA budget for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	31,455	18,018	(13,437)
Industry	352,910	285,430	(67,480)
Total	384,365	303,448	(80,917)

Below is an indication of the increases and decreases to various sections of the AFMA budget which resulted in the overall decrease for the TSPF.

Decreases to the budget have occurred in the following areas:

Observers

A cut to the number of observer days (from 180 to 60) for the TSPF to reflect actual effort in the fishery has resulted in a \$88,438 saving to industry.

Table 4 Observer budget for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	31,639	13,951	(17,688)
Industry	126,556	55,806	(70,750)
Total	158,195	69,757	(88,438)

Logbook data entry

This is the budget item associated with costs of printing and administering logbooks. The cut to costs is a result of using less of the data entry teams time, largely due to reduced effort in the fishery. There has been an hourly rate increase for staff which is included in the budget.

Table 5. Logbook and data entry budget for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	0	0	0
Industry	19,700	10,248	(9,453)
Total	19700	10,248	(9,453)

Overheads

Overheads have decreased this year by \$3,927 which is a flow on effect from changes in other budgets.

Table 6. AFMA overhead budget for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	0	0	0
Industry	64,658	60,731	(3,927)
Total	64,658	60,731	(3,927)

Compliance (Fisheries Queensland)

A \$12,035 decrease occurred due to a reduced number of compliance days being budget for the TSPF. This is in line with the reduced effort in the fishery.

Table 7. QLD surveillance and compliance budget for the 2010/11 financial year.

	2009/10	2010/11	Difference increase/(decrease)
Government	0	0	0
Industry	68,995	56,960	(12,035)
Total	68,995	56,960	(12,035)

Increases to the budget have occurred in the following areas:

Consultancy and contractors

This is a result of the budget now including sitting fees for the TSPMAC Chair and Industry members which had not been included in previous budgets.

Table 8. Consultancy and contractors budget (Chair and Industry sitting fees) for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	0	0	0
Industry	0	8,094	8,094
Total	0	8,094	8,094

Research projects

This is a new budget item for the TSPF, as past Commonwealth research has not been relevant to the fishery. The research project item is an industry funded project titled “*Designing information requirements for Ecosystem Based Fisheries Management (EBFM) of Commonwealth Fisheries*”. This project that broadly relates to Commonwealth fisheries is costed across fisheries depending on the proportion of management levies for each fishery. The TSPF portion is \$4,938, with 75% being funded by Government, and \$1,235 being cost recovered from industry.

Research administration

This is another *new budget item for the TSPF*. The research administration cost covers costs that AFMA incurs in administering AFMA's research functions. This cost is split between fisheries depending on the proportion of the dollar value of research undertaken in each fishery compared to the total. For the TSPF, this only relates to the EBFM project above. The TSPF portion is \$485, with \$121 being cost recovered from industry.

Data management

According to current cost recovery policy, 100% of the data management budget is recoverable from industry. For the 2010/11 budget, the Data Management costs will be charged to fisheries as actuals. Thus, although a specific amount will be budgeted for in each fisheries budget (and there is an increase above), the data management team will log all work generated by a fishery when it comes to e-Logs and reporting requests and reconcile this every 3 months. Actual expenses will then be adjusted with the finance team (see attachment 5.1C for more information about this budget section).

Table 9. Data management budget for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	0	0	0
Industry	12,864	17,065	4,201
Total	12,864	17,065	4,201

Travel costs

There has been an increase to travel costs associated with flights for the new TSPMAC industry member located in Canberra TSPMAC industry member flights, as well as, flights being budgeted for port meetings regarding future management arrangements for the TSPF in 2010.

Table 10. Travel budget for the 2010/11 financial year. The table includes the industry (levied) portion, the Government contribution, and the total budget for this item.

	2009/10	2010/11	Difference increase/(decrease)
Government	0	0	0
Industry	11,434	17,094	5,660
Total	11,434	17,094	5,660

Fisheries Queensland 2010/2011 budget for the TSPF

There has been an overall decrease in the Fisheries Queensland budget for the 2010/11 financial year of \$23,084. This decrease is a result of savings from the Queensland Boating and Fishing Patrol's restructuring of the compliance program as per TSPMAC recommendation 8.12. There were increases in the budget under the VMS, and licensing section which are largely attributed to increases as a result of an Enterprise Bargaining Agreement which has come into effect. There was also an increase as a result of the inclusion of \$20 000 for cover routine data assessment and reporting requirements in the TSPF as per TSPMAC recommendation 10.3.2.1.

Table 11. Fisheries Queensland 2010/2011 draft TSPF budget

Description	2009/10	2010/11	Variance
Management	117,475	106,427	11,048
Compliance (QB&FP)	68,995	56,960	12,035



Total

\$ 186,471

\$ 163,387

\$ 23,084

PNG Days

At the recent bilateral meeting in October 2010, PNG indicated they would again offer the PNG share of the Australian effort to Australia. This has yet to be ratified through an exchange of letters between Australia and PNG. PZJA agencies need to make a recommendation to the PZJA on the use of the night for the 2010 season and would like the TSPMAC's view on this issue.

Considering the circumstances are the same as last year, and less effort has been used, AFMA and QLD recommend that the PNG days are not offered to Australian operators, however as in last year, the PZJA make a decision that the PNG days be held in trust and allocated during the season if required.

FINANCIAL IMPLICATIONS

There has been an overall decrease in the 2010-2011 TSPF budget for the levy base of \$104,000 (18 percent) when compared to the 2009-2010 financial year. After the Government contribution and carry forward surplus, this equates to a \$1,333.47 decrease per licence and \$6.04 decrease per unit of fishing capacity. Details of the major decreases and increases to various parts of the AFMA and QPIF budgets are detailed above.

Attachment 1

EXPLANATORY STATEMENT

Select Legislative Instrument 2010 No.

Issued by the Minister for Agriculture, Fisheries and Forestry

Fisheries Levy Act 1984

Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2010 (No.)

The *Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2010 (No.)* (the Regulations) are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Section 8 of the *Fisheries Levy Act 1984* (Levy Act) provides that the Governor-General may make regulations for the purposes of sections 5 and 6 of the Levy Act. Section 5 of the Levy Act imposes a levy on, amongst other things, the grant or renewal of a licence and of the allocation and renewal of units of fishing capacity issued under the *Torres Strait Fisheries Act 1984* (TSF Act). Section 6 of the Levy Act provides that the amount of levy imposed on the grant or renewal of a licence or on the allocation or renewal of units of fishing capacity is such an amount as is specified in the Regulations. Section 7 of the Levy Act provides that the levy is payable at the time of the grant, renewal or variation of the licence, and at the time of the allocation or renewal of units of fishing capacity.

The attributable costs of managing the Torres Strait Prawn Fishery (TSPF) are recovered from industry pursuant to a decision of the Protected Zone Joint Authority (PZJA). The PZJA agreed to split the costs to be recovered on the basis of fixed (per boat) and variable (per day – now per unit) components to provide an equitable division of expenses depending on operators' investment in the fishery. The TSPF is the only Torres Strait fishery currently subject to cost recovery arrangements.

The *Torres Strait Prawn Fishery Management Plan 2008* (the Plan) was determined on 6 February 2009. The Plan provides for the allocation of units of fishing capacity to TSPF licence holders (days were previously held in the fishery). The units of fishing capacity are then converted annually pro rata into the number of fishing days (annual use entitlement) depending on the Total Allowable Effort for the fishery in a given season.

The levy costs for the TSPF are attributable to services provided by the Australian Fisheries Management Authority (AFMA) and the Queensland Primary Industries and Fisheries (QPIF) which sits within the Queensland Government Department of Employment, Economic Development and Innovation. QPIF is responsible for administering the licensing and compliance component of management of the TSPF and distributing the annual levy invoices. AFMA is responsible for general management and consultation in relation to the fishery.

The Regulations amend the *Fisheries Levy (Torres Strait Prawn Fishery) Regulations 1998*. The Regulations reduce the 2011 levy for licences granted or renewed in the TSPF from \$4,229.06 to 2,895.59 per licence (fixed component) and reduce the levy for each individual allocated fishing unit from \$27.23 to 21.19 per unit (variable component).

The total cost recovered budget for the 2010–11 is \$448,817 compared with \$502,040 for 2009–10. This is a reduction of \$53,223 or 10.6 percent compared to the 2009–10 budget. There has been an overall decrease in the amount recovered (\$322,162) from industry in the 2010–11 financial year of \$122,789 (27.6 percent) when compared to the 2009–10 financial year (\$444,951). For more detailed information on the basis of the 2010–11 levy costs and comparisons between levies collected during 2009–10 and levies collected during 2010–11 see the Attachment.

Regulation Impact Statement

The Office of Best Practice Regulation has determined that neither a Business Cost Calculator Report nor a Regulation Impact Statement is required for the proposed Regulations (ID11402).

Consultation

The budgets on which the rates for the levy are based were prepared in consultation with the Torres Strait Prawn Management Advisory Committee (TSPMAC). The TSPMAC, made up of representatives from industry and government noted the draft 2010–11 fishery budget at TSPMAC 10 on 30 June 2010. The final budget and levy regulations were discussed and noted at a TSPMAC out-of-session teleconference on 3 November 2010. The Torres Strait Protected Zone Joint Authority Standing Committee comprised of senior officers from AFMA, QPIF, the Department of Agriculture, Fisheries and Forestry (DAFF) and the Torres Strait Regional Authority recommended these levies on **X November 2010**. AFMA has consulted with DAFF and QPIF about the Regulations and associated explanatory documents.

The Regulations

Details of the *Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2010* (No.) are set out below:

Regulation 1 provides for the instrument to be cited as the *Fishery Levy (Torres Strait Prawn Fishery) Amendment Regulations 2010* (No.).

Regulation 2 provides that the instrument commences the day after it is registered.

Regulation 3 provides that Schedule 1 amends the *Fisheries Levy (Torres Strait Prawn Fishery) Regulations 1998*.

Schedule 1 Item 1 amends Regulation 4 to provide for the 2011 fee for the granting, renewal or variation of a licence.

Schedule 1 Item 2 amends Regulation 4 to provide for the 2011 fee for the granting, renewal or variation of a unit.

Attachment

Basis of the levy

Table 1. Levy Calculation, describes the basis for the levy for 2011 in accordance with previous practice which is based on the 2010–11 budget.

	Cost recovered budget 2010–11	Carry forward Surplus/ (deficit) from 2009–10 budget	Amount to be recovered via 2011 levy (levy base)
	a	b	a+b = c
AFMA logbook collection	17,065	(643)	17,708
AFMA logbook data entry	10,248	11,112	-846
Queensland Boating and Fisheries Patrol (surveillance)	56,960	0	59,960
Administration/ other & licensing	364,544	116,186	236,840
TOTAL	448,817	126,655	332,162

Table 2. The levy costs for 2011 season based on the 2010–11 budget, split between the licence and unit components.

	Licence component 2011	Unit component 2011	Amount to be recovered via 2011 levy
	a	b	a+b = c
AFMA data management		17,708.00	17,708
AFMA logbook data entry	-864		-864
Queensland Boating and Fisheries Patrol (surveillance)	28,480.00	28,480.00	56,960
Administration/ other & licensing	149,014.80	99,343.20	248,358
TOTAL	176,630.80	145,531.20	322,162

The 2010–11 cost recovered budget is \$448,817 compared with \$502,040 for 2009–10, a decrease of \$53,233 (10.6 per cent). This decrease is mainly due to a

reduction in fishery running and management costs such as observers and associated overheads, due to reduced effort in the fishery. As the 2009–10 budget was underspent by \$126,655 this is applied to the 2011 levy base as a credit. Consequently, the amount to be cost recovered from industry through the levy base for 2011 is \$322,162, which is calculated by subtracting the 2009-10 underspend (\$126,655) from the 2010-11 budget (\$448,817).

The \$322,162 levy amount comprises \$176,630.80 in 'fixed' licensing costs and \$145,531.20 in 'variable' costs for the fishing unit component.

The levy cost per licence for 2011 is \$2,895.59. This is derived by dividing the total 'fixed' licence component of \$176,630.80 by the total number of licences in the fishery (61).

The levy cost per unit allocated for 2011 is \$21.19. This is derived by dividing the total 'variable' unit component of \$145,531.20 by the total number of units allocated to Australian licence holders in the fishery (6,867).

Decreases to the budget have occurred in the following areas;

- *Australian Fisheries Management Authority (AFMA) – Observers* - A decrease in the number of observer days (from 180 to 60) to reflect actual effort in the fishery has resulted in an \$88,438 saving to industry.
- *AFMA - Logbook data entry* – a \$9,453 decrease occurred due to using less of the data entry teams time, largely due to reduced effort in the fishery. There has been an hourly rate increase for staff which is included in the budget.
- *AFMA – overheads* – decreases to general overheads of \$3,927 occurred due to a change in the way overheads were calculated;
- *AFMA – logbook data entry* - \$9,453 decrease due to the TSPF using less of the data management sections time largely due to decreased effort and logbook sheets.
- *Fisheries Queensland – surveillance and compliance* – a \$12,035 decrease occurred due to a reduced number of compliance days being budget for the TSPF. This is in line with the reduced effort in the fishery.
- *Fisheries QLD – Fisheries management costs* – this item has decreased by \$11,048 due to reduced staffing costs, even though an additional \$20 000 was added to the budget to cover the routine data analysis functions for monitoring the fishery.

Increases to the budget have occurred in the following areas;

- *AFMA – data management*–For the 2010/11 budget, the Data Management costs will be charged to fisheries as actuals as it is now 100% industry funded. Although a specific amount will be budgeted for in each fisheries budget (and there is a \$4,201 increase above), the data management team will log all work generated by a fishery when it comes to e-Logs and reporting requests and reconcile this every 3 months. Actual expenses will then be adjusted with the finance team.
- *AFMA - Consultancy and contractors* – a \$8,094 increase as a result of the budget now including sitting fees for the TSPMAC Chair and Industry members which had not been included in previous budgets.



- *AFMA - Travel costs* – there has been an increase to travel costs associated with flights for the new TSPMAC industry member located in Canberra TSPMAC industry member flights, as well as, flights and meeting costs being budgeted for port meetings regarding future management arrangements for the TSPF in 2010.