

TORRES STRAIT PRAWN MANAGEMENT ADVISORY COMMITTEE	Meeting No. 2 19-20 September 2006
FINANCES 2005/06 Budget acquittal	Agenda Item No. 9.1

THE TSPMAC RECOMMENDS

That the PZJA **NOTES** the expenditure against the 2005/06 budget for the fishery.

BACKGROUND

The 2005/06 budget for the Torres Strait Prawn fishery consist of components from both AFMA and DPI&F. Acquittal of expenditure against the 2005/06 budgets for AFMA and DPI&F have been completed by the agencies.

DISCUSSION

Acquittal of AFMA's component of the 2005/06 budget for the fishery has resulted in a surplus of \$52,805. The industry component of this is \$32,980, and will be deducted from the 2006/07 budget during the levy calculation process.

All areas of the budget were underspent during 2005/06 with the exception of consultants and contractors. No amount was budgeted for contractors and consultants in the 2005/06 budget; however as a result of the Alternative Management Strategies Workshop held last year \$5,814 was expended against this item.

Areas where the most significant savings were made in AFMA's budget were;

- \$39,651 in compliance, as a result of DPI&F chartering vessels for operations;
- \$8,899 in travel and subsistence, as a result of holding one less working group than planned and a "best fare of the day" travel policy and negotiated rates between AFMA and travel providers;
- \$4,282 in logbooks, as a result of lower effort levels in the fishery; and
- \$3,604 in administration costs, largely as a result of in-house printing of the 2006 handbooks.

Acquittal of DPI&F's component of the 2005/06 budget for the fishery has resulted in a minor deficit of less than \$1000. For the most part the DPI&F budget was underspent however this was offset by an increase in the vessel charter costs of which \$46,000 was attributed to the prawn fishery.

Table 1 DPI&F expenditure against the 05/06 budget

Description	% of Actual
Administration costs	107%
Capital maintenance	56%
Communications costs (including VMS)	74%
Compliance costs	98%
Salaries	95%
Staff related expenses	83%
Travel expenses	79%
Vessel charter	323%

A revised budgeting process for the DPI&F component of the prawn fishery budget is planned for the next season. This will be aimed at allowing the PZJA to better track the relative costs associated with running the fishery.

Australian Fisheries Management Authority

DRAFT overhead allocation for the 12 months ended 30 June 2006

<u>Torres Strait - Prawn</u>	<u>Actual - Year</u>			<u>Budget - Year</u>			<u>Actual less</u>			<u>Annual</u>		
	<u>to Date</u>	<u>to Date</u>	<u>to Date</u>	<u>to Date</u>	<u>to Date</u>	<u>to Date</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
Description	Total	Industry	Govt	Total	Industry	Govt	Total	Industry	Govt	Total	Industry	Govt
<u>Direct Costs</u>												
Salaries & Staff Related Costs	77,025	77,025	-	77,824	77,824	-	(799)	(799)	-	77,824	77,824	-
Consultants & Contractors	5,814	5,814	-	-	-	-	5,814	5,814	-	-	-	-
Travel & Subsistence	16,751	16,751	-	25,650	25,650	-	(8,899)	(8,899)	-	25,650	25,650	-
Other Administrative Costs	2,561	2,561	-	6,165	6,165	-	(3,604)	(3,604)	-	6,165	6,165	-
Total Direct Costs	102,150	102,150	-	109,639	109,639	-	(7,489)	(7,489)	-	109,639	109,639	-
<u>Overheads *</u>	52,384	52,384	-	53,151	53,151	-	(767)	(767)	-	53,151	53,151	-
<u>Research</u>	-	-	-	-	-	-	-	-	-	-	-	-
RAG & Broader Marine	320	320	-	-	-	-	320	320	-	-	-	-
<u>Research Administration</u>	16	16	-	-	-	-	-	-	-	-	-	-
<u>Indirect Costs</u>												
MAC Costs	-	-	-	-	-	-	-	-	-	-	-	-
<u>Logbook Costs</u>	40,674	40,674	-	44,956	44,956	-	(4,282)	(4,282)	-	44,956	44,956	-
<u>Data Management</u>	12,290	12,290	-	13,227	13,227	-	(937)	(937)	-	13,227	13,227	-
Licensing & quota mgt	-	-	-	-	-	-	-	-	-	-	-	-
Compliance	13,493	6,747	6,747	53,144	26,572	26,572	(39,651)	(19,825)	(19,825)	53,144	26,572	26,572
Observers	-	-	-	-	-	-	-	-	-	-	-	-
Total Indirect Costs	66,457	59,711	6,747	111,327	84,755	26,572	(44,869)	(25,044)	(19,825)	111,327	84,755	26,572
Total Costs	221,328	214,581	6,747	274,117	247,545	26,572	(52,805)	(32,980)	(19,825)	274,117	247,545	26,572

* - Overheads

Overheads costs include Board, General Management, Executive, Legal, Financial Human Resources, Occupancy and other administrative support areas of AFMA.

Costs are allocated in accordance with the Australian Government's Cost Recovery Policy.

TORRES STRAIT PRAWN MANAGEMENT ADVISORY COMMITTEE	Meeting No. 2 19-20 September 2006
FINANCES Process for 2007 levies	Agenda Item No. 9.2

THE TSPMAC RECOMMENDS

That the PZJA;

- a) **AGREES** that the levy for the fishery in 2007 continues to be calculated using the current formula for fixed and variable components; and
- b) **CONSIDERS** options for the calculation of levies under a unit-based system beyond 2007.

BACKGROUND

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 *TSF Act 1984*. Federal Executive Council procedure requires that the Minister approve, and propose to the Governor-General, the Regulations.

Levy is imposed in the Fishery in respect of a licence granted for the fishery and also in respect of the number of fishing days authorised by that permit. This levy is calculated to cover the budgeted costs for managing the fishery. The budget covers the anticipated costs of logbook collection, data entry, surveillance, licensing, observer coverage and other administration.

DISCUSSION

The current levies are calculated using fixed (licence) and variable (day) components to give a licence fee and a per day fee. The fixed cost component equates to approximately 60% of the total management costs for the fishery and consists of logbooks, surveillance and administration and management, of which industry contributes 100%, 50% and 60% of costs respectively. The variable cost component equates to approximately 40% of the total management costs for the fishery and consists of data entry, surveillance and administration and management, of which industry contributes 100%, 50% and 40% of costs respectively.

It is proposed that during the 2006/07 fiscal year, the current methodology for determining levies will be maintained. However, with a reduction in both vessels and days in the fishery following the tender process conducted for the 2006 season, costs per licence holder will increase. In recognition of this, levy relief will be provided by the Australian Government for the 2007 and 2008 seasons to the amount of \$250,000 per year. Any surplus from the 2005/06 budget for the fishery will also be offset against the 2007 levies (see Agenda Paper 9.1).

The move to the Management Plan and the issue of units under the plan provides an opportunity for MAC members to review the way that levies are calculated for the fishery beyond 2007. Options to be considered by the TSPMAC with respect to a basis for levy charges include:

1. Calculate the levy on a per unit basis only (i.e. the amount of levy paid is directly proportional to the number of units held). This would greatly simplify the levy calculation process and is a formula used in other fisheries that operate under a unit based system, such as the Northern Prawn Fishery. All costs attributed to industry would be divided by the total number of units in the fishery, with no costs attributed to the boat licence.
2. Continuing to base the levy on an analysis of a split of costs between fixed (licence) and variable (unit) costs. The levy is then calculated as it is currently to give a licence fee and a unit fee. This is an administratively complex method of determining the levy.
3. Review the current proportion of costs to fixed and variable costs, with the levy calculated as it is currently to give a licence fee and a unit fee. This is essentially the same as option two, with a modification of the current allocation of the management costs to the licence and unit components. As with option two, this remains an administratively complex method of determining the levy.