

TORRES STRAIT PRAWN MANAGEMENT ADVSIORY COMMITTEE	Meeting No. 4 14-15 June 2007
Finances – 2006/2007 Budget Update	Agenda Item No.10.1

RECOMMENDATION

The TSPMAC **NOTES** the 2006/07 financial year to date expenditure for the Torres Strait Prawn Fishery (TSPF).

BACKGROUND

The TSPF is a cost recovered fishery. Levies collected each year cover the direct and indirect management costs. The direct costs include salaries & staff related costs, travel & subsistence, consultants & contractors and other administrative costs. The indirect costs include logbook costs, data management, compliance and the observer program.

DISCUSSION

Table 10.1A provides the AFMA year to date budget and expenditure as at 31 March 2007 for the TSPF.

A number of AFMA costs listed in Table 10.1A are currently underspent due to various factors. The under expenditure in regard to the “Salaries”, “Consultants & contractors” and “Travel & subsistence” items was discussed at TSPMAC3. The reasons for the under expenditure in regard to these items have not changed since TSPMAC3 and are due to periodic vacancies and travel costs being less than was anticipated.

Table 10.1A shows that there are currently three items that are overspent. Those items are “Staff related costs”, “Meetings & conferences” and “Other administrative costs”.

The over expenditure in “Staff related costs” is due to a member of the AFMA Torres Strait team being inappropriately assigned to the Torres Strait Prawn fishery budget. The Finance section of AFMA has been notified of this and this has been rectified.

The “Meetings & conferences” over expenditure is due to there being limited venues available to hold TSPMAC meetings 2 & 3. These meetings were held at the only available facilities, where the costs were higher than had been budgeted for.

The “Other administrative costs” item is over spent for two reasons. The TSPF was charged for part of the printing costs for the new NP15 logbook, which was an unexpected cost. The other reason this item is over spent is due to the costs for the printing of the 2007 Prawn Handbook. The budgeted amount for the printing of the 2007 Prawn Handbook was based on AFMA printing all copies of the document in-house. It was estimated that this would take in excess of five full working days, which meant that the document would not have been sent out before the start of the season. To expedite the production of the handbook AFMA enlisted the services of a professional printing company, who were able to meet the deadlines set by AFMA, which allowed the handbook to be distributed prior to the season starting.

Table 10.1A: AFMA 2006/07 financial year budget and actual expenditure*

Description	YTD Budget	YTD Actual	Actual YTD less budget
Salaries (As at 30 April 2007)	\$75,602	\$63,131	-\$12,471
Staff related costs (As at 30 April 2007)	\$16,177	\$18,111	\$1,935
Consultants & contractors (As at 30 April 2007)	\$27,500 [#]	\$0	-\$27,500
Travel & subsistence (As at 30 April 2007)	\$32,500	\$7,086	-\$25,414
Meetings & conferences (As at 30 April 2007)	\$1,525	\$2,852	\$1,327
Other administrative costs (As at 30 April 2007)	\$2,600	\$4,724	\$2,124
Logbook data (As at 31 March 2007)	\$23,334	\$18,411	-\$4,923
Data management (As at 31 March 2007)	\$26,086	\$16,416	-\$9,670
Compliance (As at 31 March 2007)	\$37,085	\$9,396	-\$27,689
Observers (As at 2 Febraury 2007)	\$74,928	\$27,125	-\$47,803
TOTAL	\$317,337	\$167,252	-\$150,084

* The most up to date figures are provided for each item.

[#] This amount was for the proposed AAP process. As it was determined that the AAP was not required this cost was not charged as part of the levies and therefore is not an actual cost or saving.

TORRES STRAIT PRAWN MANAGEMENT ADVSIORY COMMITTEE	Meeting No. 4 14-15 June 2007
Finances – 2007/2008 Budget	Agenda Item No.10.2

RECOMMENDATION

The TSPMAC recommends that the PZJA:

- **NOTES** the consultation process undertaken to finalise the 2007/2008 Prawn fishery budget; and
- **APPROVES** the draft Explanatory Statement for the Prawn fishery in 2008.

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. In addition to this, following the approval of the levies for the 2007 season the PZJA chairperson requested that the 2008 levies for the Prawn fishery be considered at PZJA 21.

The 2007/2008 draft budget was initially discussed at TSPMAC 3 that was held on the 17th of February 2007.

DISCUSSION

The 2007/2008 draft AFMA budget was amended in accordance with the changes recommended at TSPMAC 3. The only change made to the draft 2007/2008 budget was to remove \$1,750 from the travel item of the budget, which was included to cover the cost of a port visit. The TSPMAC agreed that a port visit was not necessary. Attachment 10.2A shows the amended draft 2007/2008 AFMA budget for the Torres Strait Prawn Fishery (TSPF).

At the time of writing there were two items that had not been finalised in terms of the complete budget for the fishery for 2007/2008. Those items being the finalised Queensland Department of Primary Industries and Fisheries (QDPI&F) budget for the fishery and finalisation of the 2006/2007 budget to determine whether there will be a carry forward surplus or deficit for the 2007/2008 financial year.

QDPI&F advised AFMA that their budget for the TSPF for 2007/2008 would be the same as it was for the 2006/2007 financial year, however there will be an increase to their staffing costs of approximately 4% in accordance with QDPI&F’s certified agreement (or similar policy).

As discussed in agenda item 10.1 the 2006/2007 AFMA budget was under spent at 30 April 2007. It is likely that the budget will continue to track below the year-to-date budgeted amounts in the areas of AFMA Salaries and AFMA Travel & Subsistence. It is therefore anticipated that the budget will be under spent at 30 June. Any carry forward

surplus would be either included in the 2007/2008 budget or be used to subsidise the costs of drafting the management plan (as discussed in agenda item 4.1).

AFMA has drafted the Explanatory Statement (ES) for the 2008 levies based on the AFMA 2007/2008 draft budget and the advice that the QDPI&F budget would be the same for the 2007/2008 financial year. The ES is a document that is used to explain the amendment that is being made to the Levy Regulations. The draft ES is included as Attachment 10.2B.

The QDPI&F figures included in the draft ES are the same as those included for the 2007 levies. The costs associated with the increase in QDPI&F staff costs have not been included in the levy calculations, however once this cost is finalised it will be incorporated. Similarly no carry forward surplus or deficit has been included in the levy calculations. If there is a surplus and it is not used to subsidise the management plan drafting costs, then the surplus will be included in the calculations once the 2006/2007 budget has been finalised.

Based on the levy calculations of the draft ES, the 2008 levies will be \$3,250.18 per licence and \$13.66 per authorised fishing day. This represents an increase in the licence levy from \$3,187.21 and a decrease in the per authorised fishing day levy from \$16.50.

Attachment 10.2A: Draft 2007/2008 AFMA budget

Australian Fisheries Management Authority
Final budget levybase for the 2007/2008 financial year

Torres Prawn

Description	2007/2008 Budget			2006/2007 Budget			increase/(decrease)		
	Total	Industry	Govt	Total	Industry	Govt	Total	Industry	Govt
<u>Direct Costs</u>									
Salaries & On-costs	88,540	88,540	-	113,630	113,630	-	(25,090)	(25,090)	-
Consultants & Contractors	-	-	-	27,500	27,500	-	(27,500)	(27,500)	-
Travel & Subsistence	13,250	13,250	-	32,500	32,500	-	(19,250)	(19,250)	-
Other Administrative Costs	10,900	10,900	-	4,425	4,425	-	6,475	6,475	-
Total Direct Costs	112,690	112,690	-	178,055	178,055	-	(65,365)	(65,365)	-
<u>Overheads *</u>	67,557	67,557	-	83,659	83,659	-	(16,102)	(16,102)	-
<u>Research</u>	-	-	-	-	-	-	-	-	-
<u>Broader marine (inc RAGs)+</u>	-	-	-	-	-	-	-	-	-
<u>Research Administration</u>	-	-	-	-	-	-	-	-	-
<u>Indirect Costs</u>									
Share of Torres Admin (ex research)	16,168	16,168	-	14,999	14,999	-	1,169	1,169	-
Logbook Program	39,045	39,045	-	31,035	31,035	-	8,010	8,010	-
Data Management	18,805	18,805	-	34,694	34,694	-	(15,889)	(15,889)	-
Licensing and Registers	-	-	-	-	-	-	-	-	-
Compliance	11,666	5,833	5,833	37,286	11,143	26,143	(25,620)	(5,310)	(20,310)
Observers	154,457	123,565	30,892	127,664	102,131	25,533	26,793	21,434	5,359
Total Indirect Costs	240,141	203,416	36,725	245,678	194,001	51,676	(5,537)	9,415	(14,951)
<u>Total Costs</u>	420,388	383,663	36,725	507,392	455,715	51,676	(87,004)	(72,052)	(14,951)

* overheads are allocated based on direct costs and direct staff numbers

+ industry's share is 25% of the total cost - the govt share is funded by the AFMA Research Fund

Attachment 10.2B: Draft Explanatory Statement for 2008 levies

EXPLANATORY STATEMENT

SELECT LEGISLATIVE INSTRUMENT 2007 No.

Issued by the authority of the Minister for Fisheries, Forestry and Conservation

Fisheries Levy Act 1984

Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2007 (No.)

The Regulation is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

The Regulation amends the *Fisheries Levy (Torres Strait Prawn Fishery) Regulations 1998* (Principal Regulations) to increase the levy for licences granted or renewed in respect of the Torres Strait Prawn Fishery (the fishery) from \$3,187.21 to \$3,250.18 per licence and a decrease of the levy for each individual fishing day authorised by licences from \$16.50 to \$13.66 per day.

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 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 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 or renewal of the licence.

The fishery is a Protected Zone Joint Authority (PZJA) fishery under the TSF Act pursuant to an arrangement under section 31 of the TSF Act which came into effect on 1 April 1999. Subsection 36(2) of the TSF Act provides that the powers of the Minister under Part IV (Licences, endorsement and entries) of the TSF Act are exercisable under those provisions by the PZJA as if references to the Minister were references to the PZJA.

Subsections 19(2) and 19(3) of the TSF Act provide that the Minister may, at his or her discretion, grant to a person a licence authorising the use of a specified boat for taking fish in the course of commercial fishing and for carrying, or processing and carrying, fish taken with the use of the licensed boat in areas of Australian jurisdiction. The "area of Australian jurisdiction" is defined in section 3 of the TSF Act and includes areas of waters within the Torres Strait Protected Zone, as defined in the Torres Strait Treaty at Schedule 1 of the TSF Act an area "outside but near" the Protected Zone. Section 24 of the TSF Act provides that the Minister may renew a licence granted under section 19.

The Principal Regulations were adopted pursuant to a decision of the PZJA on 26 October 1996 to introduce cost recovery in the fishery and a further decision on 5 November 1997 that the formula to be used for the levy would be split on the basis of fixed (per boat) and variable (per day) components. The Torres Strait Prawn Working Group agreed in December 2002 that the administration, licensing and other costs would be considered as one component for levy calculations, which would be split 60:40 between fixed and variable components. In subsequent years the levies have been calculated using this split for administration, licensing and other costs. The PZJA decided on 26 October 2006 that the levy for 2008 continues to be calculated using the current formula for fixed and variable components, which is as follows:

- Logbook data entry costs – charged to the variable component;
- Other logbook costs – charged to the fixed component;
- Surveillance costs – split equally between fixed and variable components;
- Entry and exit costs – charged to the fixed component; and
- Administration, licensing and other costs – split between the fixed (60%) and variable (40%) components.

The levy costs are attributable to services provided by the Australian Fisheries Management Authority (AFMA) and the Queensland Department of Primary Industries and Fisheries (QDPI&F), which includes the Queensland Boating and Fisheries Patrol (QB&FP), who manage the fishery on behalf of the PZJA under the “Agreement Between the Commonwealth of Australia and the State of Queensland Relating to the management of fisheries in the area of the Australian jurisdiction of the Torres Strait Protected Zone established under the Torres Strait Treaty” dated 10 July 1999.

Table 1 describes the basis for the levy costs in accordance with previous practice and indicates the changes from the levy collected in 2007.

Table 1: Levy Calculation

	Licence Component	Day Component	2008 levy	2007 levy	Increase / (Decrease)
Logbook data – AFMA		\$18,805	\$18,805	\$34,694	(15,889)
Other logbook - AFMA	\$39,045		\$39,045	\$29,610	\$9,435
Surveillance					
- QB&FP	\$28,635	\$28,636	\$57,271	\$57,271	\$0
- AFMA	\$2,917	\$2,916	\$5,833	\$11,143	(\$5,310)
Administration and Licensing					
- AFMA	\$191,988	\$127,992	\$319,980	\$351,344	(\$31,364)
- QDPI&F	\$60,677	\$40,450	\$101,127	\$101,127	\$0
Levy relief	(\$125,000)	(\$125,000)	(\$250,000)	(\$250,000)	\$0
Surplus	(\$0)	(\$0)	(\$0)	(\$27,519)	\$0
Total levy base	\$198,262	\$93,799	\$292,061	\$307,670	(\$43,128)

This equates to a levy of \$3,250.18 for each of the 61 licence holders and \$13.66 for each of the 6,867 days issued in the fishery.

Based on a forecast gross value of production (GVP) for 2007/08 of approximately \$15 million, the levy budget represents 1.9% of GVP. This ratio is less than most other Commonwealth fisheries such as the Northern Prawn Fishery (NPF) at 3% GVP, the South East Trawl (SET) Fishery at 6% GVP and the Western Trawl fishery at 9% GVP. In addition, it is noteworthy that the NPF and SET fisheries are approximately 5 and 3 times the value of the Torres Strait Fishery and have considerable economies of scale.

The only item that shows an increase in costs is the “Other logbook” item. The increased costs associated with this item are a result of an increase in staff salaries and associated costs.

There has been an increase in some of the AFMA components of the “Administration and Licensing” item; however these increases have been absorbed by decreases to other components of this item. The components of this item that have increased are the legal costs and observer program. The legal costs have increased to account for anticipated costs associated with the implementation of a management plan within the fishery in 2007/2008. The increase to the observer program costs are due to

increased at-sea and travel allowances for observers. A total of 180 observer sea days have been budgeted for the 2008 season, which is the same as the previous year. The observer program is a requirement arising from the strategic assessment of the fishery by the Department of Environment and Water Resources.

The increase in QB&FP and QDPI&F costs are due to an increase in salaries and associated costs and an increase in the travel budget for Queensland Government staff to attend meetings in regard to the fishery.

Following the removal of 16 licences from the fishery, the Australian Government agreed to provide \$250,000 per year in levy relief for the 2006/2007 and 2007/2008 financial years. The \$250,000 levy relief has been incorporated into the levy calculations.

A letter dated XX December 2008 was sent to the Torres Strait Prawn Entitlement Holder's Association, the Queensland Seafood Industry Association and all licence holders notifying them that the license levy would be \$3,250.18 and that the levy per authorised fishing day would be \$13.66.

The Office of Best Practice Regulation has determined that a Regulation Impact Statement is not required for the proposed Regulations (ID8820).

The PZJA is not an agency to which the Commonwealth Cost Recovery Policy applies and, accordingly, a Cost Recovery Impact Statement is not required for the Regulation.

Details of the Regulation, which commenced on the day after they were registered on the Federal Register of Legislative Instruments, are set out below.

Regulation 1 provides for the Regulations to be cited as *Fisheries Levy (Torres Strait Prawn Fishery) Amendment Regulations 2006 (No.)*.

Regulation 2 provides that the Regulations commence on the day after they are registered on the Federal Register of Legislative Instruments.

Regulation 3 provides that Schedule 1 amends the Principal Regulations.

Schedule 1 Item 1 amends regulation 4 of the Principal Regulations to change the amount of levy imposed.

TORRES STRAIT PRAWN MANAGEMENT ADVSIOY COMMITTEE	Meeting No. 4 14-15 June 2007
Finances – History of management costs	Agenda Item No.10.3

RECOMMENDATION

The TSPMAC **NOTES** the costs attributed to the Torres Strait Prawn Fishery (TSPF) since the 2001 season.

BACKGROUND

At the 3rd meeting of the TSPMAC a history of the management costs attributed to the Torres Strait Prawn Fishery was requested by the industry members.

DISCUSSION

Attachment 10.3A provides the costs that have been attributed to the TSPF since the 2001 fishing season. Attachment 10.3A also shows the licence and per day fishing levies since 2001. The costs contained in Attachment 10.3A have been sourced from the Torres Prawn Handbooks for the respective years.

Scrutiny of the attributed costs associated with each of the budget items detailed in Attachment 10.3A (Logbook collection; Logbook data entry; Surveillance & pager; Administration & licensing) shows that there have been large variations from year to year for each item. The most significant cost increase was in the 2007 season in the “Administration & Licensing” item which increased by \$223,447. This cost increase was due to an increase in staffing costs associated with the management plan being developed for the fishery and with the costs of the observer program being recovered from industry.

Attachment 10.3A shows that prior to 2007 the licence and per day fishing levies had been increasing by 2.9% and 3.1% per year respectively. These costs increases are largely due to increases in staff and on-costs in accordance with AFMA and QDPI&F certified agreements (or similar policy). Attachment 10.3B shows the yearly Consumer Price Inflation (CPI) figures in June from 2001 to 2006 for “all groups” assessed by the Reserve Bank of Australia and for “services” as a stand alone item. The average inflation for these categories is 3.5% for “services” and 3.4% for “all groups”. The increases in the management costs of the TSPF between 2001 and 2006 are below the average CPI figures for 2001 to 2006. Although it is difficult to draw direct comparisons with the categories used to determine the CPI; these figures show that the increase in the TSPF management costs have been below the average national inflation rate.

Attachment 10.3A: Costs of management from 2001 to 2007

Year	Logbook collection	Logbook data entry	Surveillance & pager	Administration / other & Licensing	Levy relief	Licence levy	Number of active licences	Per day levy	Number of nights
2001	\$69,880.00	\$42,419.00	\$148,064.00	\$92,644.00		\$2,337.10	76	\$12.92	13,570
2002	\$65,342.00	\$29,420.00	\$94,873.00	\$131,069.00		\$2,224.26	76	\$11.37	13,340
2003	-\$5,385.00	\$48,307.00	\$104,792.00	\$250,227.00		\$2,119.64	75	\$18.32	13,042
2004	\$20,253.00	\$10,945.00	\$98,661.00	\$156,656.00		\$2,135.88	76	\$9.52	13,042
2005	\$33,017.00	\$16,260.00	\$16,813.00	\$245,868.00		\$2,699.20	70	\$9.43	13,042
2006	\$31,379.00	\$7,222.00	\$80,545.00	\$224,549.00		\$2,680.27	77	\$14.93	9,200
2007	\$25,328.00	\$33,757.00	\$50,589.00	\$447,996.00	\$250,000.00	\$3,187.21	61	\$16.50	6,867
Percentage increase/decrease between 2001 and 2006	55.1% decrease	83.0% decrease	45.6% decrease	142.4% increase		14.7% increase		15.6% increase	
						Approx 2.9% per year increase		Approx 3.1% per year increase	
Percentage increase/decrease between 2001 and 2007	63.8% decrease	20.4% decrease	65.8% decrease	383.6% increase		36.4% increase		27.7% increase	
						Approx 5.2% per year increase		Approx 4% per year increase	

Attachment 10.3B: Consumer price inflation figures*

Year	Services (%)	All Groups (%)
June 2001	7	6
June 2002	4.7	2.8
June 2003	2.5	2.7
June 2004	1.9	2.5
June 2005	2.4	2.5
June 2006	2.7	4
Average	3.5	3.4

*Source: Reserve Bank of Australia website (www.rba.gov.au/Statistics)

Note: The CPI measures changes in the price of goods and services which account for a high proportion of expenditure by the CPI group (i.e. metropolitan households). The goods and services used to calculate the CPI include food; alcohol & tobacco; clothing & footwear; housing; household contents & services; health; transportation; communication; recreation; education; and financial & insurance services.