

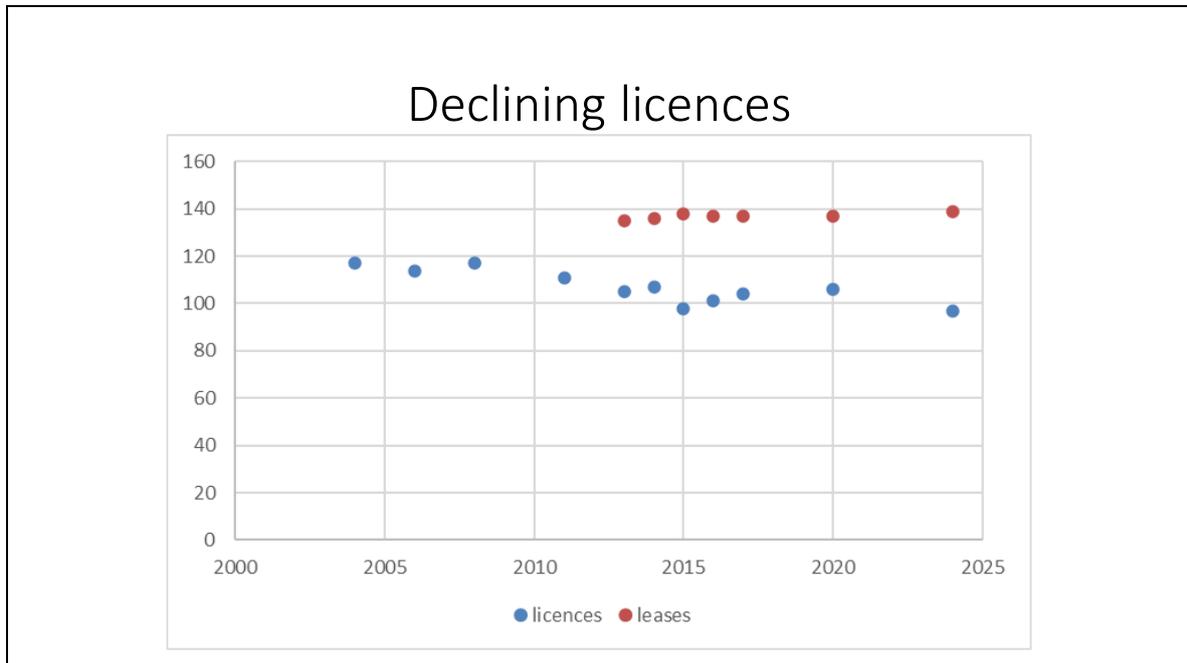
Slide 1

ShellMAP costs, biotoxin test frequency, and ShellMAP levy distribution

The slides and notes for this presentation will be provided at Shellfish Futures and to growers across the state via email.

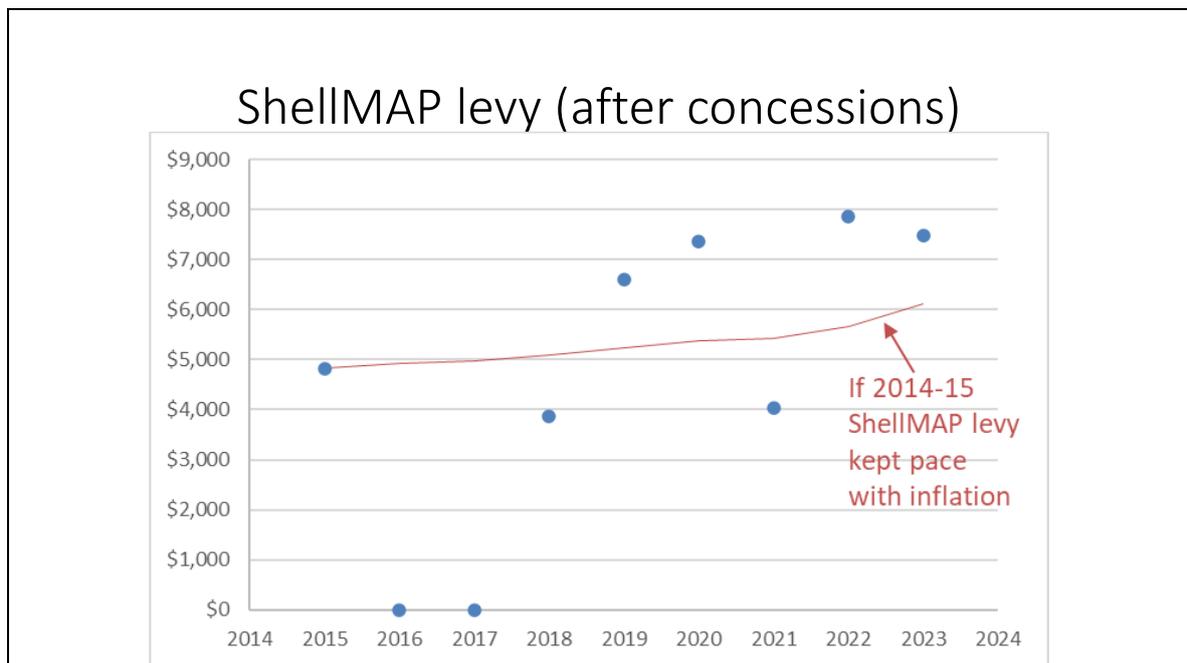
Responses will be sought from all growers, not just those attending Shellfish Futures.

Slide 2



There has been little change in the number of leases in areas covered by a Marine Farming Development Plan that allows for shellfish farming. But there has been a decline in the number of on-water marine farm licences covering bivalve molluscs.

While there are many drivers of this, one is the ShellMAP levy.



The ShellMAP levy has risen over time. This reflects increased sampling and testing costs, and a reduction in the number of payers of the ShellMAP levy. To reduce the ShellMAP levy and its discouragement of licence-holding, we need to reduce sampling and testing costs while maintaining food safety.

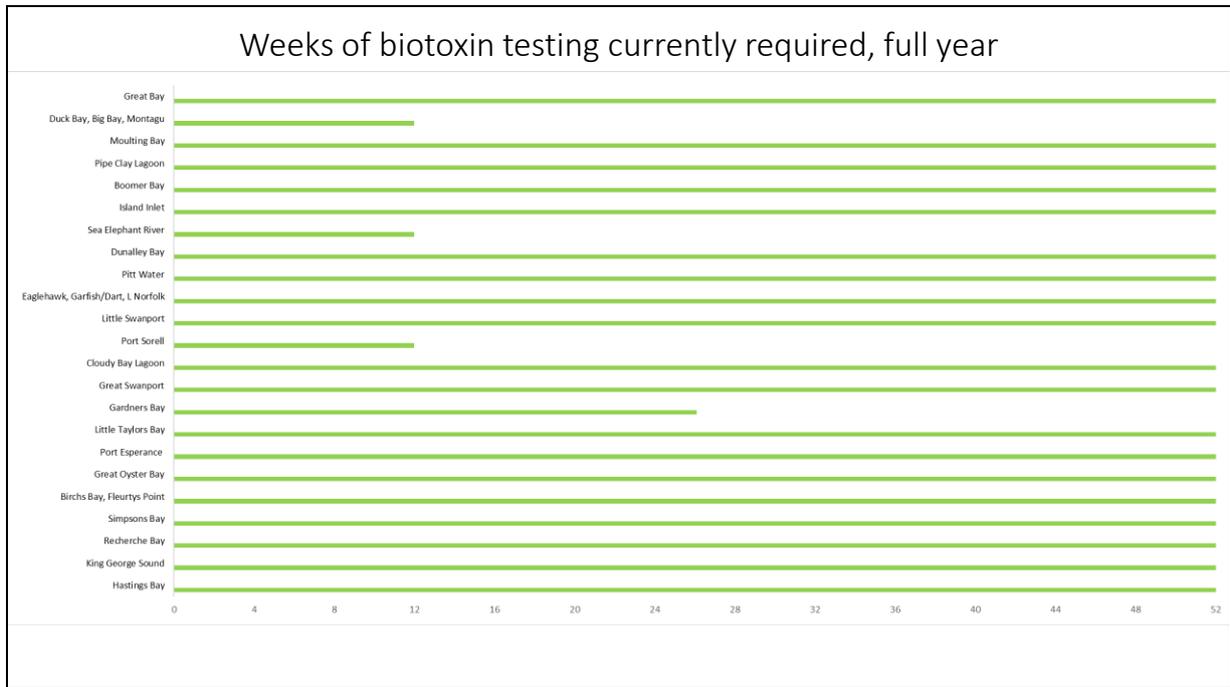
The majority of the ShellMAP sampling and testing cost is the cost of biotoxin meat tests. Last financial year the oyster industry was charged more than \$500,000 for biotoxin meat testing, and this financial year's charge has gone up by the rate of inflation. The most impactful way to reduce ShellMAP sampling and testing costs is to reduce this biotoxin meat testing cost.

The lab has advised that it can reduce its annual fee if there is a significant reduction in the number of biotoxin meat tests done. For example, if there is a 20 per cent reduction in testing the annual fee could fall by 10 per cent.

A reduction in testing would result from a reduction in the number of mandatory tests. We would maintain the annual fee arrangement where growers can have as much testing as they want, but some growers would choose to reduce the amount of biotoxin meat testing that they do.

So we have requested reasonable reductions in the number of mandatory tests.

Slide 4



Currently most biotoxin management areas are required to do weekly testing. Gardners Bay is required to do fortnightly testing. King Island, Port Sorell, and the areas around Smithton are required to do monthly testing.

Note that some biotoxin management areas are combinations of growing areas. Fleurty's Point and Birchs Bay are combined. Eaglehawk Bay, Little Norfolk Bay, and Garfish Bay/ Dart Island are combined. Duck Bay, Big Bay, and Montagu are also combined. This combination of growing areas reduces the amount of testing required.

The requirements on each area add up to 1,158 tests statewide, assuming each area is open all year.

Note that in each of the charts in the presentation the bays are ordered the same, with the bays at the top being those bays that pay more than their costs, and the bays at the bottom being those that pay less than their costs.

Recognising seasonality

2021 Review recommendation for mandated weekly (W), fortnightly (F), or monthly (M) biotoxin tests												
	J	F	M	A	M	J	J	A	S	O	N	D
North West	M	M	M	M	M	M	M	M	M	M	M	M
Spring Bay ¹	W	W	W	W	W	W	W	W	W	W	W	W
East Coast except Spring Bay	W	F	F	F	W	W	W	W	W	W	W	W
Pitt Water	M	M	M	M	M	M	M	M	M	M	M	M
Frederick Henry except Pitt Water	F	F	F	F	W	W	W	W	W	W	W	F
Gardners Bay	W	W	W	W	W	W	W	W	F	F	F	F
Port Esperance ¹	W	W	W	W	W	W	W	W	W	W	W	W
Little Taylors Bay, Hastings Bay	F	W	W	W	W	W	W	W	F	F	F	F
Great Bay, Fleurtys Point, Cloudy Bay Lagoon, Recherche Bay	M	M	F	F	F	M	M	M	M	M	M	M

¹ The service of Spring Bay and Port Esperance as DST sentinel sites increases their test frequencies for 3 and 5 months respectively.

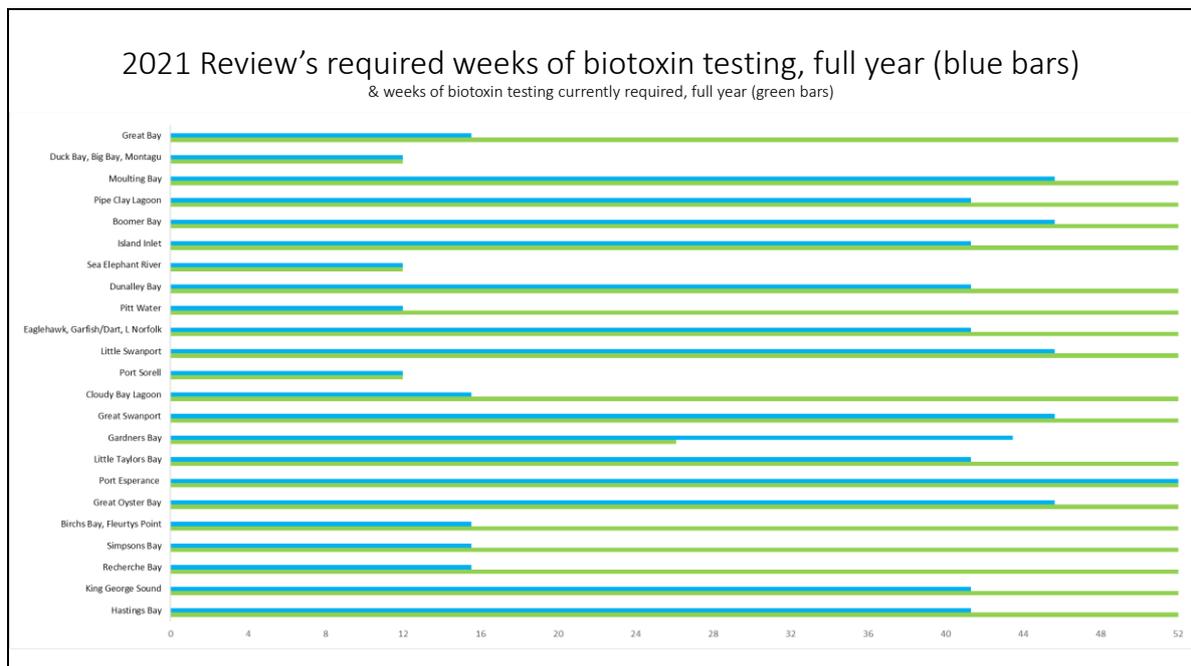
We have asked the Department to reduce mandatory biotoxin meat testing in two ways.

Firstly, we have asked the Department to pursue a testing schedule that is differentiated by bay and season.

A particular schedule based on data to 2019 was outlined in the 2021 Biotoxin Review by D J McCoubrey and Alison Turnbull and is shown here.

If ShellMAP were to agree to such a schedule it would be based on more recent data and so would be different to this.

Slide 6



The blue bars show the number of tests that would need to be done if such a schedule were adopted.

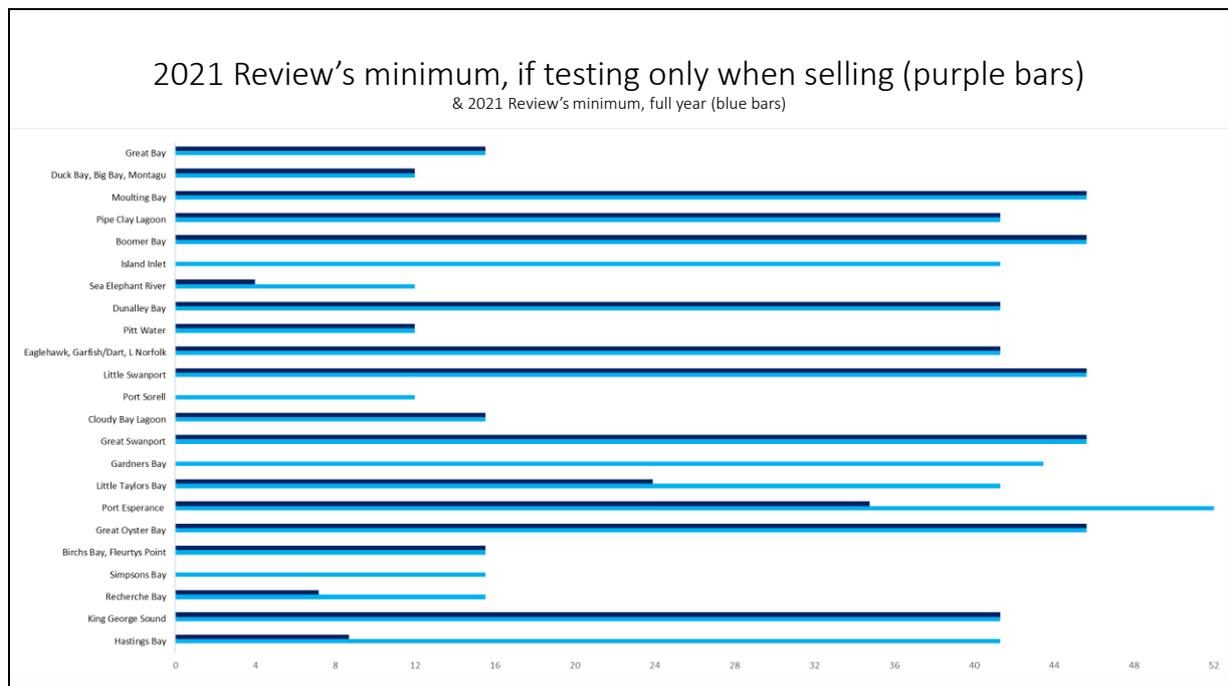
The number of tests that would be required in the North West would be unchanged because of its current low frequency. The number of tests that would be required in Port Esperance would be unchanged because it would serve as a sentinel site for the risk of diarrhetic shellfish toxin.

The number of tests that would be required in Gardners Bay would increase because of the high biotoxin risk identified in the 2021 Biotoxin Review. But remember that this relates to just the first request we've made of the Department to reduce mandatory biotoxin meat testing. The second request would reduce the requirement in Gardners Bay, and I'll explain that soon.

In all other areas the testing requirement would fall.

Adopting such a schedule would reduce the required number of biotoxin meat tests from 1,158 to 806, again assuming each area is open all year. This is a 30 per cent reduction in mandatory testing. If the current rate of testing in excess of requirements continued, a 30 per cent reduction in mandatory testing would translate to a 30 per cent reduction in actual testing. If this were to occur, the lab would reduce our annual fee by [15 per cent].

Slide 7



As the second part of our request to the Department to reduce mandatory biotoxin meat testing, we have requested that, when areas are not selling mature oysters to consumers, they not be required to do biotoxin meat testing.

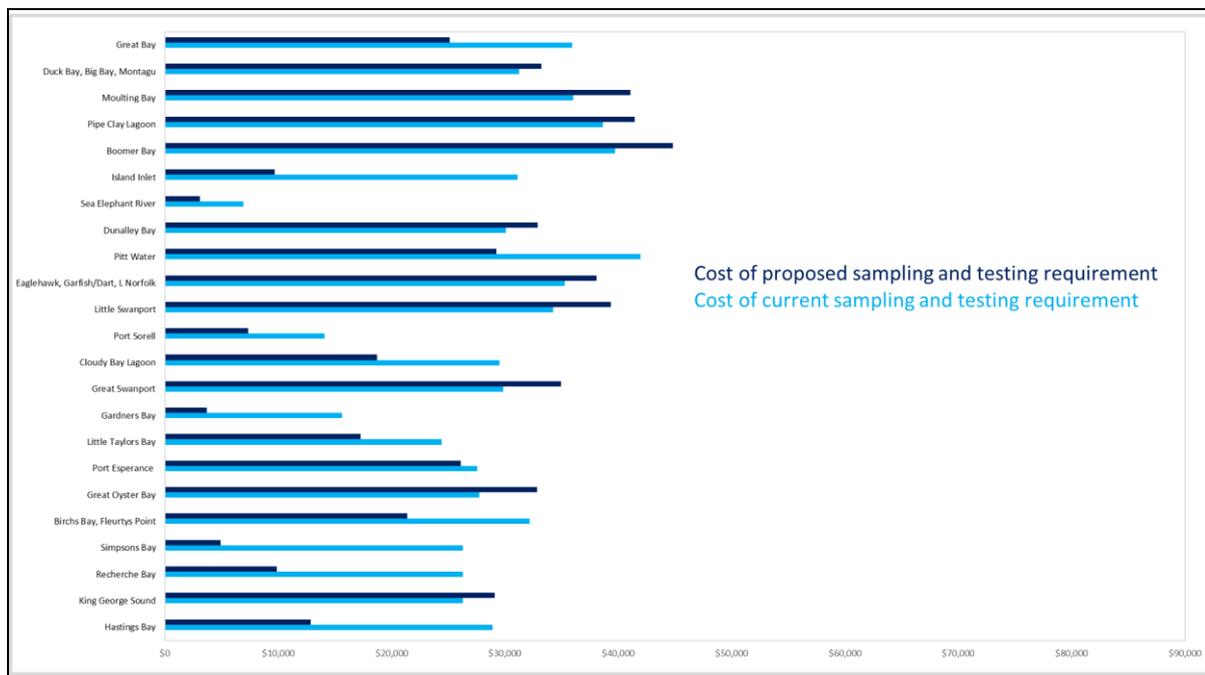
The purple bars show the number of tests that would need to be done if this request were accepted.

The growers in Port Esperance, Little Taylors Bay, Hastings Bay, Recherche Bay, and Sea Elephant River do not sell mature oysters to consumers all year so would only need to be open and providing biotoxin meat samples for part of the year.

The growers in Gardners Bay and Island Inlet prohibited from selling mature oysters to consumers at any time of the year, and the growers in Port Sorell and Simpsons Bay advise that they do not need to be open at least for the foreseeable future. So no biotoxin testing should be required in those areas.

Any months where biotoxin meat testing does not need to occur would also be months where phytoplankton testing does not need to occur.

Slide 8



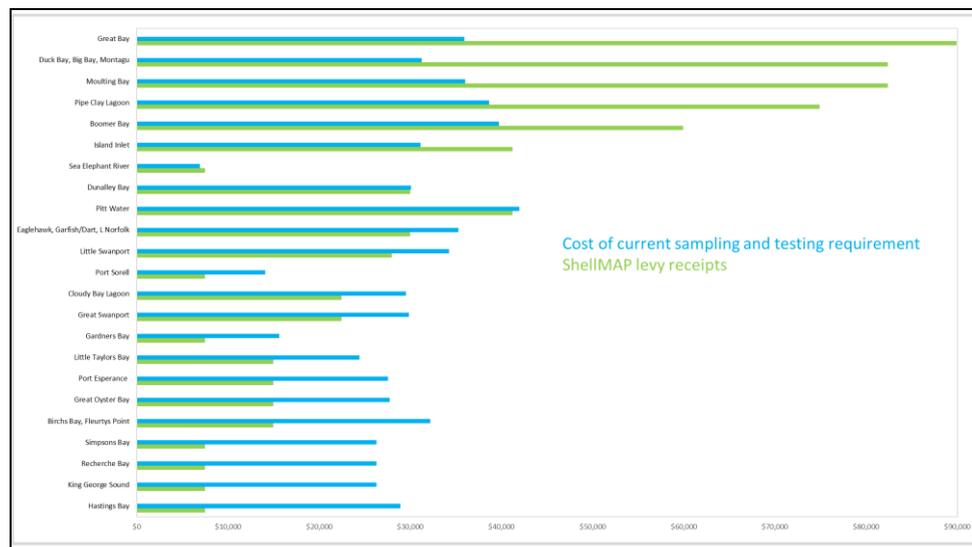
If our requests for reductions in the number of required biotoxin tests are accepted, there would likely be a proportional reduction in the number of tests actually undertaken, and our preliminary discussions with the lab suggest that our lab costs would be cut by around half of this proportion. This would mean an overall reduction in ShellMAP sampling and testing costs of around 16 per cent.

A 16 per cent cost reduction would not arise in each bay.

The per test price we are effectively being charged would rise if we do less biotoxin testing. So in bays where there is little change in the number of biotoxin tests required and actually undertaken, the testing costs in those bays would actually rise.

But in most bays there would be a significant reduction in the number of biotoxin tests required and actually undertaken, and the testing costs in those bays would fall.

Slide 9



There is a strong case to reduce the required number of biotoxin tests to reduce ShellIMAP's overall call on growers.

But this alone would not address the distributional issue regularly raised by growers across the State.

The distributional issue is reflected in this chart.

The seven areas where the green bars exceed the blue bars pay more ShellIMAP levy than the costs of the sampling and testing currently required in those area. Two such areas, Moulting Bay and Pipe Clay Lagoon, routinely do twice as much biotoxin testing as required, but even when this is taken into account it remains the case that these areas pay more ShellIMAP levy than the sampling and testing costs incurred in those areas.

The remaining areas pay less ShellIMAP levy than the costs of the sampling and testing currently required in those areas. This reflects that there are fewer licence holders in those areas.

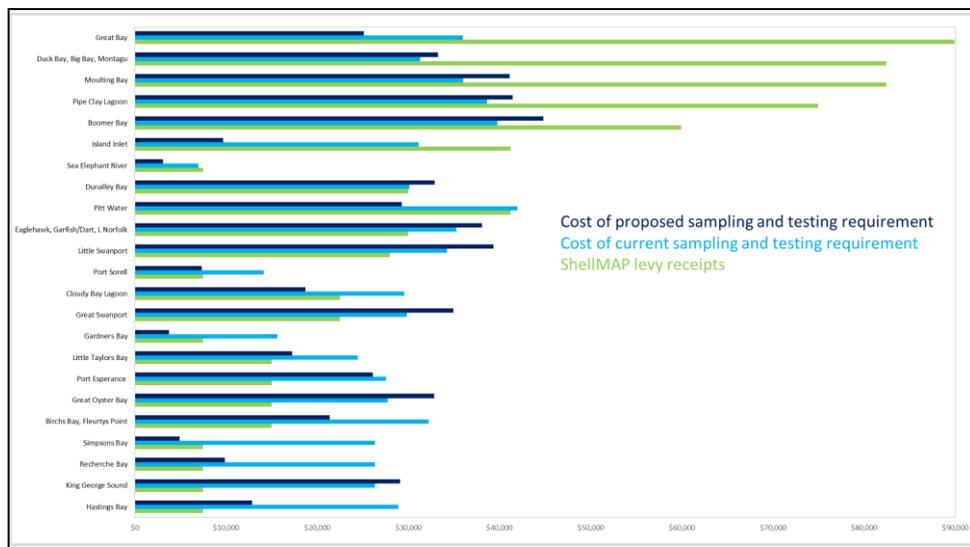
Sampling and testing is a cost of doing business and should be paid by those businesses.

There is an efficiency in 'user pays'. With 'user pays', those who generate the most costs have the greatest motivation to ensure those costs are minimised. And while any levy encourages exit from the industry and discourages re-entry, 'user pays' focuses this discouragement to participate in the industry on those who generate the most costs.

A shift to 'user pays' would encourage unlicensed lease holders in areas like the North West and Pipe Clay Lagoon to re-enter the industry. Such re-entry would have negligible impact on ShellIMAP sampling and testing costs. What's more, such re-entry would increase the number of ShellIMAP levy payers, reducing the burden on all. A shift to 'user pays' would also a number of struggling growers in the seven areas at the top of the chart to keep their leases licensed.

However, a shift to 'user pays' under current sampling and testing arrangements would mean that a number of single-grower areas like Simpsons Bay, Recherche Bay, King George Sound and Hastings Bay would face a ShellIMAP levy approaching \$30,000. To keep those bays in the industry, it would be critical for any move to 'user pays' to be accompanied by a substantial reduction in sampling and testing costs.

Slide 10



If our requested changes to biotoxin management accompanied a move to 'user pays', some single-grower areas would face a less daunting increase in their ShellMAP levy. For instance, Hastings Bay could face a ShellMAP levy of around \$13,000 instead of \$29,000, Recherche Bay could face a ShellMAP levy of around \$10,000 instead of \$26,000, and single-grower areas like Simpsons Bay and Gardners Bay could end up with a ShellMAP levy below the current levy. Port Esperance could avoid what would otherwise be a significant increase in its ShellMAP levy because a number of its biotoxin tests would be done solely for sentinel purposes and thus would not be reflected in a 'user pays' charge.

However, for that limited number of areas with few growers, year-round mature oyster sales, and a significant biotoxin risk (and hence year-round biotoxin testing), the requested changes to biotoxin management would not soften the blow of a move to 'user pays'. A move to 'user pays' could thus involve a transitional year where half of the step up in charges for Great Oyster Bay and King George Sound is covered by the dozen licence holders in Great Bay. This would still leave Great Oyster Bay and King George Sound as the most disadvantaged areas and Great Bay as the most advantaged area from a move to 'user pays'.