



Project 2015/710: Securing the legacy from the Seafood CRC investment in market research and development

Jayne Gallagher (Honey & Fox Pty Ltd), Dean Lisson (ACA Ltd), Helen Johnston (Honey & Fox Pty Ltd)

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Honey & Fox

For more information:

Jayne Gallagher

CEO Honey & Fox Pty Ltd

E: team@honeyandfox.com.au

P: +61 438336712

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Abbreviations

AAA	Australasian Abalone Association
ABARES	Australian Bureau of Agriculture Economics Resources and Science
ACA	Abalone Council Australia
ACPF	Australian Council of Prawn Fisheries
APFA	Australian Prawn Farmers Association
AWA	Australian Wild Abalone
CEP	Consumer Education and Promotion
CRC	Cooperative Research Center
DAWE	Department of Agriculture, Water and the Environment
DAWR	Department of Agriculture Water and Resources
FAQ	Frequently Asked Questions
FRDC	Fisheries Research and Development Corporation
GVP	Gross Value of Production
Q&A	Question and Answer
ROI	Return on Investment

Table of Contents

Executive Summary	1
Planned outputs and outcomes	2
Background	2
Need	3
Objectives	4
Methods	4
Project management.....	4
Australian Government Levy Principles	4
Levy Investment Proposal	5
Data sources and analyses.....	5
The Consumer Education and Promotion Program (Strategic Marketing Plan).....	7
Stakeholder consultation process.....	7
Communication resources.....	9
National Ballot	10
Results	11
Summary	11
Timeline	11
Consumer Education and Promotion Program (Strategic Marketing Plan)	12
Levy documentation.....	12
Levy collection and disbursement process.....	13
Governance and reporting.....	13
Performance measures	14
Stakeholder engagement and consultation	14
National Ballot	14
Ministerial submission	17
Discussion	18
Levy Documentation	18
Data sources and analyses.....	19
Consultation process	19
Managing objections	20
National ballot outcome.....	21
Stakeholder feedback	21
ACA Director Views	22
Future investment in marketing	23

Conclusion 24

Implications..... 25

Recommendations..... 26

Abalone Council Australia 26

Other seafood sectors 26

List of Appendices..... 27

Executive Summary

At the conclusion of the Seafood CRC in June 2015, large amounts of government and industry funds had been invested in consumer insights and market research for Australian seafood. As a result of this investment, two sectoral marketing initiatives, Australian Wild Abalone and Love Australian Prawns, were being implemented using industry voluntary contributions.

This project was established to develop an investment proposal and a Consumer Education and Promotion Program (a strategic marketing plan) to support the establishment of a compulsory levy to implement the program. A project team was established to undertake the consultation process needed to comply with the federal government requirements for the establishment of a levy.

The objectives of this project were to:

1. Have a compulsory marketing levy struck for Australian wild harvest Abalone by December 2016
2. Assist other seafood CRC participants to understand the process for establishing a compulsory marketing levy

The project was expected to be complex, covering all producing states, export markets, and product formats with the levy needing to meet the government's 12 principles, as well as the equity and efficiency criteria for collection and disbursement of the levy.

At the start of the project, there was broad industry support and endorsement by the ACA Board, to establish a compulsory marketing levy. There were, however, several vocal detractors outside of the Board, and, to address their concerns, additional consultation meetings were conducted and over 100 versions of the investment proposal and CEP Program were produced. This additional consultation, constant revision, and updating of the documentation, added 3 years to the time needed to undertake the project. A detailed project timeline is attached to the report.

The national ballot was conducted in November 2019 with a negative outcome.

It is obvious that while there was support for a levy, the support was by no means unanimous. The business case of the levy was comprehensive demonstrating both the need for and the potential for a return to levy payers. The Consumer Education and Promotion Program provided for a strategic, balanced, and diversified market approach towards creating long term brand value.

The level of opposition to the levy was somewhat unexpected and was exacerbated by a campaign of misinformation. While the economic argument was sound for a long-term investment, human behaviour factors (loss aversion, economic and social anxiety), short term thinking, (prices were at record highs just prior to the vote) and industry politics all contributed to the negative vote.

The Consumer Education and Promotion Program is still a useful document, the economic case outlined in the investment proposal for collaborative marketing is still valid. Approximately 25% of the industry (by volume and value) voted in favour of a marketing campaign, indicating a willingness to pay for it. The ACA needs to consider how this might occur.

The activities undertaken and the learnings from these will be useful for both the ACA and any other seafood sectors should they wish to establish a compulsory marketing levy.

Planned outputs and outcomes

Planned Output: Marketing levy struck for ACA

Planned Outcome: The Australian wild harvest Abalone has a stable basis on which to plan long term marketing strategies which in turn are aimed at increasing sales and thereby industry profitability.

Planned Output: ACA levy process documented

Planned Outcome: Other industry sectors have an example to follow which will hopefully make the process faster and easier for them.

Background

At the conclusion of the Seafood CRC in June 2015 large amounts of government and industry funds had been invested in consumer insights and market research for Australian seafood. As a result of this investment, two sectoral marketing initiatives, Australian Wild Abalone and Love Australian Prawns, were being implemented using industry voluntary contributions. Almost \$1m had been contributed by members of the ACPF and the APFA to the Love Australian Prawns campaign (approximately \$350,000 per year for 3 years), and \$200,000 had been committed by the Tasmanian Abalone Council to implement elements of the Australian Wild Abalone program in its first year.

Seafood CRC members, the Australian Prawn Farmers Association, and the Abalone Council Australia both indicated their intention to seek the establishment of a compulsory levy to fund ongoing marketing efforts.

The context in which these levies would be established is described below:

1. The Australian Prawn Farmers Association (APFA), the peak body for the \$55 million GVP (ABARES 2013) farmed prawn sector had 23 active license holders across QLD, NSW, NT, and WA QLD, NSW, NT, and WA farming two species of prawns – Black Tiger and Banana Prawns. In 2013, the APFA joined with 16 wild catch prawn fisheries to establish and voluntarily fund the national Love Australian Prawns marketing program in the domestic seafood market. APFA intended to use its new marketing levy funds to support its LAP contribution and other market initiatives. APFA had established (in 2003) a compulsory RD&E levy under FRDC / DOA powers and intended to establish a compulsory marketing levy on the back of this. APFA planned to establish the new marketing levy as soon as possible.
2. Abalone Council Australia (ACA), the peak body for the wild abalone fishing sector with a GVP (2013) of \$150 million harvesting ~3,800 tonnes in shell annually, from the ~830 license holders across 5 states (TAS 1,855t; SA 805t; VIC 750t; WA 260t; and NSW 130t). There are four commercially significant species – Blacklip, Greenlip, Brownlip, and Roei – each with specific harvest seasonality, market segments, and beach pricing regimes. Each jurisdiction manages its own wild harvest quota independently on a 12-month cycle. Between 2010 and 2015, ACA developed a sophisticated export market development initiative to China, Japan, Singapore, and Hong Kong and wanted to use the levy to support this program and explore other new market opportunities, including the Australian domestic market. ACA originally proposed to establish a national compulsory ad valorem marketing levy (@1% of GVP) to raise \$1.5 million per year. The proposal was that levies will be collected and remitted (by withholding about 1% of first-sale proceeds) by the 30 or so abalone processors servicing all license holders. ACA planned to have the new levy in place ASAP, at the latest by June 2017.

Other CRC participants were also pursuing or considering marketing initiatives, including Oysters Australia, Australian Barramundi Farmers Association, Australian Council of Prawn Fishers, Cleanseas

and Southern Rock Lobster Ltd. However, these sectors were some way of discussing compulsory funding arrangements for marketing. The APFA and the ACA were the "first movers" in pursuing this option. The FRDC was working directly with APFA on their levy submission. However, as the process for the establishment of a compulsory levy for the abalone industry was expected to be much more complex and resource-intensive, this project was established by the Seafood CRC using its own funds (i.e. no FRDC or ACA funds) to focus on assisting the ACA to establish a compulsory marketing levy.

Later variations to the project were funded via the ACA/FRDC IPA.

Need

While the voluntary contributions to industry marketing are impressive, these marketing initiatives are unlikely to be sustained in the long term without some form of compulsory levy. To secure the key CRC legacies and capitalise on market research investments made by the CRC, FRDC, and industry there was a need to support "first movers" who were actively attempting to establish compulsory marketing levies that would, in turn, support ongoing marketing efforts.

In December 2013, legislation enabling FRDC to collect and disperse marketing levies was passed. There were many issues to be resolved before an industry sector could satisfy the 12 principles and request the government to strike a levy. The ACA and APFA Boards both passed resolutions to pursue a levy and asked the Seafood CRC and FRDC to assist.

Essentially, for an industry/sector to have a compulsory levy of its members/constituents struck, there is a need to demonstrate market failure and for arguments for and against the implementation of a compulsory levy to be articulated. While it is generally accepted that achieving 100% support for a levy would be virtually impossible, it must be demonstrated that there is a clear majority in favour of the levy and any objections that were raised during the consultation process have, to the extent possible, been addressed.

To have any chance of success, there needs to be a clear value proposition and at least one strong industry leader with several other key influencers ready to champion the need for and expected benefits that would be derived from a levy.

Both ACA and APFA had clear industry leaders with the social capital to be effective spokespeople supporting the levy and able to withstand and counter opposition to it. As a direct result of Seafood CRC research, both organisations had a clear value proposition to seek collaborative investment. The Boards of both organisations passed a resolution to pursue the implementation of a compulsory levy.

FRDC agreed to assist the APFA directly with no further involvement or support by the report authors.

Compared to the APFA, the ACA was expected to be a far more complex process involving 5 producing states with both inactive and active industry participants (i.e., those who are actively involved in fishing, processing and selling product versus those who own quota but are not directly involved) requiring significantly more resources and time for the development of a business case for levy investment as well as an endorsed five-year strategic marketing plan. The CRC Board agreed to invest company "own funds" to support the ACA to undertake an industry stakeholder engagement process and prepare a levy submission that would satisfy the requirements of the Department of Agriculture and importantly the Minister who would make the ultimate decision as to whether a levy could be struck.

Objectives

Objective 1: To have a compulsory marketing levy struck for Australian wild harvest Abalone by December 2016

While this objective was not achieved, this final report details what activities were undertaken to underpin this and discusses issues that arose during the project leading to the negative vote outcome. Lessons learned and recommendations for future levy development processes are also provided.

Objective 2. To assist other seafood CRC participants to understand the process for establishing a compulsory marketing levy

No other Seafood CRC participants requested assistance with understanding the process for establishing a compulsory marketing levy. The Australian Prawn Farmers Association (APFA) conducted their own process under a separate FRDC funded project. Ewan Colquhoun was a Co-investigator on the APFA project and discussed the process and outcomes regularly with the project team.

Methods

Project management

A project team was established comprising Jayne Gallagher (Honey & Fox), Dean Lisson (ACA Ltd), Peter Horvat (FRDC), Emily Mantilla (Honey & Fox), Helen Johnston (Honey & Fox) and Ewan Colquhoun (Ridge Partners) (see Appendix 1).

Industry strategic guidance was provided by the ACA Board (acting in the capacity of a steering committee for the project) and the AWA exporter group (see Appendix 1). The PI and members of the project team met with the ACA Board regularly where project progress was discussed, any identified issues resolved, and decisions made. The PI and the project team also met with the Australasian Abalone Association to keep them up to date with the project process, to consult with them, and to get expert input to the Consumer Education and Promotion Program. The timing of these meetings is detailed (see Appendix 2).

FRDC provided oversight and worked with the project team to ensure that the project outputs met the requirements of the Department of Agriculture and Water Resources, the Minister for Agriculture, and the FRDC Board.

The Department of Agriculture and Water Resources was consulted regularly, particularly with respect to the levy design, industry consultation and polling methods. This helped ensure that the final submission, if the vote was positive, met the required levy principles and the level of oversight expected by the government and industry.

Australian Government Levy Principles

There are 11 principles that need to be satisfied before a request can be made to the Minister for a compulsory levy to be struck (a twelfth principle relates to amendments to levies). A copy of these principles and the guidelines for industries on how to meet these principles is provided (see Appendix 3). Two documents were developed to address these principles:

1. Levy investment Proposal
2. Consumer Education and Promotion Program (Strategic Marketing Plan)

More details about the development of these documents are provided here.

Levy Investment Proposal

Activities undertaken to develop the levy investment proposal (see Appendix 4) included:

- Collection and review of data to support the case for investment in the Consumer Education and Promotion Program. The data collected included FAO global production statistics, ABARES GVP data individual state price and production data (provided by ACA Board members), other relevant data sources (such as AUD/USD exchange rates, Asian market supply and demand data, population growth data. A summary of the final data used in the investment proposal is provided (See Appendix 5).
- Establishment of a database of potential levy payers and the initial creation of a levy spreadsheet based on species, states, and market. This was a difficult task as, due to privacy laws, this information was not able to be gathered for Victoria. Other data sources were used to hypothecate the amount of levy that would be potentially payable by abalone quota owners from Victoria.
- A review of the levy arrangements for other agribusiness sectors. This report was provided to ACA and other stakeholders and made available for download from www.abalonepal.com.au. Interviews were held with key people from Meat and Livestock Australia, Pork Australia, Wine Australia. This information was used to inform the design of a levy that could achieve the marketing objectives and ensure equity and efficiency principles are met (see Appendix 6).
- A budget was developed for the anticipated levy amount, based on the five-year marketing strategy. This budget was part of the industry consultation process. As a result of the consultation about the budget, it was agreed that the levy proposal would include a global budget and that the Abalone Marketing Advisory Group (proposed in the governance arrangements) would determine the priority areas for investment, the amount to be invested in each market and when (see Appendix 7).
- There were multiple meetings and discussions over 12 months regarding the governance and reporting responsibilities. The final agreed governance process is described (see Appendix 8).
- Expert advice was sought regarding the performance measures that could be used to measure the impact of the marketing investment as well as the circumstances under which those measures could be used. A summary of these is provided (see Appendix 9).
- A return-on-investment (ROI) calculator was developed based on the trends extrapolated from the ABARES GVP data. The ROI calculator enables potential levy payers to input their own assumptions about price and volume increases and decreases to determine potential ROI (see Appendix 10).
- A summary of the Consumer Education and Promotion Program that outlined how the levy funds would be used was developed and included in the levy Investment proposal (see Appendix 11).

On advice from (the then) DAWR, the levy investment proposal included operational detail such as the budget, evaluation, and review mechanisms, as well as governance and reporting. A copy of the final levy investment proposal document, which was approved by the ACA Board prior to going to the national ballot in Nov/Dec 2019, is provided (see Appendix 4).

Data sources and analyses

In developing a business case for striking a compulsory levy, there must be robust reliable value data available to demonstrate the need for the levy, the potential ROI and benefits to the levy payers, and to develop reliable reporting and performance indicators.

This is difficult when, as in this case, there is no nationally accepted reliable and comparable data source that can generate the decision frameworks and models required by wild-caught abalone quota owners/licence holders to make an informed judgement. The data set used needs to reflect or be a close proxy for the actual income received by quota owners (who would be the ultimate payers of the levy).

In the absence of a nationally accepted data source, the project team considered several different data sources. The major criteria used to determine whether to use a data source were:

1. It is a published data set
2. It is published by and generally accepted to be an authoritative source
3. It is published regularly
4. It is available for all abalone producing states
5. It clearly separates wild-caught figures from aquaculture (farmed) figures
6. It is likely to continue to be available for the next five years, at a regular interval, to enable performance evaluation

Beach price data can be derived from various sources, including fishers, seafood markets, buyers, and processors. For some jurisdictions, the values are collected by the fisheries management authority; other jurisdictions depend on information provided by a relatively small sample of buyers. Most fish are sold on a market away from the point of landing. As a result, transport and marketing margins need to be subtracted to estimate the beach price that quota owners receive. This can result in variable and inaccurate data, particularly when making comparisons.

Therefore, for Australian wild-caught abalone value and volume calculations, the project team used the ABARES *Australian Fisheries Statistics* which is published by the Australian Government ABARES. ABARES uses the gross value of fishery production (GVP) to provide industry and policymakers with information about the gross income generated from the commercial harvest of wild-catch stocks separately to aquaculture production across all jurisdictions. The GVP also provides an estimate of the activity level, in value terms, of commercial fisheries and relative value of harvest across jurisdictions.

The GVP was calculated by multiplying the weight of production by the landed unit value. The landed unit value was defined as the beach price for fish species caught in wild-catch fisheries and the farmgate price for fishery products produced. These prices broadly reflect the unit prices that quota owners receive for their catch. The landed unit value does not include any margins associated with sales (including freight) and services added when fishery products are processed and sold. The use of the landed unit value (beach price) in deriving gross value of production is common across jurisdictions.

To value production at the point of landing, whole weight equivalents are used in the GVP calculation for each species being valued. Valuing production in whole weight equivalents enables comparisons across regions and species. Whole weight equivalents for semi-processed fish are obtained by applying conversion factors for each species where production is not landed whole but in a semi-processed state, such as gutted, headed, and gutted, or in an otherwise reduced condition.

The major limitation and constraint in using ABARES data is that the Australian Fisheries Statistics are about 18 months to 2 years old when they are published. This means that the data is reasonably accurate but does mean that it is not the most current data. ABARES does publish a 6 monthly commodity forecast that includes Abalone. The ABARES forecast figures does not distinguish between wild-caught and farmed product which can cause confusion in comparing data.

To supplement the ABARES data and to provide more up to date data the Abalone Council Australia asked each wild-caught abalone producing state to provide beach price data from 2001 to as recent as possible. This data was then used to produce additional graphs in the levy proposal.

Both sources of data (ABARES and State based beach price data supplied by the relevant state industry association) were made available to all voters. To compare the nominal prices with real prices the Reserve Bank of Australia inflation calculator was used.

Data on the volume and value of global abalone production (wild-caught and farmed) and trade was sourced from the Fisheries and Agriculture Organisation of the United Nations (FAO). The data is captured every two years and is globally considered to be a consistent reliable source of international trade data.

The Consumer Education and Promotion Program (Strategic Marketing Plan)

The Consumer Education and Promotion Program (Strategic Marketing Plan) is a key document that outlines how the levy would be invested. It was developed for the national ballot and if the ballot result had been positive, would have formed part of the final submission package to the Minister. A copy of the final Consumer Education and Promotion Program is provided (see Appendix 12).

The development of the Consumer Education and Promotion Program document itself was undertaken in close and sustained consultation with all stakeholders including quota owners/licence holders, fishers, processors, and exporters. The consultation and review process resulted in more than 120 versions of the Strategic Marketing Plan being produced. Activities undertaken to develop the document included:

- Review of the market research undertaken as part of FRDC Project 2015/709. This research was summarised and made available on the project website www.abalonepal.com (see Appendix 13).
- Review of the global marketing strategy developed as part of FRDC Project 2015/709.
- Consultation with the AWA exporters group and a review of export market performance of the Australian wild-caught abalone industry for the previous 10 years to identify trends in volume and value.
- Review of global trade of abalone to identify key global market trends and competitors to Australia (see Appendix 14).
- Development of multiple drafts of the strategic marketing plan including positioning statements, marketing goals, target markets, marketing budget, implementation tactics, evaluation, and review processes.
- Presentation of a draft for discussion at numerous consultation meetings held in every wild-caught abalone producing state.

The final version of the Consumer Education and Promotion Program (see Appendix 12) used in the national ballot was reviewed, approved, and endorsed by the ACA board and individual Australian wild-caught exporters. Prior to proceeding to the ballot, the Consumer Education and Promotion Program was also reviewed by DAWE for suitability as part of a levy request submission. The departmental officers involved advised that “the Consumer Education and Promotion Program was outstanding and far exceeded the requirements of the Levy Principles”.

Stakeholder consultation process

The levy design, the marketing strategy, and the investment proposal was developed following a comprehensive stakeholder engagement program. This was conducted through face-to-face meetings in major Abalone producing communities as well as presentations to Abalone industry

associations. A consultation was also undertaken with Abalone processors and exporters (both individually and in several group meetings).

A consultation was originally intended to be undertaken in concert with the FRDC consultation on marketing. This did not happen as the FRDC consultation ceased early in the project. The stakeholder engagement and communications plan were submitted to the Department of Agriculture and Water Resources for comment and input before being implemented (See Appendix 15).

Stakeholder engagement and communications activities that were undertaken include:

- Establishment of a dedicated website for stakeholders to download documents and other information relevant to the project www.abalonepal.com.
- Development and circulation of multiple print and electronic documents/presentations, videos communicating the case for the introduction of a levy.
- Development of a FAQ paper (See Appendix 16).
- Preparation of briefing materials and key messages documents for industry champions to use in local industry meetings, discussions with quota owners and licence holders as well as Ministerial and Departmental engagement.
- Conducted industry and stakeholder briefings in all states (NSW, Vic, Tasmania, SA and WA) – approximately 20 meetings.
- Conducted one on one briefings with large and/or influential levy payers (10 to 15 meetings).
- Held regular face to face and teleconference discussions with the AAA and AWA exporters.
- Documented and responded to stakeholder questions and concerns.
- Considered objections and responded to them as needed. An appendix of the objections and concerns were summarised and included in the final levy investment proposal (See Appendix 17).

Media releases and advertisements

To maximise the opportunity for potential levy payers to attend the consultation meetings in Victoria, South Australia, and New South Wales, the meetings were advertised in local media and media releases sent to Fairfax and News Corp syndicated publications with the aim of obtaining targeted editorial or radio interviews by the project team. A summary of the media that was targeted as part of the campaign include:

- The Advertiser (media release) - SA
- The Port Lincoln Times (media release and paid advert) - SA
- ABC Adelaide (radio) - SA
- ABC West Coast (radio) - SA
- Geelong Advertiser (media release and paid advert) - VIC
- 94.7 The Pulse Geelong (radio) - VIC
- ABC Radio (radio) – VIC
- Bateman’s Bay Post (paid advert) – NSW
- Moruya Examiner (paid advert) – NSW
- The Magnet (paid advert) - NSW
- Merimbula News Weekly (media release and paid advert) – NSW
- Bega District News (media release and paid advert) – NSW
- Eden Magnet Imlay (media release and paid advert) – NSW
- Bay Post (media release and paid advert) – NSW

Communication resources

Several communication resources were developed to support the stakeholder consultation process. The major ones are summarised below:

Website

A dedicated website, www.abalonepal.com, was established and housed all communication resources developed as part of this project. The website consisted of six pages and contained the following content:

- Levy documentation “Report and Downloads” with quick links from the homepage – this page includes all of the consultation documents and the final Levy Investment Proposal and links to useful resources including the AWA Final Report 2015-16 and links to where further information can be obtained about the program and the Levy process, including www.abalonecouncilaustralia.com.au, www.australianwildabalone.com.au, www.awachina.com.cn. The levy page was also published on the DAWR website.
- Consultation meeting dates and locations – key dates explaining the next steps of the levy process (with quick links from the homepage).
- “We want to hear from you” user enquiry form – a place for abalone stakeholders to submit a comment or enquiry – quick links to this appeared on all key pages of the website.
- A “What is the AWA program?” page – containing information about the Market Research Program and a media library with links to all videos showcasing the activities of the program and industry, the AWA Newsletters issued and a subscribe button, and a feed from the AWA Facebook page.
- A Frequently Asked Questions page – to walk the viewer through any common enquiries about the Marketing Levy and respond to enquiries that have been raised throughout the consultation process
- A Contact Page – with a content block for stakeholders to submit an enquiry, the contact numbers and email addresses of the key Project Team members, links to social pages in Australia and China, newsletters, a subscribe button and social feeds.

AusWildAbalone YouTube channel

All videos created by the project were uploaded on to the program’s YouTube channel. A total of 12 videos were housed on this channel which had 75 subscribers on closure of the project. The YouTube channel can be found here at: <https://www.youtube.com/channel/UCzcLTGut6Dr56hZl4xHgv2A>.

Video – It’s time to tell our story

A video highlighting the major Australian Wild Abalone Market Research activities, events, achievements, and key findings was produced for use as part of the marketing strategy, levy submission documents and for use in the consultation presentation. It started with the challenge to put the AWA market research into context and finished with what the industry needed to do going forward. It summarised the need for the proposed program and the findings of the market research program. A copy of this video can be found at: <https://www.youtube.com/watch?v=H2o6s1ic3V8&t=3s>.

Video of Darvin Hansen from Tasmanian Seafoods

This is a support video providing reasons why Mr Hansen personally and his company were supportive of the levy. A copy of this video can be found here: <https://www.youtube.com/watch?v=xRdaVLEtR3o>.

Video of Anthony Wan from G-Fresh

An interview with Anthony Wan, Co-Founder of G-Fresh was produced to address market trends in China and to explain the value of marketing to the young affluent consumers via social and digital media. It also highlighted the future consumers of the abalone industry, and that he supported an industry marketing levy. A copy of this video can be found here: <https://www.youtube.com/watch?v=5xN7QLMWiVU>.

Video of 'What does the data tell us'?

A synopsis of the data used to put forward the case that a compulsory marketing ley is necessary was produced with Ewan Colquhoun from Ridge Partners presenting the review. A copy of this video can be found here: https://www.youtube.com/watch?time_continue=1&v=hWuj00j8bXw&feature=emb_logo.

National Ballot

At the completion of the stakeholder engagement process, a ballot was conducted of all Abalone quota owners in Tasmania, Victoria, NSW, SA, and WA throughout November and December 2019.

Initially, it was intended that the vote supervision would be provided by the Australian Electoral Commission (AEC). The AEC advised that they no longer provided private voting supervision services. The Levies Unit in the Department of Agriculture provided a list of organisations that could provide the required supervision services. Three of these were invited to tender. CorpVote was selected and endorsed by the ACA. Their services were formally contracted by Honey & Fox on 20 March 2019.

CorpVote is an Australian company specialising in the planning, management and delivery of secure, independent voting and vote services for all types of organisations. They provide organisations with the tools, resources, and processes to conduct successful voting and vote processes including enterprise agreement ballots, board of directors and member votes, creditors meeting, proxy voting, and many other voting requirements. CorpVote used a voting technology called Ballot Engine™ which is designed, developed, built, and maintained by CorpVote under an industry standard Software Security Assurance program, with all their data and application services hosted in Australia and subject to Australian law.

Activities that were undertaken in preparation for the ballot included:

- Developing an information pack for licence owner/levy payer that included the marketing plan and the proposed levy arrangements.
- Drafting the ballot questions and obtaining endorsement by the Department.
- Creating the electoral roll of people and organisations eligible to vote on the levy.
- Resolving issues relating to the accuracy of the electoral roll to ensure no duplication.
- Negotiating the conduct of the ballot in Victoria undertaken by VFA with supervision by CorpVote.
- Conducting the ballot.
- Declaring the ballot results.

The voting process

The voting process was included in the Levy Investment Proposal documentation (see Appendix 19). An eligible voter, as defined by the ACA, are those people and organisations that owned quota as of 30th of August 2019.

Voters were asked to vote on the following question:

Do you agree to the collection of a consumer education and promotional levy at the rate of 1.5% of the first sale price you receive for your wild-caught abalone, collected by the processor when the product is first sold to them?

Votes were counted in two ways. Firstly, how many quota owning entities voted 'yes' compared to the number that voted 'no.' Secondly, how much quota (in kgs) is owned by those entities which voted 'yes' compared to 'no.'

The ballot was conducted over 5 weeks during November and December 2019.

Results

This was the first attempt to strike a marketing levy for the Australian wild abalone sector in Australia. It followed five years of market research with the Seafood CRC that demonstrated that there were significant market value opportunities for the industry to capture by funding and implementing a cohesive consumer education and promotion program.

Summary

Achieved

Output: ACA levy process documented

Outcome: Other industry sectors have an example to follow which will hopefully make the process faster and easier for them.

Not achieved

Planned Output: Marketing levy struck for ACA

Actual Output: Marketing levy documentation produced and distributed to people and organisations eligible to vote in the national ballot. The national ballot was conducted in November and December 2019 (5 weeks).

Planned Outcome: The Australian wild harvest Abalone has a stable basis on which to plan long term marketing strategies which, in turn, are aimed at increasing sales and thereby industry profitability.

Actual Outcome: The outcome of the national ballot was negative, so no whole of industry long term marketing strategy was implemented for Australian wild harvest Abalone.

Timeline

Establishing a compulsory marketing levy is a long and resource-intensive process. Based on advice from the Department of Agriculture the introduction of a levy would normally take a minimum of 18 months (inclusive of the consultation process), but it was expected that it could be much faster for ACA due to the extensive work already conducted by the CRC. It was anticipated that the industry poll would have taken place from April to June 2016 with the submission to the Minister by December 2016.

This timeframe proved to be far too ambitious and the whole process took 4.5 years, a significant proportion of this time was spent consulting with stakeholders and revising documentation (with then required additional consultation). Additional time was needed to establish the correct governance and reporting framework that all stakeholders, including FRDC and DAWE, were happy with. The biggest sticking point was around the point of levy collection. A summary timeline of the project is provided in (see Appendix 2).

Consumer Education and Promotion Program (Strategic Marketing Plan)

The Consumer Education and Promotion Program was created through an extensive stakeholder consultation process. Key elements of the plan were:

Strategic objective

To generate an additional \$100 million of industry value (cumulative) over a five-year period by implementing the proposed Consumer Education and Promotion (CEP) Program in our five key markets. The five key markets were: Australia, China, Hong Kong, Singapore, and Japan

Global Positioning

Australia as the home of wild-caught abalone.

Five Strategic Pillars

1. Australian Wild Abalone trademark
2. Global market access
3. Consumer awareness and engagement
4. Supply chain enterprise support
5. Consumer insights and market research

Planned Investment

The five-year budget was set at \$12million with specific decisions about where, when, and how to invest the funds (consistent with the plan) to be made by an Abalone Marketing Advisory Committee.

Levy documentation

Two documents were produced and formed the basis of the voter information package.

1. Turning the Tide: Levy Investment Proposal (see Appendix 4).
2. Turning the Tide: Consumer Education and Promotion Program (see Appendix 12).

Over 100 different versions of each document were produced, reflecting the extensive stakeholder consultation process. Key stakeholder driven changes to the documentation are detailed below:

Meaning of marketing

Early discussions identified significant confusion about the meaning of marketing. Many considered that marketing was connected to sales and that sales are the purview of individual companies and not of the entire industry (the project team agreed that sales of products are absolutely the responsibility of individual companies). To resolve the potential for confusion, the project team decided to accept the recommendation of the stakeholders to change the title of the levy to the Consumer Education and Promotion Program Levy.

Implementation of the CEP Program

Significant stakeholder discussions centred around how the CEP Program should be implemented. These discussions resulted in the identification of the five strategic pillars and the tactics that are now detailed in the documentation (See Appendix 12).

Diversified market focus

The initial CEP program was also considered by some stakeholders to be too China-centric and that to ensure equity across producing states, species and product formats, the market focus needed to be expanded to five markets: Australia, Japan, Hong Kong, Singapore, and China. The importance of using in-market experts in each of the five markets, to ensure specific

opportunities and barriers in those markets were appropriately responded to, was also identified, and confirmed during the consultation.

Budget allocation

Initially, budgets were allocated to activities and markets. However, because of further consultation, it was agreed that the budget be set as a total five-year global budget with the decision about market allocation to occur annually by an Abalone Market Advisory Committee based on an assessment of performance.

Levy collection and disbursement process

A draft levy collection and disbursement process was developed to meet the requirements of the Levy Principles for equity and efficiency. This was documented in the *Australian Wild Abalone Consumer Education and Promotion Program Levy Investment Proposal* (See Appendix 4).

The proposal was to collect a levy of 1.5% of the first sale price for the product. The levy was to be collected by the Abalone processor and would be remitted to the Department every six months. This process is like processes used by other industries.

The proposed levy collection and disbursement process was assessed against the equity and efficiency criteria by the Department of Agriculture and Water Resources (DAWR) – now DAWE. The department strongly encourages that the proposed collection mechanism be the most efficient to collect for industry participants and the department. The department also advised that the use of intermediaries such as processors or exporters can significantly reduce the cost of collection when compared to collecting levy directly from quota holders.

The department modelled two cost recovery estimates based on the expected effort to collect the levy from intermediaries or from quota holders (see Appendix 18). The difference in estimates between the two is close to \$500,000 which would have a significant impact on the financial viability of the levy. A levy collected from quota holders would likely incur administrative costs comparable to commodities such as wool, cattle transaction, and some grains. These commodities collect significantly higher amounts of levy and charges which makes them viable, financially. The department advised that while the establishment of the levy collection mechanism was a matter for the industry, they expected that it would be difficult to convince a government that a levy collected from quota holders would be the most viable option for the abalone industry.

The department was also asked about the suitability of the R&D levy mechanism that currently funds a component of the Fisheries Research and Development Corporation (FRDC). This levy is technically a voluntary payment, made by State Governments and funded through the money they collect from licenses, permits and other charges, such as quota. The allocation of funds is not broken down into individual species and it would be difficult to hypothecate funding to abalone specific programs.

For all these reasons it was decided that the collection point for the levy would be most efficient at the processor/exporter. Several financial scenarios were modelled and discussed with both the industry and the department. It was agreed that all scenarios were manageable and would be resolved if the vote was successful.

Governance and reporting

During the stakeholder consultation process, issues were identified that needed to be resolved regarding governance and reporting.

The major issues included:

- Which organisation would have responsibility for making decisions on where and how to spend monies collected through the levy?
- How an advisory committee could be constituted and run, including whom they would report to and what level of autonomy they would have?
- What skills and experience were needed for the advisory committee? Was specific Abalone marketing knowledge required?
- How would industry views regarding markets to be targeted and how money should be spent, be considered in the decision-making process?
- Who would take responsibility for reporting?

These issues were discussed by the key organisations involved (ACA, FRDC, and the Levies Unit of the Department of Agriculture) as well as with the industry.

The governance arrangements detailed in the documentation reflect the desire of the stakeholders to have Abalone industry marketing experts deeply involved in the Abalone Market Advisory Committee – the principal investment decision-making group.

The final agreed arrangements are detailed in the levy documentation (see Appendices 4 and 12). The arrangements were also summarised in a separate document (see Appendix 8).

Performance measures

The impact and effectiveness of the CEP Program implementation was to be measured against key agreed performance indicators. Pillar five of the CEP Program included actions to conduct consumer insight and supply chain partner surveys. These, together with several qualitative and quantitative measures, (see Appendix 4) were to be used for reporting to levy payers (by the FRDC) and the AMAC when making decision about annual budget allocations.

Stakeholder engagement and consultation

A national consultation process is a requirement before a levy can be struck and to ensure that voters have an opportunity to:

- Find out what is being proposed and why
- Voice concerns and discuss potential solutions

Conducted over the life of the project, the stakeholder engagement consultation process involved multiple meetings with individuals and groups of stakeholders. At those meetings, issues were raised and discussed in relation to the proposed levy design (collection and disbursement, governance, and reporting) as well as with the proposed Consumer Education and Promotion Program (the marketing strategy).

All objections/issues relating to the levy design and the marketing strategy that were raised by stakeholders during the consultation process were recorded and considered by the project team. More complex issues or those which would result in a major change to the levy design or marketing strategy were referred to the ACA for advice and resolution.

A summary of the key issues and how they were addressed was included in the Levy Investment Proposal and provided in a separate summary document (see Attachment 17).

National Ballot

Pre ballot arrangements

The Levy Principles require that the people or organisations responsible for paying the levy are the ones who vote on whether a compulsory levy should be struck. In this case, it would be Australian wild harvest Abalone quota owners/licence holders.

For the national ballot, the voter eligibility was determined to be people and/or organisations that owned quota as of the 30th of August 2019.

The creation of an eligible voters list was extremely difficult and time-consuming. The ACA took carriage of this as they had the most comprehensive, but not complete, list of eligible voters. There were major difficulties filling the gaps in the list due mainly to state-based privacy legislation which restricted access to ownership information. There are different privacy requirements in each state. In the case of Victoria, separate arrangements had to be made with the Victorian Fisheries Authority to send out and receive votes under supervision by the appointed independent returning officer from CorpVote.

A voter information pack was produced and sent by registered mail to every eligible voter. The voter information pack included

- Returning envelope prepaid and addressed to Corp Vote offices
- How to vote paper
- 2-page cover letter provided by ACA summarising the background to the vote
- Ballot paper
- Ballot paper envelope matched to the how to vote letter
- Turning the tide levy investment proposal (64pp book)
- Turning the tide consumer education and promotion program (44pp book)

The ballot timeline is summarised below

- **Voting plan 1** issued 27/3/2019 with a vote open date of 16/4/2019.
- Issue with access to Victorian voter information identified.
- **Voting plan 2** issued 29/3/2019 with a vote open date of 16/4/2019.
- Victorian government declared that they could not provide a voter list or voter details due to state privacy laws.
- ACA sends letter to VFA seeking formal access to Victoria database 24/3/2019.
- ACA resends letter to VFA seeking formal access to Victoria database 1/4/2019 due to no response.
- **Voting plan 3** issued 2/4/2019 with a vote open date of 16/4/2019.
- Still no response from VFA to another letter sent by ACA on 15/4/2019.
- **Voting plan 4** issued 18/4/2019 with a vote open date of 3/6/2019.
- CorpVote issue formal letter to ACA regarding risks associated with a third-party distributing voter's packs on 30/4/2019.
- Still no response from VFA re: Vic database on 1/5/2019.
- FRDC becomes involved in discussions with ACA and VFA.
- Teleconference between ACA, FRDC, Honey & Fox and CorpVote on 7/5/2019.
- CorpVote meet with VFA on 15/5/2019.
- CorpVote provides a solution for dealing with the Victorian voters on 23/5/2019. Solution involves additional costs for the ballot.
- **Voting plan 5** issued on 27/5/2019 with a vote open date of 26/7/2019.
- CorpVote engagement letter and quote issued for Victorian voter process – 28/5/2019.
- CorpVote meet with VFA regarding needs and timelines on 13/6/2019. VFA advises that 79 Victorian voters would be eligible to vote.

- **Voting plan 6** issued on 25/6/2019 with the vote open date still for 26/7/2019.
- Pilot online voting system tested on 10/7/2019.
- **Voting plan 7** issued on 12/7/2019 with a vote open date of 2/8/2019.
- Ballot supporting documents, investment proposal and CEP books updated due to comments and concerns – 23/7/2019.
- **Voting plan 8** issued on 4/9/2019 with a vote open date of 30/9/2019.
- Legal letter from Victorian AIC received 13/9/2019. **BALLOT STOPS.**
- **Voting plan 9** issued on 3/10/2019 with a vote open date of 21/10/2019.
- Formal response to legal letter issued from ACA – 23/10/2019.
- **Voting plan 10** issued on 23/10/2019 with a vote open date of 11/11/2019.
- Online vote system testing – 25/10/2019.
- **Voting plan 11** issued on 25/10/2019 with a vote open date of 11/11/2019.
- Online vote system testing – 28/10/2019.
- **Voting plan 12** issued on 8/11/2019 with a vote open date of 11/11/2019.
- Voting opens 11/11/2019 for 35 days.
- Second legal letter from Victoria AIC received by ACA – 13/11/2019.
- As of 13/11/2019, CorpVote advised that they received 415 returns from a possible 654 which is a 63.5% return rate (this does not include Victoria because that was handled by VFA under supervision).
- Ballot closes 15/11/2019.
- ACA notifies industry of outcome 9/1/2020.

The final voting plan (Voting Plan 12) provides the full details of the final voting process (see [Appendix 20](#)).

Legal challenge

Just before the national ballot commenced a legal challenge, in the form of a letter, was mounted by one of the ACA members (Abalone Industry Committee Victoria). A review of the letter and preparation of a draft response was undertaken by Honey & Fox and Ridge Partners. However, Honey & Fox or Ridge Partners have no knowledge of what, if any, advice was used to respond to the Abalone Industry Committee Victoria. The ACA authorised the national ballot to go ahead as planned.

Ballot process

CorpVote provided the independent third party to provide an end-to-end process covering vote planning and management, vote harvesting, counting, auditing and declaration of the final results. As such CorpVote successfully delivered:

- Delivery of an independent (arms-length) voting process in accordance with the rules of ACA and CorpVote’s standard secret ballot policies.
- Provision of a voting process via an Internet Voting channel and a Postal voting channel.
- Provision of a third-party audited, secure, redundant electronic voting infrastructure that employed suitable safeguards to ensure the integrity and clear audit of the voting process from start to finish. This included a voter two-factor authentication process.
- Provision of an independent support and response services for all ballot process enquires originating from authorised key stakeholders – candidates, voters, observers, scrutineers, and representative parties.
- Vote materials that were all securely disseminated to voters and managed.
- Materials distribution logs in the audit documentation.

- Postal Ballot Packs distributed to those voters who did not have an email address from the outset of the process.
- Provision of ‘Live Vote Monitoring’ for ACA to monitor the process during the period (no result data was made available after the voting period closed).
- Results delivered in accordance with the requirements of ACA, with the official declaration of results undertaken by an appointed Independent Returning Officer.
- Process and audit reports at the conclusion of the vote.
- Vote analysis reporting that included demographic analysis.
- Provision of data security compliance.

Ballot results

The poll results were declared on 16 December 2019 (see Appendix 21). From a total of 730 eligible voters, 496 formal votes were received (1 vote was informal) providing a response rate of 67.9%.

Of the 495 formal votes received, 119 voted yes (24.1%) and 376 voted no (75.9%). By tonnage, the vote was 23% yes and 77% no. There were significant differences between states as shown in table 1 below:

Table 1: “Yes” votes as a percentage of people eligible to vote in each state compared with the percentage of fishing entitlement

State	Quota owners/licence holders	Fishing entitlement (volume)
Victoria	7%	16%
SA	16%	13%
NSW	29%	23%
Tas	27%	33%
WA	24%	20%
Total	24.1%	23%

The impact of the opposition by the AICV and a large company in SA is evident in the voting patterns. In both states, there is a significant difference in the ‘yes’ percentage compared to other states.

In any event, the ballot results indicate that Australian wild-caught abalone producers were not interested in compulsorily investing in the implementation of the Consumer Education and Promotion Program.

Ministerial submission

The project team met regularly with the FRDC and the Department of Agriculture to ensure that any proposal would satisfy the 12 levy principles when submitted to the Minister. Key elements were developed ready for submission should the levy ballot have been positive.

- Details of the strategic marketing plan (CEP Program) and how it will be implemented (See Appendix 12).
- Levy investment proposal that includes details regarding the governance of levy collection and disbursement (See Appendix 12).
- A list of objections raised in the engagement process and how they have, as far as they can, been addressed (See Appendix 17).
- Details of the results of the ballot (See Appendix 22).

The result of the ballot was in the negative, so a ministerial submission was not required.

Discussion

The process of developing the documentation and undertaking a national stakeholder consultation process proved to be far more difficult than envisaged when the project proposal was first approved.

Initially, it was thought that, at most, it would take 18 months to two years to get to a vote and there was a reasonable expectation that if the national ballot had been positive that a levy would have been struck by the responsible Australian Government Minister. In the end, the process took 4.5 years to complete. Several unexpected issues arose during that time, the key ones are discussed below.

Levy Documentation

More than 100 revisions were made to each of the two key levy proposal documents with at least five complete rewrites. These were a direct result of the extensive consultation that continued over 4.5 years.

Major discussion points were:

- The positioning of Australian wild-caught Abalone globally
- The strategic marketing objective/s
- The markets to focus on and the relative importance of these
- The potential for one state/species/product format businesses to get a greater benefit than others
- The quantum of the levy (should it be a percentage or a fixed amount)
- The budget split between markets and activities
- The decision-making framework
- Measuring performance/impact of the marketing program
- Whether the levy could be removed after five years (suspicions voiced by stakeholders that the decision could not be reversed)
- How would levy payers participate in decision making as the program was implemented
- How would levy payers benefit from a marketing program

The content of Levy Investment Proposal and the Consumer Education and Promotion Program includes evidence-based information to address these issues and other enquiries raised during the consultation. Each successive version of the two documents reflected the decisions on these issues – which meant that sometimes, diametrically opposing views needed to be balanced with the views of the majority. The difficulty in doing this cannot be overstated.

While significant effort was placed on preparing evidence-based information, not enough attention was paid to communicating in ways that would address the emotional fear of change and the mistrust of government, FRDC, and ACA underlying the issues that were being raised.

Future levy proposals need to include a significant budget to develop a marketing campaign to “sell in” the levy proposal itself. Demonstrating benefits for something that has not been done before is extremely difficult. There may also be vested interests at play that will mean that some people and companies, as evident in this process, will work actively against change no matter what factual evidence is provided. In fact, it is a well-documented behavioural science phenomenon that people will overwhelmingly vote to maintain the status quo, fearing the loss of what they already have versus what they could achieve – even when the potential benefits far outweigh the potential loss. It is the uncertainty around whether the benefit can be achieved. It is akin to an election campaign and should be treated as such.

The industry organisation sponsoring the proposal needs to be strongly in support of the proposal. At the time the ballot was conducted, there was a public dispute between the ACA and the AICV. This open opposition should have been dealt with to mutual satisfaction before the ballot proceeded. In hindsight, the ballot should not have been proceeded with until this was resolved. A unified supportive voice from the industry organisation must be evident to the voters. In the absence of this, there is a greater likelihood that people who were undecided would vote 'no'.

Data sources and analyses

The decision about which data to use, when, and how caused much debate by all Australian wild-caught Abalone stakeholders during the consultation process. This is likely to be the case for any seafood sector, particularly a wild fishery sector.

The key to preparing an evidence-based business case for the implementation of a compulsory levy is having access to robust, credible, and accurate data. When as in this case, is not possible, more time should be spent in the consultation process discussing data sources and reviewing the analysis.

It is also difficult when using historical data to develop predictive models for future scenarios. An interactive ROI calculator was developed to enable individual stakeholders to test different assumptions about percentage changes in volume and value and the impact that would have on potential ROI.

It was a very simple model to use and was made accessible via the Abalone PAL website. During the consultation and ballot process, voters were invited to use the calculator, however, very few people took up the offer. Instead, it appears that voters made up their own minds about ROI using other methods.

Consultation process

Undertaking a national consultation process with the Australian abalone industry was difficult as there was no consolidated list of quota owners and, due to different privacy legislation operating in each state, this proved impossible to create. Consultation therefore relied on using intermediaries such as state-based industry associations, as well as advertising in regional media. Having said that, the meetings that were held, except for Victoria, were well attended and included many opportunities for discussion and questions about what was being proposed. The extent of the consultation is reflected in the number of changes and iterations of the levy documentation.

Several issues relating to the effectiveness of the consultation process were identified. These are discussed below:

Communication channels and access to information

Direct communication access to individual levy payers (the voters) was difficult due to privacy laws. The stakeholder meetings were organised and hosted by the relevant ACA industry member groups and to help reach as many people as possible, public notices were placed in local newspapers.

The Abalone PAL website provided all potential levy payers with the opportunity to get first-hand knowledge about the levy proposal. While digital platforms provided convenient access to information, it is reliant on a level of digital competence and awareness that the platform exists. The lack of a comprehensive stakeholder contact list, (with emails and addresses) together with some lack of competence and confidence using digital platforms

meant that the first time many of the quota owners and licence holders heard about the proposal was when they received the voter's pack.

Information “gatekeepers”

The stakeholder consultation process exposed issues around “gatekeepers.” The gatekeepers controlled who was provided information and what information was provided. This indirect communication resulted in some people receiving the ballot without having been aware of the proposal prior to the vote.

Managing objections

One of the difficulties that arose during the consultation meetings was that what one group of stakeholders wanted was not what another group wanted. The project team had the difficult task of finding resolutions to these issues, resolutions that satisfied legislative requirements and the needs of the industry, the levy payers.

To help resolve these differences, the principles of equity and efficiency were applied to each of the contentious issues. All objections were documented, and responses were communicated.

Opposition to the levy came principally from three areas:

Abalone processors and exporters

Throughout the consultation process the Abalone processors and exporters expressed their opposition to the levy collection point. For efficiency reasons, the Department of Agriculture had identified that the best point for the levy collection would be at the first point of sale of the physical product (see Appendix 17). The processors/exporters believed that the cost of levy collection would be borne by them, with no financial reward or return. Some expressed the view that due to the competition for product at the beach, (demand outstripping supply) they would end up paying the levy not the quota owner/licence holder. Many discussions were held with the processors/exporters to find a way to address these concerns.

The discussions included one on one with individual processors and exporters as well as presentations and Q&A sessions with the project team and with representatives from the Levies Unit in the federal Department of Agriculture.

Several scenarios were developed to understand the potential difficulties and complexities in collecting the levy. Each one of these was discussed in detail. The government's advice was that all these issues could be solved should the vote be positive, and the Minister agreed to strike a compulsory levy. The ACA also resolved to allocate funds to assist processors/exporters implement business systems and processes related to the collection of the levy at the first point of sale.

Victoria

There was an active campaign emanating from Victoria circulating factually incorrect information. Many attempts were made to address the concerns of the Victorian industry, however, this was unsuccessful and resulted in a legal challenge to the national ballot. This had the effect of delaying the ballot by two months.

There is no visibility as to whether the responses to the concerns by the ACA were ever communicated to the quota/licence holders in Victoria. Due to privacy legislation in that state, there was never a list of potential levy payers, so no direct communication occurred with them except during the ballot where the information pack was sent out by the government (Victorian Fisheries Authority).

The issues raised by the AICV had been raised several times and had been responded to by the ACA. Despite this exchange of information and subsequent discussions at the ACA Board meeting (confidential), the AICV continued to circulate material that was, at least in part, factually incorrect.

South Australia

In South Australia, one large company openly expressed its opposition to the proposed levy and refused all attempts by the project team to meet with them to discuss and try to resolve this opposition.

Despite attempts to deal with the levy opposition, it obviously was not addressed adequately and the impact of this is evident in the negative national ballot result.

The lesson for any sector considering a levy proposal is to not proceed to a vote unless there is a clear indication of support. One way of doing this would be to conduct a preliminary survey, or several surveys, connecting directly with the eligible voters. Note that privacy legislation in some states may preclude direct access to voters so other ways will need to be found to get voters to volunteer their contact details.

National ballot outcome

The national ballot outcome was clearly negative. Having said this, there were some support for the levy proposal. Support for a compulsory levy was strongest in NSW (29% voted YES) and Tasmania (27%) followed closely by Western Australia (24%). South Australia and Victoria trailed significantly - 17% voted YES in SA and 7% in Victoria.

The results of the ballot were discussed at an ACA Board meeting in March 2020. A summary report (see [Appendix 23](#)) and an agenda paper was prepared (see [Appendix 24](#)).

Stakeholder feedback

An informal survey of stakeholders was undertaken. In summary, it appears that there is no dominant “single” reason for the NO vote but rather a broad range of reasons. Also, it was apparent that the “level of engagement and interest” by some quota owners was very low.

Here is a sample of the responses:

- I couldn't afford it (the levy)
- The beach price is good enough – we don't need to spend money on marketing
- The timing was wrong
- The processors should pay for marketing
- The Government should pay for marketing
- Why should I subsidise marketing for all of the other states?
- How do we know that Marketing will make any difference?
- I spoke to XXXX and he said he was not supportive. I respect his opinion, so I also voted against the levy
- If it was just for Tasmania, I would have voted to support the levy
- I would vote differently now
- I didn't vote in the ballot – I couldn't decide what to do so I chose not to vote

ACA Director Views

In July 2020, the ACA Board Directors were asked to provide feedback on the reasons they believed the national ballot to strike a compulsory levy for Australian wild-harvest Abalone was negative. The Directors were asked to also provide suggestions regarding the future use of the project IP and what, if any marketing related activities ACA should consider investing in. The following are points summarised from this feedback. Where there are incorrect statements of fact these have been noted.

Timing

- The final phase of the project coincided with historically high prices across all market segments
- It took an inordinate amount of time to complete the ballot, which didn't reflect well on the management of the project
- During the time that the AWA project was underway, Australia's abalone TACC declined significantly, not the market or the prices
- The levy vote took far too long to occur. After numerous indications over about 3 years licence/quota holders were told the vote was about to occur, when it did not on numerous occasions, they drew the conclusion that if the ACA can't even initiate the levy vote they will have little chance of delivering on marketing and promotion.
- The longer the vote drew out, the more the licence holders/quota owners arrived at the perception/assumption that those involved would be the same parties assuming the responsibility to deliver the marketing and promotion.
- Declining quotas was the major issue on stakeholders' minds at the time that they were being asked to vote on marketing, which was interpreted as a misread of priorities by the AWA. It was the result of a time-lag between when the AWA project was commenced (2007) and voted on (2019).

Stakeholder consultation and perceptions

- Many stakeholders, quota-holders, and processors, felt that the process was exclusive and back-to-front
- The recovery of BP paid in NSW was completely independent on any previous AWA marketing.
- For a modest investment from NSW our small producing state had a lot to gain from the larger collaborative investment.
- The recovery of BP paid in NSW was completely independent of any previous AWA marketing.
- For a modest investment from NSW, our small producing state had a lot to gain from the larger collaborative investment.
- Victorian-based industry members considered the project was Tasmanian-centric with the emphasis on China being the focus on the live market out of Tasmania.
- Members considered the project as an attempt at ultimate one desk selling with control falling into untrusted and unqualified hands.
- The claim of a potential return on investment of 1:8 was not believable (note: this was not what was claimed).
- There was a perception among some processors that AWA would be another competitor in the market (Note: there was never any proposal that AWA buy or sell products).
- Some considered that the proposal to invest in marketing while the industry is experiencing a continuous and significant decline in resources should not have been a priority for ACA. The highest and most urgent task of the industry is to repair the resource. The marketing proposals kept this priority low key.

- There was a perception that the proposal had a singular focus on the Chinese Restaurant trade instead of a more global focus (this was not the case the proposal was to prioritise 5 markets).
- The 'No Case' was read as stage-managed.
- The proposal delivered an impression that the ACA had its priorities and business plan wrong. No resource, no industry.
- Adequate marketing and promotion were already occurring. Licence holders who were affiliated with certain processors/exporters believed they were undertaking adequate marketing and promotion.
- Many quota-holders in these states would have a comprehensive understanding of abalone market forces and history garnered over decades, as well as the intricacies of the marketing efforts undertaken by their own companies. Thus, many 'NO' votes were based on an informed opinion and a thorough understanding of the AWA proposal.
- Many stakeholders indicated to me that they simply didn't like the premise of generic marketing, citing examples such as the Australian Wool Corporation and Southern Rock Lobster USA, and the difficulties posed by the diversity within the Australian Abalone sector

Industry structure

- The lowest voting support for the AWA came from State's with higher levels of quota holder ownership of processors (i.e., Vic, SA, WA)
- Processors were put in a difficult position regarding the levy collection mechanism, which would have coloured the opinions of many processors owning, or aligned, quota holders
- Processors saw nothing in it for them other than an impost
- Burdening the Processors with administration and compliance costs was offensive to most of them. Processors' history is written with a litany of business collapses, yet the ACA did not appear to wonder why. They have always been the meat in the sandwich between the market and quota owners, living on margins that have killed most of them off. Never allowing them the earnings to invest in value-adding and marketing. It showed a tragic lack of understanding of the post-harvest sector. The failure to understand that a profitable and healthy post-harvest sector was essential for the type of investment needed for growth in the value of the industry. This remains a serious blockage in our industry.
- There was no benefit perceived in the proposal. All would go to the quota owners, and you had to do extra work to give them extra money. Who would have supported that?

Future investment in marketing

The resounding negative vote from the ballot outcome is that the industry is not supportive of collectively investing in strategic marketing and improving the position and value of the Australian wild-caught abalone product globally. Without this, the future market investment will continue to be undertaken by individual companies, either working independently or in collaboration as a group.

Key questions for ACA are:

- Whether to continue to protect and licence the use of the AWA® trademark?
- Whether to try to establish a consumer education and promotion program with voluntary participation and PAYG?
- Whether to invest in any further market research and development activities?

ACA Directors were also asked regarding future investment in marketing. Here is a summary of their response:

Producer story led

- Any future marketing of wild-caught Abalone is best marketed by the producer alongside other wild-caught products and associated producers. Selling the story and the experience alongside

the product is the key. Many of us are simply Fisherman with a story that the public is interested in.

Marketing IP

- The established logo should continue to be registered and made available to Australian producers.
- We must retain the website and the trademarks for sure. The benefits far outweigh the costs.

Rebuild the resource first

- If we were in a situation where quota holders felt secure in their income, the problem would be like it was in the early 2000s – with existing volumes, how do we increase the price? Then there would be more support for an industry (quota-holder) funded marketing project.
- Irrespective of the reasons given for lack of support from quota holders, I suspect that they are mostly pretexts useful to defeat an attack on their pocketbook and the underlying reason for lack of support is the lack of security in the quota volumes.
- I could re-read the prospectus documents, sure, there could be minor tweaks to make it better, but at the end of the day my critique if it is correct is not one that is fixed by some changes in word, it is by the fishery ending up in a state where the resource is rebuilding, quota holders have given up on maintaining unsustainable TACCs, and whoever is still in the fishery as a quota holder has enough confidence/security in their “TACC stream” going forward that they can afford to think and fund methods to increase the export/beach price improvement to in turn improve the income stream.
- If we take appropriate stock rebuilding actions now, we will again hopefully need such a marketing project in realistically, 15-20 years. If we don't, we will have as much need for marketing as say, California has with their industry.

Market diversification

- In the current climate with increased geopolitical risk and Australian industries singled out with China, maybe it is for the best that we aren't higher profile now there. But maybe that changes at some point in the future. One must remember that the best payoff is with ethnic/cultural Chinese who have abalone high on their list of treasured foods. Our best bang per buck is leveraging off that culture while there are significant numbers of affluent Chinese around the world including mainland, what might be called “greater China”, and in their diaspora.
- Wherever we sell our abalone, be it New York, London, or Beijing, it mostly goes to Chinese restaurants. There is an opportunity to alter the supply/demand equation by opening new segments such as western restaurant trade and more importantly, high-end retail.
- A more domestic market approach is needed to be centred around specific education around creating demand by domestic western chefs serving our products for domestic consumption. Evidence of this includes products such as sauces and beer and some of the innovative ways Abalone can be used as demonstrated by the Abalone flakes. Creating access to Aussie consumers and agreeing to make it available to overseas visitors (Tourists) is the way to go.

Conclusion

It is obvious that while there was support for a levy, the support was by no means unanimous. The business case of the levy was comprehensive demonstrating both the need for and the potential for a return to levy payers. The Consumer Education and Promotion Program provided for a strategic, balanced, and diversified market approach towards creating long term brand value.

The level of opposition to the levy was somewhat unexpected and was exacerbated by a campaign of misinformation. While the economic argument was sound for a long-term investment, human behaviour factors (loss aversion, economic and social anxiety), short term thinking (prices were at record highs just prior to the vote) and industry politics all contributed to the negative vote.

Since the vote in November/December 2019, the COVID pandemic has significantly impacted global seafood markets. The abalone sector is no exception. Australian wild-caught abalone production volumes are continuing to decrease, and prices are depressed. With the continued growth of the aquaculture sector, particularly in China, the downward pressure on price is expected to continue.

The Consumer Education and Promotion Program is still a useful document, the economic case outlined in the investment proposal for collaborative marketing is still valid. Approximately 25% of the industry (by volume and value) voted in favour of a marketing campaign, indicating a willingness to pay for it. The ACA needs to consider how this might occur.

Implications

The greatest asset for any business is consumer demand. If the ballot had been successful, the levy would have been used to fund a strategic marketing program globally. This would have enabled the industry to diversify markets and control the messaging to create a premium positioning based on the values that have been demonstrated to be in demand by consumers.

Research shows that big brands always outperform small brands as they can capture a larger share of voice (SOV) which in turn creates a greater reach. Research also shows that a strategic long-term effort (minimum of five years) combined with short terms sales focused tactics will result in a more sustainable increase in brand value, in this case as measured by sustainable increase of GVP/Volume.

We understand that individual companies will continue to undertake marketing for their own wild-caught abalone products. This may result in positive outcomes for the companies concerned, but is unlikely to achieve any long-term sustainable uplift in the value of the industry.

The COVID-19 pandemic has illustrated the vulnerability for all businesses, particularly those that have a concentration in one or two product formats in one or two markets. Some have weathered the pandemic well, while others have not. It is impossible to tell whether a collaborative consumer education and promotion program focusing on five markets may have made a difference.

As quotas and TACs continue to decline, the imperative for maximising the return for every fish caught and sold is becoming greater. By continuing to market Australian wild-caught abalone as a high-priced commodity instead of a niche ultra-premium product worthy of a price premium, it is unlikely that the value GVP of the sector is going to recover in the short to medium term – if at all particularly while quotas are continuing to decrease.

Consumer expectations for minimising waste and for increased transparency in supply chains from producer to plate is driving change in the marketplace. The industry is investing in waste minimisation and transformation projects. If successfully commercialised, these efforts may improve the value of each fish caught. Provenance and authenticity technologies also provide an opportunity for the industry to collaborate and to differentiate in the market.

Recommendations

Abalone Council Australia

The following recommendations are made for consideration by Abalone Council Australia:

1. Consider whether market development and consumer education and promotion are within the remit of research and development investment by the ACA and its member organisations (both within and outside of the ACA FRDC IPA). If so, invest in establishing:
 - a. robust data collection methods and analysis to support investment in market development and diversification efforts.
 - b. the baseline performance metrics outlined in the levy investment proposal. This will enable individual organisations to benchmark themselves and measure future marketing investment impact.
2. Consider whether and how to support the 25% of people who voted for the implementation of the strategic marketing plan. If so, consider:
 - a. maintaining and updating the strategic marketing plan to account for changes in the global seafood market since 2019.
 - b. communicating with the quota owners/licence holders to gauge interest in alternative funding models to implement an updated plan, including but not limited to a voluntary levy.
3. Consider whether to continue to invest in the Seafood Trade Advisory Group and Safefish efforts to maintain an open and transparent national and international trading environment. A unified approach to this has delivered proven results to the industry and supports ongoing company efforts to build and diversify markets.
4. Consider whether to continue to invest in the Australian Wild Abalone® trademark, as the basis of an international premium food brand. This should include registration in international markets and consider ways to build value in the trademark. This will enable businesses and organisations who want to use it to gain the advantage of doing so.

Other seafood sectors

The following recommendations are made for consideration by other seafood sectors considering a compulsory marketing levy:

1. Ensure that all members of the Board of the industry organisation proposing a compulsory levy are unanimous in their support. If there is any dissension, at any point in the process, stop work and resolve issues before proceeding.
2. Ensure that a detailed voter register exists, with contact details (address, email, phone number) before you start the consultation process.
3. Communicate directly with the potential voters on the register at every step of the process. Consider doing regular surveys of the voters prior to the national ballot to gauge the level of support and/or opposition.
4. Ensure that a validated and accepted data source exists to underpin the development of a compelling levy business case, and strategic marketing plan.
5. Develop the levy investment proposal and ensure the industry association Board and stakeholders endorse both the proposal and the proposed levy collection point prior to conducting the consultation process.
6. Develop a marketing campaign for the levy proposal prior to starting the consultation process and continue the campaign at all stages of the process including through the national ballot. Consider behavioural economics and persuasion science when developing the campaign.

By being prepared, the consultation process can be shorter and ensure that the industry remains actively engaged throughout the process.

List of Appendices

Appendix 1	ACA Board, AWA Exporters and Project team members
Appendix 2	Project timeline
Appendix 3	Australian Government Levy Principles
Appendix 4	Turning the Tide: Levy Investment Proposal
Appendix 5	Data summary (ABARES GVP and FAO Global)
Appendix 6	Levy arrangements for other agribusiness sectors
Appendix 7	Proposed expenditure budget
Appendix 8	Proposed governance and reporting arrangements
Appendix 9	Proposed performance measures
Appendix 10	ROI calculator
Appendix 11	Summary of the CEP Program
Appendix 12	Turning the Tide: Consumer Education and Promotion Program
Appendix 13	Market research review summary
Appendix 14	Review of global market trends and competitors
Appendix 15	Stakeholder engagement and communications plan
Appendix 16	Levy Frequently Asked Questions
Appendix 17	Summary of levy objections
Appendix 18	Department of Agriculture assessment of levy proposal
Appendix 19	The Voting Process
Appendix 20	Final Voting Plan for the national ballot
Appendix 21	Declaration of the ballot
Appendix 22	Full ballot results report
Appendix 23	Final ballot outcome presentation to the ACA Board
Appendix 24	ACA Board minute excerpt re ballot outcome