



PIRSA

Fisheries and aquaculture cost recovery policy review

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Inherent Limitations

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No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Department of Primary Industries and Regions South Australia personnel and stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the objectives, methodology and approach Section and for the Department of Primary Industries and Regions South Australia information, who commissioned this report on behalf of the Minister for Primary Industries and Regional Development, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of the Department of Primary Industries and Regions South Australia, on behalf of the Minister for Primary Industries and Regional Development, in accordance with the terms of KPMG's engagement letter 25th May 2018 and variation letter dated 4th July 2018. Other than our responsibility to the Department of Primary Industries and Regions South Australia information, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

Executive Summary

The purpose of cost recovery

The Department of Primary Industries and Regions South Australia (PIRSA) is a key economic development agency in the Government of South Australia, with responsibility for the State's primary industries and regions. Included within primary industries is the responsibility for managing South Australia's fisheries and aquaculture resources in accordance with the *Fisheries Management Act 2007 (SA)* and the *Aquaculture Act 2001 (SA)* (the Act(s)). The Acts have been established to protect, manage and develop the aquatic resources of the State in a manner that is consistent with ecologically sustainable development. PIRSA is required to regulate commercial, recreational and Aboriginal Traditional fishing activities to protect sustainability of fisheries and aquaculture resources.

Whilst the *Fisheries Management Act 2007* and the *Aquaculture Act 2001* have separate and distinct objects, both require the aquatic resources of the State to be developed in a manner that is consistent with the principles of ecologically sustainable development (ESD). Both Acts provide for and require the proper administration and enforcement of the State's community owned aquatic resources. Proper administration of aquatic resources is achieved through developing scientifically based fish stock assessment and environmental monitoring programs to inform management arrangements. These arrangements include the implementation of fishery specific management strategies, formal fishery management plans and formal zone policies for aquaculture. Appropriate enforcement, aimed at maximising voluntary compliance and creating an effective deterrence, is delivered through intelligence driven, risk based and outcome focused compliance plans developed for each fishery and/or sector utilising the three core strategies of education and awareness, effective deterrence and appropriate enforcement.

Section 7 of the *Fisheries Management Act 2007* (objects of the Act) sets out at section 7(3) that the Fisheries resources of the State are to be managed in an efficient and cost effective manner and that 'targets are to be set for the recovery of management costs'. As the activities required to properly administer the aquatic resources of the State can be wide ranging, complexity exists in relation to how costs are incurred and subsequently recovered from participants for accessing and utilising the State's public aquatic resources for private commercial purposes.

Background

The South Australian Government introduced a Cost Recovery Policy which PIRSA has been operating for approximately 20 years. The *Fisheries Management Act 2007* provides a resource allocation framework providing for a rights based access framework. As such, each sector is allocated a share for individual species when a management plan is established. These allocations inform the recovery of costs in line with Government policy.

In order to ensure that management of the State's public resources, that are available to all users, are managed in a sustainable, efficient and cost effective manner a review process was established under the cost recovery policy and is undertaken on a five year cycle. The current review will not replace the scheduled 2020 review but has initiated assessment of current Policy against best practice arrangements.

Executive Summary (continued)

In 2014, PIRSA released an updated cost recovery principles document entitled *PIRSA's Cost Recovery Policy* in response to updates of Commonwealth Cost Recovery Guidelines.

In 2016, the Commonwealth Government conducted a Productivity Commission Inquiry Report on Marine Fisheries and Aquaculture. This review called for Governments to implement best practice cost recovery practices for the commercial fisheries sector.

The need for review of PIRSA's Cost Recovery Policy (Fisheries and Aquaculture)

Some fisheries sectors have raised concerns with PIRSA's cost recovery processes. In response, the State Government made a pre-election commitment to conduct a review of PIRSA's Cost Recovery Policy as it applies to Fisheries and Aquaculture. The Minister for Primary Industries and Regional Development (the Minister), on behalf of the South Australian Government, established a process to conduct an independent review of PIRSA's cost recovery policy for fisheries and aquaculture.

PIRSA's policy requires a review of cost recovery arrangements every five years (or as directed by the Minister). The most recent review was undertaken in 2015 with the next review scheduled for 2020. The 2015 review included a review of both Policy and costing models.

Approach to reviewing PIRSA's Cost Recovery Policy

KPMG, as an external party to cost recovery arrangements was appointed to conduct the review of PIRSA's Cost Recovery Policy for fisheries and aquaculture.

The scope of the review provided to KPMG included:

1. Review PIRSA's fisheries and aquaculture cost recovery practices for consistency with the Australian Government Cost Recovery Guidelines and PIRSA's Cost Recovery Policy, taking into consideration the previous reviews;
2. Consider the recommendations of the Productivity Commission 2016;
3. Consult with PIRSA Fisheries and Aquaculture, SARDI, Biosecurity SA, Wildcatch Fisheries SA Inc. and the Aquaculture sector as a collective group, to inform the review;
4. Conduct one on one consultative meetings with individual fishing and aquaculture industry sectors, as requested by individual sectors;
5. Document and compare the cost recovery principles and approaches in other Australian fishing jurisdictions.

Executive Summary (continued)

This report is based on the above scope undertaken by KPMG. The project approach involved five phases:



The approach used for consultation with industry stakeholders included an initial workshop with fisheries and aquaculture industry association representatives held on 19th July 2018. Following the workshop, industry association representatives were offered the opportunity to engage on a one-on-one basis in Adelaide and Port Lincoln.

Our report is structured to address the requested scope. Our findings are separated between observations from desktop document review and stakeholder consultation that have informed our recommendations for PIRSA's consideration.

Recommendations to improve cost recovery arrangements

When conducting this review, KPMG noted that the principles in the PIRSA Cost Recovery Policy broadly align to Commonwealth Cost Recovery Guidelines. However, in light of industry consultations and comparisons to the documents reviewed, some observations and recommendations remain.

KPMG has outlined 11 recommendations in relation to cost recovery for fisheries and aquaculture within the scope of the review. The recommendations relate to five key areas, namely:

- Cost recovery policy, process and programs
- Policy progress since the 2015 review
- Comparison to Commonwealth Guidelines
- Productivity Commission Report
- Inter-jurisdictional consultation and industry feedback

The detailed recommendations are outlined in the table on the following page. The recommendations are not provided in any specific priority order, where a recommendation is considered critical such a reference is made within the recommendation.

Executive Summary (continued)

Cost recovery policy, process and programs

Recommendation 1: The Cost Recovery Program document does not provide details as to the costing, timing and negotiation process that occurs every one/four years. To fully satisfy PIRSA Policy Principle 11, this needs to be outlined and specified.

2015 Review of PIRSA's Cost Recovery Policy and Practices in the Fisheries and Aquaculture industries

Recommendation 2: PIRSA should continue with regular reviews of its Cost Recovery Practices including review against best practice costing and financial modelling standards. Cost Model reviews should be conducted concurrently with Policy and/or process reviews every five years.

Recommendation 3: PIRSA should develop an easy to follow costing framework (as shown in section 3.1.1), defining the costing process. PIRSA has taken action to ensure documentation of cost recovery policy, management programs and cost recovery programs are made publicly available. However, a costing framework provides greater context, information flow, and can be used to provide easy direction and accessibility to information through PIRSA's website.

Recommendation 4: PIRSA should continue to work towards having consistency in all fisheries and aquaculture cost recovery programs, and continue to work on reducing administrative burden by agreeing four year agreements for all industries. Methods to achieve this may include the cycle and process of establishing agreements, governance arrangements, reporting and incentives for driving efficiency.

Recommendation 5: When a four year agreement is in place, PIRSA should create and document criteria for if and when a review can occur or be called for (i.e. either industry request or PIRSA request - as costs may differ to the amounts being recovered due to changes in circumstances).

Comparison to Commonwealth Cost Recovery Guidelines

Recommendation 6: PIRSA's Cost Recovery Policy and its underpinning documentation of processes should define the stakeholder engagement process in more detail.

Recommendation 7: PIRSA's Cost Recovery Policy principles one (1) – "*when to apply cost recovery*" and three (3) – "*ensuring that the costs are reflected in the pricing*" partially address Commonwealth guidelines aligning expenses and revenues, however, PIRSA's Cost Recovery Policy should provide greater detail such as that contained in the Commonwealth Guidelines (e.g. to ensure it is "clear and easy to understand").

Recommendation 8: PIRSA's Cost Recovery Policy principles eight (8) – "*key questions through the cost recovery process*" - and ten (10) – "*requirement to perform certain cost recovery tasks*" - partially deal with documentation and reporting requirements. To ensure consistency with Commonwealth Cost Recovery Guidelines, the Cost Recovery Policy should contain documentation around risk assessment and the Cost Recovery Implementation Statement ("CRIS") requirements.

Productivity Commission Report

Recommendation 9: PIRSA should ensure that regular cost recovery review cycles (every 5 years) are structured to provide self-review, evaluation of outcomes and continuous improvement across all aspects of the cost recovery framework.

Inter-jurisdictional consultation and industry feedback

Recommendation 10: PIRSA should ensure cost recovery models are structured in a manner that allows sensitivity analysis of various costs recovered and activities. This may assist with assessing various models, communication and engagement with industry participants to explain the impacts various scenarios would have on Government or sector participants.

Recommendation 11: PIRSA should establish a more robust, independent verification process for the five year review cycle encompassing all elements of the costing framework (policy, process, cost model, cost inputs and drivers). This should be utilised as a basis to strengthen review processes in future years.

1 Introduction

The management of South Australia's aquatic resources are the responsibility of the Minister responsible for administering the *Fisheries Management Act 2007* and the *Aquaculture Act 2001* and the Fisheries and Aquaculture Division of the Department of Primary Industries and Regions South Australia (PIRSA). In response to pre-election commitments to review the current policy, PIRSA engaged KPMG on behalf of the Minister for Primary Industries and Regional Development ("the Minister") to review the cost recovery policy for the fisheries and aquaculture sector including reviewing against previous 2015 review findings, Commonwealth Cost Recovery Guidelines and Productivity Commission recommendations. This review is important to both the State Government (to fulfil and fully explore election commitments), industry participants and PIRSA. As per PIRSA's Cost Recovery Policy, a review is required to take place on cost recovery arrangements every five years (or as directed by the Minister). This review precedes the next scheduled review which is due in 2020.

1.1 Purpose of Cost Recovery

PIRSA is a key economic development agency in the Government of South Australia, with responsibility for the State's primary industries and regions. Included within primary industries is the responsibility for managing South Australia's fisheries and aquaculture resources in accordance with the *Fisheries Management Act 2007 (SA)* and the *Aquaculture Act 2001 (SA)* (the Act(s)). The Acts have been established to protect, manage and develop the aquatic resources of the State in a manner that is consistent with ecologically sustainable development (ESD).

In South Australia, fisheries and aquaculture resources are a community owned public resource. The resources are accessed by commercial, recreational and Aboriginal Traditional sectors. The *Fisheries Management Act 2007* provides a resource allocation framework providing for a rights based access framework. As such, each sector is allocated a share for individual species when a management plan is established. Shares are determined on the most recent data (the level of catch) when the Minister calls for a Management Plan to be developed. Government contribute funds where public good exists. Commercial fishers as users of the public resource and direct beneficiaries of services required to manage those resources contribute, on a cost recovery basis, for services such as science, management, compliance, leasing, licensing and other business services provided by PIRSA to manage and ensure sustainability of the State's resources.

Whilst the *Fisheries Management Act 2007* and the *Aquaculture Act 2001* have separate and distinct objects, both require the aquatic resources of the State to be developed in a manner that is consistent with the principles of ESD. Both Acts provide for and require the proper administration and enforcement of the State's community owned aquatic resources. Proper administration of aquatic resources is achieved through developing scientifically based fish stock assessment and environmental monitoring programs to inform management arrangements.

These arrangements include the implementation of fishery specific management strategies, formal fishery management plans and formal zone policies for aquaculture. Appropriate enforcement, aimed at maximising voluntary compliance and creating an effective deterrence, is delivered through intelligence driven, risk based and outcome focused compliance plans developed for each fishery and/or sector utilising the three core strategies of education and awareness, effective deterrence and appropriate enforcement.

Section 7 of the *Fisheries Management Act 2007 (objects of the Act)* sets out at section 7(3) that the Fisheries resources of the State are to be managed in an efficient and cost effective manner and that 'targets are to be set for the recovery of management costs'. As the activities required to properly administer the aquatic resources of the State can be wide ranging, complexity exists in relation to how costs are incurred and subsequently recovered from participants for accessing and utilising the State's public aquatic resources for private commercial purposes.

Cost recovery is a government mechanism to ensure costs are aligned to the sector in which they are incurred. According to the Australian Productivity Commission *Cost Recovery by Government Agencies* (2001):

'The main rationale for cost recovery should be to improve economic efficiency. Improving the equity of Government revenue raising is also important, as is ensuring that cost recovery arrangements are consistent with the objectives of the Government activities they support. Well-designed cost recovery arrangements can promote economic efficiency and equity by ensuring those who use regulated products or request additional information bear the costs, and by instilling cost consciousness among agencies and users of Government products.'

1.2 Background

Industry composition

The Fisheries and Aquaculture sectors form the seafood industry in South Australia ("Fisheries and Aquaculture"). The Fisheries sector (wild catch) includes both commercial, recreational and Aboriginal Traditional sectors. The Aquaculture sector is a separate sector. Fisheries and Aquaculture's commercial industry comprises the following sub-sectors.

Fisheries industries		Aquaculture industries
Central Zone Abalone	Abalone (Southern Zone)	Tuna
Blue Swimmer Crab	Abalone (Western Zone)	Finfish
Northern Zone Rock Lobster	Charter Boat	Abalone
Sardine	Gulf St Vincent Prawn	Oyster
Southern Zone Rock Lobster	Lakes & Coorong (including Pipi)	Land Based
Spencer Gulf Prawn	Marine Scalefish	Sub tidal mussels
West Coast Prawn	Miscellaneous Fishery	

The need for review of PIRSA's Cost Recovery Policy (Fisheries and Aquaculture)

The Minister for Primary Industries and Regional Development (the Minister), on behalf of the South Australian Government, established a process to conduct an independent review of PIRSA's Cost Recovery Policy.

In 2014, PIRSA released updated cost recovery principles. As a result, an updated cost recovery policy was created entitled the *PIRSA Cost Recovery Policy* (the Policy). PIRSA's Cost Recovery Policy includes a requirement to undertake a review every five years or as directed by the Minister. The last review was conducted in 2015 (2015 Review) in regards to the current cost recovery practices.

This current review has been initiated by PIRSA at the direction of the Minister and conducted outside of the normal review timeline (next scheduled for 2020); however, in alignment with principle 11 in the Policy.

'Costs will be monitored on an annual basis and altered according to market and SA Department of Treasury and Finance requirements. Cost Recovery arrangements will be reviewed every five years or as directed by the Minister. All major reviews are to be referred to the PIRSA Cost Recovery Committee for consideration to ensure consistency with this policy.'

PIRSA has a number of Governance Committee's to provide oversight and accountability for key Departmental processes. The roles and responsibilities of the former Cost Recovery Committee (as referred to in the cost recovery Policy) have now been transferred to the PIRSA Finance Committee to better integrate cost recovery issues with broader financial management and continued oversight. For the purposes of this report, it is referred to as the Cost Recovery Committee, and assumes that the current terms of reference being performed by the Cost Recovery Committee is transferred in full to the Finance Committee.

1.3 Objectives, methodology and approach

Scope and objectives

The key objectives of this report are to:

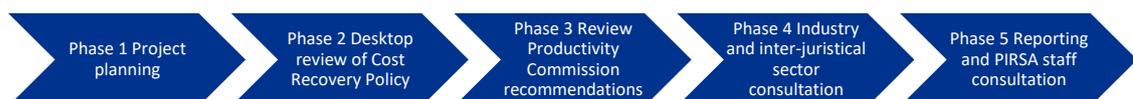
- Review PIRSA’s fisheries and aquaculture cost recovery practices for consistency with the Australian Government Cost Recovery Guidelines and PIRSA’s Cost Recovery Policy, taking into consideration the previous reviews;
- Consider the recommendations of the Productivity Commission 2016;
- Consult with PIRSA Fisheries and Aquaculture, SARDI, Biosecurity SA, Wildcatch Fisheries SA Inc. and the Aquaculture sector as a collective group, to inform the review;
- Conduct one on one consultative meetings with individual fishing and aquaculture industry sectors, as requested by individual sectors;
- Document and compare the cost recovery principles and approaches in other Australian fishing jurisdictions.

PIRSA engaged Deloitte to undertake a review of the cost recovery model in 2015 with the next review scheduled for 2020. The 2015 Review’s scope differs to the scope of this report. Items from the 2015 Review which are outside of scope for this report and may be incorporated into future reviews, include:

- Review of excel based cost recovery models (“cost recovery models”) utilised to derive fisheries and aquaculture fees
- Appropriateness and efficiency of cost recovery programs (e.g. how program activities are agreed and what is being delivered for fees charged)
- PIRSA’s processes and procedures used in deriving costs used in the cost recovery (e.g. time spent and recorded on various activities to derive cost allocation)
- Review or analysis on alternative policies to cost recovery
- Any assessment of co-management approaches.

Methodology and approach

This report is based on the below scope undertaken by KPMG. The project approach involved five phases:



The approach used for consultation with industry stakeholders included an initial workshop with fisheries and aquaculture industry association representatives held on 19th July 2018. Following the workshop, industry association representatives were offered the opportunity to engage on a one-on-one basis in Adelaide and Port Lincoln.

2 Current state of PIRSA's Cost Recovery Policy

2.1 Current state

This section of the report provides analysis and commentary on PIRSA's cost recovery policy and associated processes. This includes definition of the problem statement, current cost recovery policy and processes, cost recovery programs, PIRSA's approach to recovering costs and co-management arrangements.

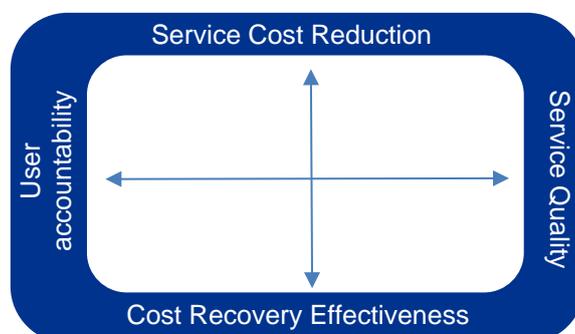
2.1.1 The problem statement

In South Australia access to public fisheries resources are allocated to the commercial, recreational and Aboriginal Traditional sectors in formal Management Plans that are tabled in Parliament. Access to State marine waters for the purposes of conducting aquaculture is allocated through an open, transparent and competitive process using an independent Aquaculture Tenure Allocation Board established in the *Aquaculture Act 2001* in side established Aquaculture zones or by using pilot leases outside of zones. Access for these sectors gives rise to the need for PIRSA to manage the fisheries and aquaculture resources and allow for extraction of fish / resources in a manner that does not compromise the broader ecological processes, and is conducted in a way that does not threaten the long-term sustainability of the stocks and the broader marine environment.

Where beneficiaries are readily identifiable, PIRSA recovers the costs that are necessary to deliver the management, scientific, compliance, licensing and other services required to manage the State's public aquatic resources in an efficient and cost effective manner, consistent with legislation. PIRSA's cost recovery Policy broadly encompasses fees and charges related to the provision of goods and services to the private and other non-government sectors of the economy. In addition, to meet sustainability objectives of the Act balancing the competing needs of the stakeholders, including commercial, recreational and Aboriginal Traditional fishers as well as non-extractive users, such as seafood consumers, divers, conservation groups, and the wider community is required. Finding a balance that provides fair and equitable access to fisheries resources is difficult whilst satisfying all stakeholders.

As with most Government cost recovery programs' costs related to the provision of government goods and services (including regulatory and information services) through fees and charges, there is a fundamental question around the efficiency of the cost recovery process (administrative burden) and the effectiveness of that process (industry burden). The following diagram outlines the paradigm and balance required in the delivery of government services subject to cost recovery.

Figure 2-1: Problem statement Matrix



Source: KPMG

This diagram shows competing priorities of PIRSA in ensuring they incur costs as efficiently as possible whilst providing services to industry who are accessing public resources for economic development and private benefit and ensuring the long-term viability of the State’s aquatic resources.

The State Government is seeking to ensure the PIRSA cost recovery policy position reflects best practice arrangements taking each of these priorities into consideration to inform any future reviews of cost models relating to fee derivation and cost allocation.

2.1.2 Cost recovery policy and processes

PIRSA’s Cost Recovery Policy contains 11 principles to guide application of cost recovery processes. The annual schedule for cost recovery in relation to commercial fisheries is shown in the table below.

Table 1: Annual program timeline

Date	Activity	Parties
Sept/Oct	Review long-term objectives for fishery/aquaculture and update if necessary. Identify priority outcomes for upcoming financial year.	PIRSA and industry association
October	Develop policy, research and compliance work programs in readiness for discussions (fisheries managers with industry) in November.	PIRSA
November	Consult relevant industry associations in relation to proposed programs and reach agreement on these programs. Industry associations to consult with wider industry.	PIRSA and industry association
February	Formal meetings with industry associations to finalise work programs and summarise costs.	PIRSA and industry
March	Submit proposed licence fees to Minister. Prepare Cabinet submission to amend regulations to prescribe new fees.	PIRSA and government agencies
June	Invoices sent for licence fees.	PIRSA

In accordance with PIRSA's Cost Recovery Policy, the following key principles exist:

Principle 1 discusses when to apply cost recovery, with full cost recovery being the goal and to include costs when it is efficient to do so, such as:

- Direct labour, goods and services
- Indirect costs
- Equipment
- Other infrastructure use based on the depreciation of assets.

Charges should be based on efficient costs and may require benchmarking against similar activities undertaken by government.

Principle 2 discusses when cost recovery is not appropriate, namely where it is not cost effective, is inconsistent with government policy objectives or stifles competition such as:

- Users cannot be readily identified ('Public goods') such as environmental services
- Financially disadvantaged groups
- Commonwealth expenditures
- Legislation prevents charging for the good or service
- Government Policy (e.g. Current Government policy does not support recreational fishing licences).

Principle 3 sets out that any charges should reflect the cost of providing the product and should be imposed on either a fee-for-service basis or as a levy.

Principle 4 requires all cost recovery arrangements to have a clear legal authority to charge through regulation. Unregulated fees require approval by an appropriate authority and information services will be subject to an agreement between the purchaser and PIRSA.

Principle 5 discusses the costs that are not related or integral to the provision of services should not be recovered and that costs too far removed from the activity should not be included. Examples of the costs not to be included are Ministers advice, criminal prosecution, freedom of information, Government services (parliamentary briefs, cabinet submissions, and ministerial briefings).

Principle 6 requires when creating costing models that definable groups of activities should be used. Activities with similar objectives or characteristics may be grouped for cost recovery purposes to lessen the administrative burden on PIRSA and stakeholders.

Principle 7 sets out the key stages of cost recovery. Refer to the process diagram in the following section for understanding of the key stages and process flow.

Principle 8 discusses key questions required to be answered through the cost recovery process aligned with Australian Government guidelines.

Principle 9 requires PIRSA to document and gain approval for cost recovery arrangements consistent with South Australian Government legislative and policy requirements, including where applicable the Cabinet approval process.

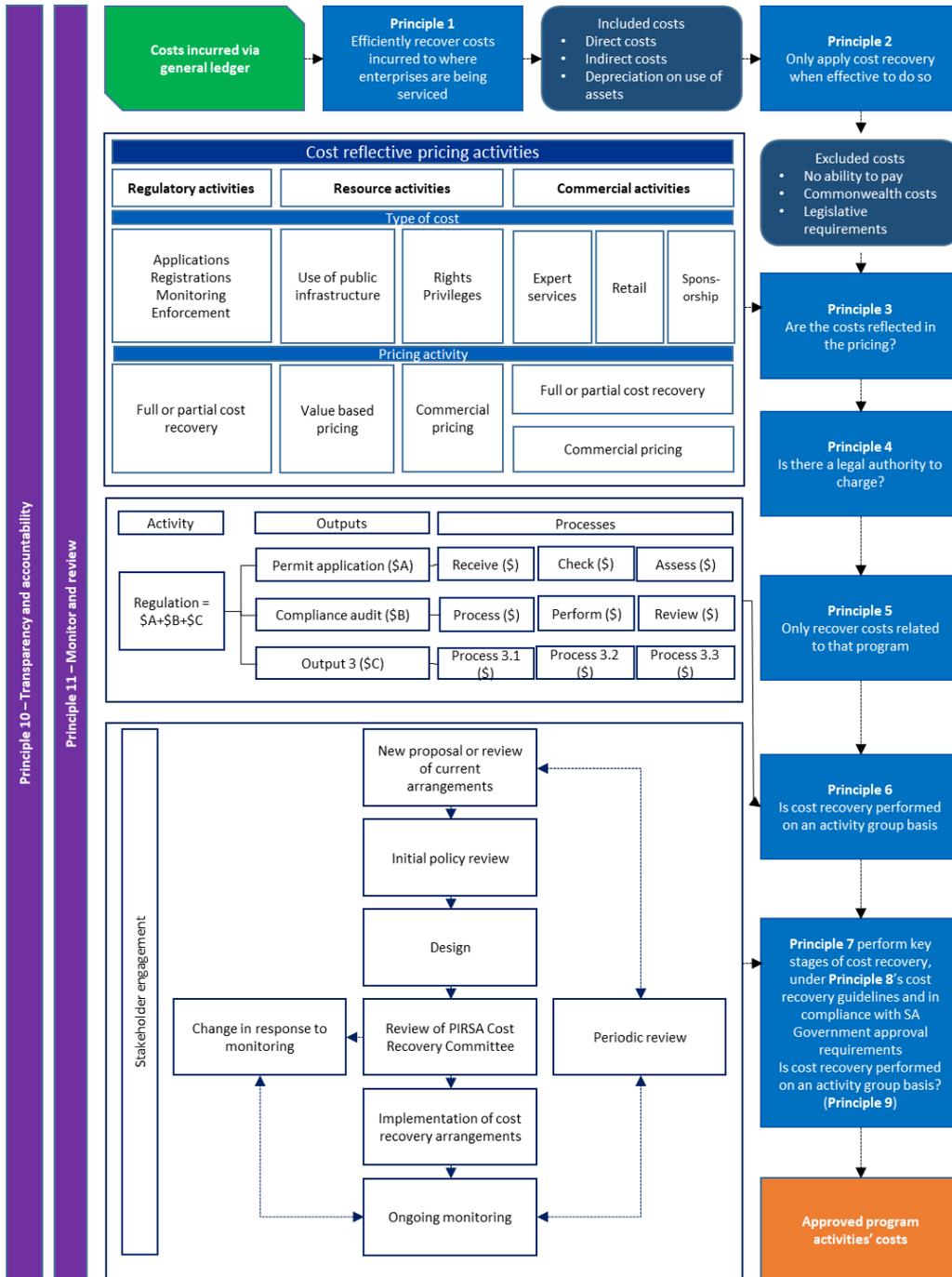
Principle 10 discusses PIRSA requirements to perform a number of tasks, including:

- Engagement with stakeholders utilising South Australian Government principles of engagement in all stages of cost recovery
- Document, and provide to stakeholders online, analyses conducted during policy and design stages. Such documentation should be transparent to stakeholders without compromising administrative efficiency or cost effectiveness
- Make publicly available service level delivery and cost performance information relevant to monitoring and reviewing cost recovery arrangements.

Principle 11 requires PIRSA to review the service delivery and costing models on a regular basis. Costs will be monitored on an annual basis and altered according to market and Department of Treasury and Finance requirements. Cost recovery arrangements will be reviewed every five years or as directed by the Minister.

PIRSA's current Cost Recovery Policy process is represented at a high level in the following flowchart based upon discussions held.

Figure 2-2: Cost Recovery Policy high level flowchart



Source: KPMG as obtained from PIRSA Cost Recovery Policy

2.1.3 Cost Recovery programs

As stated in *Principle 1* of PIRSA's Cost Recovery Policy "PIRSA's services to industry are not free, and will be recovered where there are clear beneficiaries... this will occur on a fee for service basis". PIRSA provides a number of key services to the broader fisheries and aquaculture sector, such as:

- Resource Planning
- Leasing and Licensing
- Legislation
- Compliance
- Scientific Stock Assessment
- Systems
- Animal Health
- Environment Monitoring and Management
- Program Management and Administration
- Other Activities.

Scientific stock assessment is undertaken by a Division of PIRSA being the South Australian Research and Development Institute (SARDI). SARDI (as a Division of PIRSA) provides the Departments core scientific capability to inform management of the community owned public fisheries and aquaculture resources of the state.

The goal of fisheries management in South Australia is to manage the living resources of the State so that their utilisation and development are ecologically sustainable. In addition, management aims to maximise long-term economic and social benefits to the South Australian community. Commercial operators are required to be licensed and possess the appropriate endorsements for the fisheries in which they operate. These endorsements specify the type of equipment to be used and regulate the quantity permitted to be deployed. Recreational fishers are also subject to regulations designed and implemented by PIRSA Fisheries and Aquaculture, however recreational fishers are not required to be licenced.

PIRSA employs the use of a Microsoft Excel model to calculate the quantum of cost to recover from the respective industries. The calculation basis of this model is outside of the scope of this report. The cost recovery model allocates costs directly to industries based on the proportion of FTE spent on that industry during the year. This gives the total cost to recover from each fishery. PIRSA applies this model to the relevant sub-sectors.

Costs associated with providing the services listed above are then recovered from industry in the form of specific fees, with the vast majority of recovery coming from annual licence fees charged to industry participants.

2.1.4 Review of PIRSA's approach to cost recovery

Commercial fisheries

Commercial fishing generally relates to the fishing of wild fish in the ocean (as opposed to aquaculture, which relates to the fish being grown and harvested in defined farms). With the agreement of some industry sectors, PIRSA has removed some administrative burden by implementing longer-term (4 year) cost recovery programs. These long-term programs provide greater stability and certainty for both industry participants and PIRSA, particularly in regards to costs and resourcing. They have also fostered improved government-industry relationships and helped strengthen outcome focussed service delivery.

Under these agreements, costs within the 'PIRSA Related Costs' section of the cost recovery program are indexed annually by the Government's approved indexation rate applicable to regulated fees and charges. For 2017/18, the indexation rate was 2.2%. Listed below are the sectors that have voluntarily agreed through consultation to enter into formal longer-term cost recovery programs.

Sector / Fishery	Year entered into Longer-term Cost Recovery Program
Central Zone Abalone	2017/18
Blue Crab	2016/17
Northern Zone Rock Lobster	2016/17
Sardine	2015/16
Southern Zone Rock Lobster	2016/17
Spencer Gulf Prawn	2015/16
West Coast Prawn	2016/17

As part of the four-yearly cost recovery process, PIRSA consults with various industry sectors prior to commencement of cost recovery in line with Principle 10 and Principle 7 of the Cost Recovery Policy.

The remaining sectors listed below elected to retain annual cost recovery programs for 2017/18.

Abalone (Southern Zone)
Abalone (Western Zone)
Charter Boat
Gulf St Vincent Prawn
Lakes & Coorong
Marine Scale fish
Miscellaneous Fisheries

Licence holders in the Miscellaneous Fisheries program do not have association representation. PIRSA consulted with each individual licence holder within the miscellaneous fisheries industry sub-sector by providing them a copy of the 2017/18 cost recovery documentation and providing licence holders an opportunity to provide comment on the costs.

Aquaculture

Aquaculture is the cultivation or farming of aquatic organisms, including finfish (such as salmon and tuna), molluscs (such as oysters), crustaceans (such as prawns) and plants (microalgae for beta-carotene) in a managed marine or freshwater environment and includes the following industries:

- Tuna
- Finfish
- Abalone
- Oyster
- Land Based
- Subtidal Mollusc (Mussels).

All aquaculture industries have agreed to establish four year cost recovery programs similar to that mentioned in the fisheries sector. Every year, PIRSA conducts a review of the Fisheries and Aquaculture Cost Recovery programs. In regards to aquaculture, PIRSA explicitly outlines the type and nature of activities performed under cost recovery.

Different industry sub-types are charged different fees:

- Licence fees: Paid to PIRSA for the right to undertake certain activities at a lease site
- Lease fees: Paid to PIRSA for exclusive use of an area of water for aquaculture purposes
- Hectare fees: Paid to PIRSA for each hectare of fishery operated by each fisher
- Category fees: Land-based licenses are classified into Categories A, B, C and D. The licence category allocated to a given licence depends on the level of regulation and administration required to manage the risks associated with each aquaculture activity, from lowest (Category A) to highest (Category D).

2.1.5 Co-management of services

Co-management is the arrangement with industry in which the responsibilities and obligations for sustainable fisheries and aquaculture management are negotiated, shared and delegated between government and industry. PIRSA has a published publicly available policy on the co-management of fisheries and has established co-management contracts to help foster the capacity of the industry to participate as adequately resourced partners in the co-management process. The following list provides an example of the types of activity (but not limited to) that could fall under this arrangement:

- Communicating with PIRSA (and/or industry members) on matters related to fisheries management administration;
- Educating industry members on policy rules and regulations in consultation with PIRSA to improve voluntary compliance.
- Consulting with industry members on policy and other initiatives related to the administration of the Act as requested by PIRSA;
- Advising PIRSA on policy, initiatives, and plans related to administration of the Act;
- Participating in fisheries management decision making through the existing co-management framework;
- Undertaking research that will directly inform decisions relating to administration of the Act (and providing reports to PIRSA);
- Undertaking projects that improve the administration of the Act (e.g. data, compliance, management), and reporting to PIRSA;
- Collecting relevant economic and social data relating to the administration of the Act, and reporting to PIRSA;
- Conducting strategic planning services for the industry through an existing strategic plan endorsed by PIRSA, and reporting to PIRSA;
- Providing Coordinator @ Sea (e.g. Real-Time Management) services;
- Participating in the cost recovery consultation process between PIRSA and industry, as requested by PIRSA;
- Actions to address Marine Stewardship Council (MSC accreditation) (i.e. consistent with the administration of the Fisheries Management Act 2007);
- Addressing projects related to industry strategic planning – e.g.:
 - Aboriginal Traditional Fishing management
 - Improve economic / social status of fishery
 - People development / leadership.

In some instances, PIRSA would then collect co-management service fees from the industry participants.

Co-management brings stakeholder knowledge and expertise to bear in generating solutions best suited to local circumstances and fisheries. More generally, stakeholder involvement can deliver improvements in both the efficiency and effectiveness of fisheries management.

The following industries have entered Service Level Agreements (SLAs) for the co-management of various services with PIRSA:

- Northern Zone Rock Lobster
- Southern Zone Rock Lobster
- Spencer Gulf & West Coast Prawn
- Gulf St Vincent Prawn
- Marine Fishers
- Charter boats
- Lakes and Coorong (net sector)
- Lakes and Coorong (Pipi sector).

2.2 Observation and analysis

Observations on policy, process and approach

Both the fisheries and aquaculture sectors have made significant strides since the 2015 Review in terms of increasing transparency and accountability as well as significant strides to reduce administrative burden. The below observations highlight areas beyond the scope of the Cost Recovery Policy but are raised for PIRSA's reference.

Observation 1: At the time of this report, PIRSA, as part of its continuous improvement initiatives, is in the process of tasks assigning to the Cost Recovery Committee to the Finance Committee. PIRSA's Cost Recovery Policy will need to be amended to reference the Finance committee.

Observation 2: PIRSA has a robust process, including one on one consultation with Industry association representatives however the documented process could be more robust, defined and documented (i.e. documentation should include processes for regular meetings with industry representatives and, when appropriate licence holders).

Observation on co-management of services

As per KPMG's review of the Productivity Commission's inquiry report into Marine Fishers and Aquaculture recommendations on co-management agreements as well as discussion with inter-jurisdictional governing bodies, PIRSA is considered to be the a leader in co-management SLAs with industry. This report excludes an assessment of co-management approaches.

Observation 3: PIRSA has a set policy on co-management. If industry and PIRSA support the strategic direction, then PIRSA should continue working towards placing all industry sub-sectors under such an agreement. A positive robust and transparent approach is a critical enabler to facilitating establishment of co-management arrangements.

In order to understand the cost recovery programs, KPMG examined the cost recovery program for Rock Lobster Fishery (Southern Zone) for the year ending 30 June 2018.

Observation 4: Review of documentation, in respect of the Southern Zone Rock Lobster Fishery, identified the cost recovery documents provided to industry do not clearly identify the three base fee amounts set out in the Fisheries Management (Fees) Regulations 2017, that allow licence holders to access other species in listed Schedule 1 of the Marine Scale Fishery. PIRSA has advised that these changes have now been made and are reflected in the cost recovery documents and the licence fee renewal invoices.

2.3 Recommendations

The following recommendations are made based upon desktop review of PIRSA's current cost recovery policy and approach.

Recommendation 1: The Cost Recovery Program document does not provide details as to the costing, timing and negotiation process that occurs every one/four years. To fully satisfy PIRSA Policy Principle 11, this would need to be outlined and specified.

3 Review of PIRSA’s Cost Recovery Policy

3.1 Progress of PIRSA’s Cost Recovery Policy since the 2015 Review

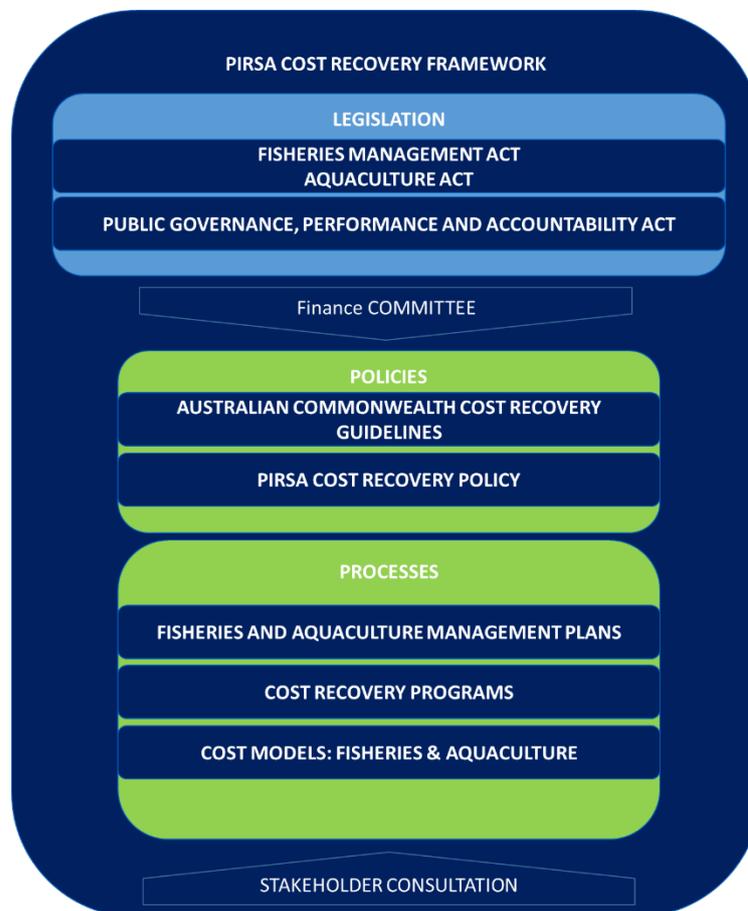
3.1.1 Background

In 2015, a review of PIRSA’s Cost Recovery Policy and practices was undertaken by an independent external consultant, including the application of the policy to the fisheries and aquaculture industries. Whilst the scope of the 2015 Review differs to the scope of this review (as per section 1.3 of this report), a number of key recommendations were made regarding PIRSA’s Cost Recovery Policy and practices. KPMG has reviewed the 2015 Review to assess whether these recommendations have been implemented in the current policy and that they remain relevant. The 2015 Review identified four key recommendations:

<p>(1) Update PIRSA’s Cost Recovery Policy</p> <p>PIRSA should consider updating its Cost Recovery Policy to:</p> <ul style="list-style-type: none"> • Include a principle (or principles) relating to transparency and accountability. The principle(s) should provide guidance regarding documents that PIRSA could adopt to achieve transparency and accountability such as reporting on performance. • Consider principles regarding how cost-recovery charges are set, including that charges be simple, clear and easy to understand, include only efficient costs and avoid volatility. 	<p>(3) PIRSA adopt the transparency and accountability measures in Recommendation 2 for the aquaculture industry and report on South Australian Government decisions to move away from full cost recovery</p> <p>PIRSA could increase transparency and accountability by implementing similar transparency and accountability measures discussed in Recommendation 2.</p> <p>PIRSA could also increase transparency regarding policy decisions made by the South Australian Government to move away from full cost recovery by reporting those decisions and noting their consistency with its Cost Recovery Policy.</p>
<p>(2) Increase transparency and accountability by providing key documentation online and reporting against performance publicly</p> <p>PIRSA could increase the transparency and accountability of its fisheries cost recovery approach by:</p> <ul style="list-style-type: none"> • Publicly providing detailed information relating to cost recovery online, such as the services PIRSA will provide, the cost of those services and the percentage of costs to recover • Publicly detailing the cost recovery process and how it calculates fees and providing this information on its website • Publicly reporting performance measures that indicate its success against delivering the services and milestones provided to industry. 	<p>(4) PIRSA consider an approach to cost recovery that reduces administrative burden and increases certainty to industry</p> <p>Reducing the administrative burden will promote simplicity in the cost recovery process and reduce the cost of administrating cost recovery. Further, avoiding volatility in charges will benefit industry by providing certainty which promotes a more stable investment environment</p>

The operational environment of PIRSA requires a legal authority to charge, and this in turn requires a comprehensive framework. The following diagram summarises PIRSA’s cost recovery framework giving consideration to applicable legislation, policy environment, supporting processes, governance and stakeholder engagement. The need to improve the documentation of the current cost recovery processes in a transparent format for all stakeholders gives greater clarity and, where issues arise, a clear reference point in order to identify the elements of the framework that contribute or are impacted. The following framework has been developed by KPMG for illustrative purposes and is not intended to be comprehensive.

Figure 3-1: Cost Recovery Framework



Source: KPMG

3.1.2 Observations and analysis

Observation on Recommendations 1, 2 and 3 of 2015 review

Recommendations 1, 2 and 3 all deal with the issue of transparency and accountability. PIRSA's Principle 10 deals directly with transparency and accountability and identifies the need for engagement with stakeholders through the Government of South Australia's *Better Together: principles of Engagement* to ensure relevant peak industry bodies as well as other stakeholders and government agencies are adequately consulted during the cost setting process. Furthermore, implementing the principle is a key element to the 2015 finding.

KPMG noted that following the 2015 Review, PIRSA implemented the following:

- PIRSA Cost Recovery Policy was reviewed and amended to include a principle relating to transparency and accountability
- Key cost recovery documentation that relates to all fisheries and aquaculture sectors were made available on PIRSA's website, including information regarding:
 - PIRSA's Cost Recovery Policy
 - The 2015 Review report
 - The Review of the Fisheries Recovery Policy 2009
 - All cost recovery programs
 - Industries Management Plans
 - Specific compliance programs
 - Policy and management program outcomes.

To determine if PIRSA's cost recovery process was transparent, accountable and up to date, a thorough check of PIRSA's website was completed. Through desktop searches for the Cost Recovery Policy and individual sectors fee structure on the website, it was noted that whilst each item exists, it can be difficult to find.

Observation 5: KPMG noted that following the 2015 Review PIRSA's Cost Recovery Policy was amended to include a principle relating to transparency and accountability. Key cost recovery documentation that relates to all fisheries and aquaculture sectors were made available on PIRSA's website.

Observation on Recommendation 4

PIRSA has implemented four year cost recovery program agreements with some sub-sector industries within the fisheries industry sector and all of the sub-sectors within the aquaculture industry sector. This has resulted in no longer needing an annual negotiation process, thereby reducing administrative burden. Notwithstanding, opportunity for refinement of the four year agreements and supporting processes exists, e.g. set criteria in place around when industry can request a cost recovery review (and if there are associated costs with such a request) and when PIRSA's actual costs trigger the need for a review.

KPMG noted that following the 2015 Review, PIRSA implemented the following:

- In agreement with industry, PIRSA implemented longer term cost recovery arrangements with all aquaculture sectors and some fisheries sectors, which has reduced administrative burden, increased certainty to industry and assisted business' stability by enabling businesses to forecast licence costs and development activities with greater confidence.

Observation 6: KPMG noted that following the 2015 Review PIRSA implemented longer term cost recovery arrangements with all aquaculture sectors and some fisheries sectors, which has reduced administrative burden, increased certainty to industry and assisted business' stability.

3.1.3 Recommendations

The following recommendations are made regarding progress since the 2015 review.

Recommendation 2: PIRSA should continue with regular reviews of its Cost Recovery Practices including review against best practice costing and financial modelling standards. Cost Model reviews should be conducted concurrently with Policy and/or process reviews every five years.

Recommendation 3: PIRSA should ensure an easy to follow costing framework (as shown in section 3.1.1), defining the costing process. PIRSA has taken action to ensure documentation of cost recovery policy, management programs and cost recovery programs are made publicly available. However, a costing framework provides greater context, information flow, and can be used to provide easy direction and accessibility to information through PIRSA's website.

Recommendation 4: PIRSA should continue to work towards having consistency in all fisheries and aquaculture cost recovery programs, and continue to work on reducing administrative burden by agreeing four year agreements for all industries. Methods to achieve this may include the cycle and process of establishing agreements, governance arrangements, reporting and incentives for driving efficiency.

Recommendation 5: When a four year agreement is in place, PIRSA should create and document criteria for if and when a review can occur or be called for (i.e. either industry request or PIRSA request - as costs may differ to the amounts being recovered due to changes in circumstances).

3.2 Comparison to the Commonwealth Guidelines

3.2.1 Background

As a basis for cost recovery policy, the Australian Government Cost Recovery Guidelines ("*Commonwealth Guidelines*") state that Government entities should strive for efficient implementation of cost recovered activities in order to minimise cost recovery. The Commonwealth Guidelines are underscored by three core principles:

1. Efficiency and effectiveness
2. Transparency and accountability
3. Stakeholder engagement.

The Commonwealth Guidelines stipulate that cost recovery performance is assessed by its performance in achieving government policy outcomes. Performance can be measured in a number of ways, including:

1. Enforcement of legal standards
2. Compliance reviews by audit and regulatory bodies
3. Program evaluations
4. Assurance reviews
5. Capability reviews.

The Commonwealth Guidelines also contain cost recovery requirements:

1. Australian Government policy approval to cost recover
2. Statutory authority to charge
3. Alignment between expenses and revenue
4. Documentation and reporting
5. Portfolio charging review.

Australian Government cost recovery core principles

The following table analyses PIRSA's Cost Recovery Policy and its consistency with the Commonwealth Guidelines.

Table 2: Australian Government Cost Recovery Guideline principles consistency to PIRSA

Australian Government Cost Recovery Guidelines – Principles	Consistency to PIRSA	Notes
Efficiency and effectiveness	✓	Principles 1, 2, 5, 6 and 11 are consistent
Transparency and accountability	✓	Principle 10 is consistent
Stakeholder engagement	Partially	Principle 10 and 7 are consistent. Whilst PIRSA conducts one on one consultation the principles lack reference as to how stakeholders will be specifically engaged

Source KPMG

Australian Government cost recovery requirements

Below is a summary table illustrating PIRSA's Cost Recovery Policy and its consistency with the Commonwealth Guidelines.

Table 3: Australian Government Cost Recovery Guideline requirements consistency to PIRSA

Australian Government Cost Recovery Guidelines – Principles and Requirements	Consistency to PIRSA	Notes
Australian Government policy approval to recover	✓	Principle 9
Statutory authority to charge	✓	Principle 4 – Legal authority for cost recovery
Alignment between expenses and revenue	Partially	Principles 1 and 3 partially address the Commonwealth Guidelines. However, policy needs greater specificity on cost recovery and practices.
Documentation and reporting	Partially	Principles 8 and 10 address the need for documentation, but not specifically the need for a CRIS and what that requires.
Portfolio charging review	✓	Principle 7 Principle 11

Source KPMG

3.2.2 Observations and analysis

Observation on Australian Government cost recovery core principles

Efficiency and effectiveness

The Commonwealth Guidelines stipulate that efficiency and effectiveness relate to the optimal use of governmental resources in order to achieve policy outcomes. Relevant performance targets should be met with minimum cost. It also refers to a balancing act between the complexity and accuracy of a costing model developed, and the trade off with the expenses used to develop and maintain that model.

Principles 1 and 2 of PIRSA's cost recovery policy broadly stipulate the circumstances in which cost recovery is appropriate and the degree of recovery that will be sought. Conversely, *Principle 5* mentions when cost recovery is not appropriate. *Principle 6* stipulates that PIRSA aims to employ activity based cost recovery, and that the sole purpose of this principle is to promote efficiency and provide an accurate costing model reflective of the costs borne by PIRSA in line with the Commonwealth Guidelines for efficiency and effectiveness.

Principle 11 consolidates the Commonwealth Guidelines to ensure that cost recovery policies meet quantity and quality targets.

Transparency and accountability

Transparency and accountability are explicitly mentioned in *Principle 10* of PIRSA's Cost Recovery Policy. The principle outlines how PIRSA will involve stakeholders in the design and review of cost recovery processes, reviews and initial designs published on the PIRSA website. The Commonwealth Guidelines place an emphasis on the need for "two-way communication", and PIRSA refers to the *Government of South Australia – Better Together: Principles of Engagement* when referring to open communication with relevant stakeholders during the key stages of cost recovery outlined in Principle 7.

Stakeholder engagement

As previously mentioned, PIRSA's consultation process is outlined in *Principles 7 and 10*. However, PIRSA's stakeholder engagement lacks detail and explicitness. PIRSA's cost recovery guidelines could explore, in more detail, how stakeholders will be consulted in line with the stakeholder engagement principles of: continuity, accessibility, transparency and consistency.

Observations on Australian Government cost recovery requirements

Australian Government policy approval to recover

This is a requirement that Australian Government agencies have policy approval from the Australian Government to implement cost recovery policies. Principle 9 in PIRSA's Cost Recovery Policy is consistent with this requirement.

Statutory authority to charge

All cost recovery charges must have underpinning legislation. Principle 4 of PIRSA's Cost Recovery Policy enshrines this requirement.

Alignment between expenses and revenue

Principles 1 and 3 stipulate when to apply cost recovery and the Commonwealth Guideline that pricing must be cost reflective. The Commonwealth Guidelines make effort to mention that cost recovery charges must be: clear and easy to understand; closely linked to a specific activity; set to efficiently cover costs; efficient to determine, collect and enforce; and set to avoid volatility, while still being flexible enough to allow for changes. Though PIRSA Principles 1 and 3 address the need to recover costs appropriately, PIRSA may consider further detail in their policy for greater alignment with the Commonwealth Guidelines. As mentioned in the 2015 Review, PIRSA should extend its policy to contain more specific information as to the activities they will be conducting cost recovery on.

Documentation and reporting

Each cost recovered activity must be documented using a "cost recovery implementation statement" (CRIS). Principles 8 and 10 of PIRSA's Cost Recovery Policy outline the requirements for PIRSA to document any analyses in design or policy review stages. However, the policy does not go into the detail requiring the completion of a CRIS, nor what a CRIS should contain.

Portfolio charging review

The Commonwealth Guidelines require that government agencies implementing cost recovery should periodically review charging activities every five years. This requirement is reflected in Principle 11 of PIRSA's Cost Recovery Policy.

Observation 7: PIRSA's cost recovery policy and principles are aligned to the Commonwealth Guidelines, notwithstanding recommendations (7, 8 and 9) which provide opportunities for improvement in relation to process clarity, stakeholder engagement, and greater transparency in documentation and reporting.

3.2.3 Recommendations

The following recommendations are made to continue to improve the cost recovery arrangements and policy in line with Commonwealth Guidelines.

Recommendation 6: PIRSA's Cost Recovery Policy and its underpinning documentation of processes could define the stakeholder engagement process in more detail.

Recommendation 7: PIRSA's Cost Recovery Policy principles one (1) – “when to apply cost recovery” and three (3) – “ensuring that the costs are reflected in the pricing” partially address Commonwealth guidelines aligning expenses and revenues, however, PIRSA's Cost Recovery Policy should provide greater detail such as that contained in the Commonwealth Guidelines (e.g. to ensure it is “clear and easy to understand”).

Recommendation 8: PIRSA's Cost Recovery Policy principles eight (8) – “key questions through the cost recovery process” - and ten (10) – “requirement to perform certain cost recovery tasks” - partially deal with documentation and reporting requirements. To ensure consistency with Commonwealth Cost Recovery Guidelines, the Cost Recovery Policy should contain documentation around risk assessment and the Cost Recovery Implementation Statement (“CRIS”) requirements.

3.3 Productivity Commission report into Marine Fisheries and Aquaculture

3.3.1 Background

The Productivity Commission is the Australian Government's independent advisory body on a range of issues affecting the welfare of Australians. Its primary role is to independently advise governments to make better policies in the long-term interest of the Australian community. The processes and outputs under which it operates are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

As per the Productivity Commission, while Australia's fisheries are regarded as sustainable, reliable and safe, there is scope to improve the management of fisheries through effective and coordinated regulatory and management arrangements.

The Productivity Commission report looks at whether fisheries regulation and management are impeding productivity improvement and investment. It also looks at whether resources are being used in a way that is maximising community welfare and will be used sustainably in the future.

Based on the Productivity Commission report, KPMG identified a number of recommendations outside of the scope of this review as they were considered operational in nature. As per the table in Appendix C, the applicable Productivity Commission findings may be outside of the scope of this review. The following table identifies recommendations from the Productivity Commission report that may have Cost Recovery Policy implications for PIRSA. Observations in relation to PIRSA are provided following the table.

Productivity Commission Recommendation	Description
4.1	<p>Within the next three years, all jurisdictions should require recreational fishers to obtain licences to fish in marine waters.</p> <p>The Queensland, South Australian and Northern Territory Governments should introduce licensing for independent recreational marine fishing.</p>
10.3	<p>All governments should have clear policies on co-management in marine fisheries. These policies should provide practical guidance to stakeholders on where governments are willing to collaborate or delegate responsibilities. The policies should include details of the capability and governance standards that are expected of stakeholders seeking to enter into a co-management arrangement.</p>
10.4	<p>The State and Northern Territory Governments should implement best practice cost recovery arrangements for the commercial fisheries sector. Cost recovery charges should be linked as closely as possible to the efficiently-incurred costs of essential regulatory services.</p> <p>All governments should transparently disclose the services or regulatory activities for which costs are recovered, and the amount and extent of costs recovered.</p>

3.3.2 Observations

Observation on Recommendation 4.1

Currently, within South Australia Marine waters, there is no requirement for recreational fishers to hold a licence.

Observation on Recommendation 10.3

Refer to section 2.1.5 of this report for information on PIRSA's approach to co management.

Observation on Recommendation 10.4

As per the scope of this report, the Productivity Commission finding informs the background for this review and is consistent with the findings of the 2015 Review.

Observation 8: PIRSA is continuing to work towards effective and coordinated regulatory and management arrangements to achieve 'best practice' cost recovery in line with Productivity Commission findings.

3.3.3 Recommendations

The following recommendation focuses on continuous improvement in order to set a benchmark for 'best practice' arrangements.

Recommendation 9: PIRSA should ensure that regular cost recovery review cycles are structured to provide self-review, evaluation of outcomes and continuous improvement across all aspects of the cost recovery framework.

4 Inter-jurisdictional comparison

4.1 Overview

The following sections outline the findings from consultations (where possible) with other jurisdictions in Australia and New Zealand.

Costs incurred in the management of fisheries and aquaculture services are paid for by the relevant industry in a variety of ways across the jurisdictions. The states and territories manage their own activities (within three nautical miles of land) and thus apply their relevant legislation. For example, research activities are cost recovered in the Northern Territory, privately paid for in New South Wales and Queensland, and are paid out of public funds in Tasmania. The following table summarises the variations in cost recovery between jurisdictions.

Table 4: Inter-jurisdictional observations

State	Cost Recovery Policy	Cost recovery approach			Recreational licence fee	Comments
		Compliance	Scientific stock assessment	Admin / Mgmt		
SA	Yes	Cost recovery	Cost Recovery	Cost recovery	No	Some 4 year agreement some 1 year agreement cost recovery programs
VIC	Yes	Cost recovery	Cost recovery	Cost recovery	Yes	Cost recovery performed on all sectors bar Abalone whom are on capped GVP%
WA	Yes	% of GVP	% GVP	% of GVP	Yes	Access fee - Use 5.75% of GVP for Fisheries and a hectare fee for Aquaculture
NT	No – in development	Recovered on a sector by sector basis	Recovered on a sector by sector basis	Recovered on a sector by sector basis	No	Only large sectors on cost recovery programs
NSW	Yes	Recovered based on historic costs	Recovered based on historic costs	Recovered based on historic costs	Yes	Licences charged on historical licence fee not linked to a direct user pays system
QLD	Yes	Recovered based on historic costs	Recovered based on historic costs	Recovered based on historic costs	No	Licences charged on historical licence fee not linked to a direct user pays system
TAS	Yes	Recovered based on historic costs	Recovered based on historic costs	Recovered based on historic costs	Yes	Licences charged on historical licence fee not linked to a direct user pays system. Resource rent tax for Abalone.
Cth		Government funded	Cost recovery	Cost recovery	No	Cost recovery set by CRIS budgeting process each year

4.2 Inter-jurisdictional consultation

The following sections outline the desktop research and consultation undertaken with other jurisdictions to compare cost recovery policy for fisheries.

4.2.1 New Zealand

The responsibilities of the Minister of Fisheries can be delivered either by the Ministry of Fisheries itself, providers contracted by the Ministry or, in certain circumstances, by devolving responsibility to a private company. Information has been provided on New Zealand's cost recovery process for reference only and has not been provided in order to inform the findings of this report.

Table 5: New Zealand Fisheries key services

Service	Description	Cost Recovered or Devolved
Compliance	Monitoring – including commercial fishing activity through a satellite vessel monitoring system Analysis of fishing returns to detect offending Inspection of commercial fishing vessels Educational activities	Cost recovered in part
Research	The Ministry administers research contracts contracted out to private research providers on a contestable basis. Research is primarily focussed on stock assessment, the effects of fishing and biodiversity.	Cost recovered in part
Data Services	The Ministry administers contracts for the management and maintenance of research and commercial databases.	Cost recovered
Registry Services	The Quota Management System (QMS) is underpinned by a registry service. Registry services provided the mechanisms behind the QMS, and include, among others, services related to vessel registration, processing catch, fishing permit admin, quota allocation.	Majority devolved and therefore paid for directly by industry; the balance is contracted and subject to cost recovery
Observer Services	The observer service provides observer coverage of fishing vessel activity. The observer program collects and records accurate and reliable data relating to vessel catch and processing.	Cost recovered

Source: Fisheries Services New Zealand <https://www.oecd.org/newzealand/39927566.pdf>

Fishserve is a New Zealand private enterprise owned by Seafood New Zealand and contracted by the Ministry for primary industries to deliver the following services:

- Allocation of new species into the QMS
- Collection of revenue on behalf of the Crown
- Fishing permit issue
- Management of permit and vessel registers and registrations

- Management of ACE and quota share registers
- Processing of fishing returns
- Registration of ACE transfers
- Registrations of caveats and mortgages over quota shares
- Registration of Quota Share transactions.

4.2.2 Victoria

Victoria created a new cost recovery framework, with effect from 1 April 2015 with a review of the cost recovery system to occur in 2018. Similar to some PIRSA industries, costs were set in 2014 and indexed using CPI under four year agreements.

Regional forums are held generally two–four times per year and reporting is performed twice yearly against services for each fishery. Services are charged a specific levy, including costs for:

- **Management** – covers operational policy and management services for each of Victoria’s commercial fishing licences, including services for setting of quota and harvest limits.
- **Compliance** – covers inspection services provided by fisheries officers, including preparation and travel required to undertake inspections.
- **Research** – covers data collection and analysis services required to monitor and assess fish stocks.
- **Administration** – covers catch and effort recording services, support for app-based services for licences not subject to transaction fees, and industry participation on the fisheries Cost Recovery Standing Committee.
- **FRDC Levy** - the Victorian Government collects a levy that goes to the Fisheries Research and Development Corporation (FRDC) on behalf of all commercial fishing licence holders in Victoria, including aquaculture. The amount collected is set through the Fisheries (Fees, Royalties and Levies) Regulations 2008 at 0.25% of the Gross Value of Production (GVP) of each licence class (averaged over the preceding three years). GVP is the gross weight of fish harvested per annum multiplied by the average price per kilogram of the fish.
- **Grants Levy** - grants levy is collected on behalf of all wild-catch commercial licence classes and fish receivers for representation by Seafood Industry Victoria (SIV). The monies collected by the Department are subsequently disbursed in their entirety through a Ministerial grant to SIV.
- **Offsets** - offsets have been provided to levies where services were not fully delivered according to the service schedule for that licence class.

Royalties apply to abalone only and vary from year to year dependent upon the gross value of production (GVP) for the fishery in the given year. For each of the three abalone licence classes, the sum of the levies for Fishery Services, FRDC levy and

Royalties will total 7.2% of GVP. Therefore, as the levy for Fishery Services decreases, the Royalties increase and vice versa. This provides a cap on the amount paid by abalone licence holders and the services delivered to these licence classes.

Concessions are provided in the following circumstances:

- Nil cost recovery for the surveillance aspect of commercial compliance
- Nil cost recovery for intelligence and investigation aspects of commercial compliance
- Small operator (less than 500kg per annum) capped levies at \$500 per licence.

4.2.3 Western Australia

The Fisheries Department of Western Australia is responsible for the administration and management of fisheries in that State. In June 2010, the WA Government introduced a new uniform system for determining access fees for the State's commercial fishing, calculated at 5.75% of the GVP for respective fisheries.

Revenue's obtained by the Government from access fees can only be used for specific purposes set out in *Fisheries Resources Management Act 1994*.

Following the determination of the new commercial access fee, the Government performed the following:

- The access fee for commercial fisheries will be set at 5.75% of the GVP for respective fisheries.
- Part of the access fee equivalent to 0.5% of the GVP for each fishery will be provided to Western Australian Fishing Industry Council (WAFIC) for industry representation, and an additional 0.25% of the access fee will be provided to the FRDC for fisheries research.
- GVP will be calculated on a three-year average (including years of zero catch). There may be exceptional circumstances (e.g. in the situation of a "new" fishery with no previous catch) where GVP may need to be calculated on a different period or basis.
- GVP information collected and calculation methodology will be independently reviewed.
- Unallocated catch (unreported by-product) will not be included in GVP calculations in 2010/11. By-product will be included in future calculations of GVP.
- Access fees will be allocated across zones in individual fisheries according to previous arrangements and simplified, where appropriate, to reduce the variability in allocation across zones.
- Changes to allocations of access fees across zones in an individual fishery will be considered in exceptional circumstances and where WAFIC provides a compelling case.

Instead of GVP, aquaculture licence holders (including the aquaculture component of pearling) will be charged an access fee for use of marine environmental resources (areas of water) based on a dollar per hectare basis.

Independent performance audits will be conducted regularly on the methodology used to obtain catch, value and GVP. Industry through WAFIC may request a review if it is believed the GVP figures provided by independent audits are not reasonable.

Where a particular fishery requires services that exceed those required to meet core sustainability requirements, the services will be provided on a cost recovery basis unless otherwise negotiated between WAFIC and the Department.

The funding model will be reviewed by government every five years. No documented criteria exists for a review within the five year timeframe.

4.2.4 Northern Territory

NT has advised they are in the process of developing a cost recovery policy.

Currently, Northern Territory charges licences based on adjustments made to historical licence fees with the exception of the State's largest managed fisheries (whose licences are charged on a cost recovery user pays basis). NT Fisheries is responsible for managing and developing fisheries and aquaculture in the Northern Territory and are managed under the Fisheries Act, Fisheries Regulations and management plans. The group has three main programs concerned with fisheries management, fisheries development and aquaculture.

The group has developed, or is in the process of developing, management plans for all of its fishery resources to ensure sustainable development. These management plans and associated fisheries legislation and regulation form the basis for Northern Territory fisheries management. In common with the other States, commercial fisheries management is by limited entry, with a variety of input controls.

4.2.5 New South Wales

Department of Primary Industries is the agency responsible for conserving and managing fisheries in NSW. The aim of the Department is to manage the aquatic habitat and fish resources in order to conserve fish stocks and optimise the sustainable yield for commercial and recreational fishers, thus providing social and economic benefits for the wider community. In terms of commercial fishing, this is done through a variety of input control measures, together with limited entry to all the State's commercial fisheries. Quota management measures are currently in place for rock lobster and abalone (and are charged for total allowable catch quotas).

NSW is in the process of identifying if cost recovery is an appropriate measure to charge commercial fishing licences.

A range of fees and charges are payable by commercial fishers and fishing business owners. They include application fees for certain transactions (e.g. application or renewal of a commercial fishing licence), research levies, management charges and community contributions.

- Community contributions: An annual community contribution is payable by shareholders in respect of each fishing business that the shareholder owns. The community contribution is a monetary contribution to the NSW public for the right to access the fishery under the Share Management Fishery Framework. A community contribution is not payable for access to a Restricted Fishery.
- Management charges: Annual management charges are payable by fishing business owners, whether a Share Management Fishery or a Restricted Fishery. Management charges contribute to the cost of managing NSW commercial fishing.
- FRDC research levy: A research levy is payable by fishing business owners. The research levy contributes towards fisheries related research priorities Australia wide. The FRDC is a co-funded partnership between the Australian Government and the fishing industry which co-ordinates research priorities and funding for research.

Management charges help cover the costs of the Department, including research, administration, management and compliance costs.

CommFish NSW has been established to provide commercial fishing stakeholders greater representation as part of the provision of independent advice, to the Minister for Primary Industries on strategic and policy issues relating to the commercial fishing industry in NSW.

4.2.6 Queensland

Queensland's fisheries resources are managed by the Department of Agriculture and Fisheries for ecological sustainability in accordance with the *State Fisheries Act 1994* (QLD) and managed by Fisheries Queensland through Fisheries Regulations.

Commercial fisheries are charged commercial fishing licences on a historical licence fee set over five years ago. These licence fees are not based on a cost recovery user pays system. Fees are charged in arrears. The two bi-annual invoice periods end on 31 December and 30 June each year. Fisheries Queensland charge some industry initiated activities on a fee for service basis.

Fisheries Queensland regulates commercial fisheries through catch and effort limits to ensure they remain sustainable. They are responsible for allocating and managing authorities (licences, permits and quotas), which allow fishing activities in Queensland waters.

Regulations include controls on:

- The number and types of boats that can operate in a fishery
- The time and place of fishing
- What you can catch
- How much you can catch
- The type of fishing gear you can use.

Fisheries Queensland also provides licensing for the Queensland Fisheries Joint Authority (QFJA), which is responsible for managing certain fish stocks in the Gulf of Carpentaria.

Fisheries Queensland's role primarily focuses on compliance, administration activities (licences, data, management) and stock assessment.

The research stock assessment activities performed by Fisheries Queensland are held within the Government Department; industry can perform their own research initiatives through third party providers.

Fishery management working groups exist which consist of Department representatives, commercial and recreational fishers, consulting scientists and an independent chair.

4.2.7 Tasmania

The Department of Primary Industries, Water and Environment (DPIPWE) manages Tasmania's commercial fisheries such as southern rock lobster and abalone under the *Living Marine Resources Management Act 1995* and the individual Fisheries Rules.

The overall objective of DPIPWE in managing the scale fish fishery resources is to allow for and manage extraction of fish in a manner that does not compromise the broader essential ecological processes, and is conducted in a way that does not threaten the long-term sustainability of the stocks.

A fee, determined by the Minister, will apply to the granting of any permit, to reflect a contribution to the costs of the management of the permit to support the developmental fishing activity. Under the Act, the Minister is required to consult with relevant fishing bodies prior to issuing certain permits. Fishing associations, community groups, Government agencies and scientific advisers may be consulted where appropriate.

The abalone fishery provides financial returns to the community in the form of a resource rent, which is covered by contractual arrangements contained in the abalone deeds of agreement¹.

¹ *Tasmanian Abalone Fishery, Harvest Strategy, 2018 - 2020*

Quarterly performance review is undertaken by the Fisheries Resource Advisory Group (FRAG).

Fees are charged based on fee units for either renewal, transfer or variation of licences.

Activities performed by the Department include:

- Scientific research
- The promotion of fishing or fish products
- The development of fisheries
- The development of fishing technology
- Educational and community awareness programs
- The development of marine farming
- Law enforcement
- Environmental monitoring
- Fish stock depletion or enhancement.

A Services Group of Tasmania Police enforce the fishery regulations.

The major fisheries are solely under the authority of the State for all waters adjacent to Tasmania within the Australian Exclusive Economic Zone (i.e. out to 200 nautical miles).

4.2.8 Commonwealth

Commonwealth commercial fisheries are managed by Australian Fisheries Management Authority (AFMA). AFMA use an activity based costing model under a cost recovery arrangement and is broken down to the following activities within the Cost Recovery Implementation statement:

- Management - includes consultation, development of by catch strategies, running of management advisory committees, running of resource assessment groups, governance, leadership and other management tasks. Costs are 65% recovered from the commercial fishing sector.
- Data collection and management – includes collection and monitoring catch disposal records, publishing costs, vessel monitoring, logbook data, electronic monitoring, observers (implementation of observer program involves monitoring fishing vehicles, i.e. part compliance role). Costs for data collection and management are 80% recovered from the commercial fishing sector.
- Licensing administration and revenue collection – includes administration, transactional services, reconciling, issuing and recovering of levies and fees. Costs for licensing administration and revenue collection are 75% cost recovered from the commercial fishing sector.

- Domestic fisheries compliance enforcement – includes assessment and investigations, data analysis and prosecution requirements. Costs for domestic fisheries compliance enforcement are **not cost** recovered from the commercial fishing sector.
- Research – includes administering research committee, developing research plans, reporting to FRDC as well as costs associated with research projects. Research project costs are 75% recovered from the commercial fishing sector.
- Policy support - includes providing advice and developing policy in accordance with the *Fisheries Management Act 1991* (cth). Policy support costs are 50% funded by the commercial fishing sector.
- Other tasks performed by AFMA not charged to the commercial fishing sector includes defining international treaty standards, foreign fisheries compliance enforcement, and management of non-commercial fisheries (traditional, indigenous).

Licence fees/levies are charged based on budgetary figures with any over/under spend recovered through the next year's fees/levies.

4.2.9 Observations and analysis

Observation 9: As evidenced by inter-jurisdictional consultation nearly all states cost recover to some degree, however, there is great variability in cost recovery methods and activities that are recovered.

4.2.10 Recommendation

Recommendation 10: PIRSA should ensure cost recovery models are structured in a manner that allows sensitivity analysis of various costs recovered and activities. This may assist with assessing various models, communication and engagement with industry participants to explain the impacts various scenarios would have on Government or sector participants.

7 Industry consultation

As part of the engagement process, KPMG was engaged to undertake industry consultation (through both a workshop setting and the opportunity for one-on-one consultation).

Attendance at the workshop or individual consultation included members/representatives from various peak industry groups, including:

- Australian Southern Bluefin Tuna Industry Association
- South Australian Oyster growers Association
- South Australian Northern Zone Rock Lobster Fishermen's Association
- Marine Fishers Association
- Abalone Industry Association of SA
- Wild Catch Fisheries SA
- South Eastern Professional Fishers Association
- Gulf St Vincent Prawn Fishermen's Association
- Spencer Gulf and West Coast Prawn Fishermen's Association
- Surveyed Charter Boat Owners and Operators Association
- SA Blue Crab Pot Fishers Association
- Central Zone Abalone Fishery
- SA Rock Lobster Advisory Council.

From this consultation process, a number of key themes were identified, however some are considered outside the scope of this review. The key themes listed below should not be considered an exhaustive list of industry concerns. Varying views were expressed by different parties and the below should not be considered consensus industry views. It should be noted that the following views have not been subsequently evaluated, substantiated or corroborated by KPMG.

Cost Recovery Programs

- Programs are not derived with a risk based or innovative approach in mind.
- Program negotiation is highly prescribed with minimal opportunities to have meaningful impact to help drive down costs.
- No reporting against effort/costs actually provided against anticipated outcomes (and if outcomes are achieved).
- Four year programs are set with inflationary increases with no criteria around if a review should be triggered (i.e. GVP high and industry lacks ability to pay).
- Mixed views over Scientific stock assessments (both cost and service) - a number of sub-sectors consider SARDI a 'mandated' provider.

Transparency/cost

- No clear linkage between risk reduction or innovation and a corresponding reduction in licence costs (e.g. E-Catch).
- All costs should be efficient, and therefore the Government mandated service provider costs should be benchmarked and any inefficiencies identified determined as public good and met by Government.
- Belief that costs are being included that should not be (such as ministerial, Commonwealth and other government public good advice), however a lack of transparency and reporting make identifying these costs impossible.
- Concern over allocation of resource in derivation of fees and cross-subsidisation of sectors (e.g. recreational and Aboriginal Traditional).

Process

- Concern raised over consistent policy position, overarching process, costs and cost model are different within PIRSA's own organisation (e.g. some costs are excluded/included that are not for Agriculture).
- Issues raised with governance of processes and ability for industry to raise concerns or 'have a voice'.
- The terms of reference of the review do not alleviate industry concerns around transparency and the process used to derive licence fees.
- Program setting process can be very combative in nature.

7.1.1 Observations and analysis

Observation 10: Feedback was varied by industry sectors, however, a number of key themes were identified. Many comments related to the cost recovery model(s), process or fees which were outside the scope of this review but captured and reflected above. Industry feedback included calls for a more comprehensive review extending to review of cost recovery processes and cost modelling practices to drive greater transparency.

7.1.2 Recommendation

Recommendation 11: PIRSA should establish a more robust, independent verification process for the five year review cycle encompassing all elements of the costing framework (policy, process, cost model, cost inputs and drivers). This should be utilised as a basis to strengthen review processes in future years.

Appendix A: Reference List

Productivity Commission Inquiry Report into Cost Recovery for Government Agencies No 15, 16 August 2001 <http://www.pc.gov.au/inquiries/completed/cost-recovery/report/costrecovery1.pdf>

Productivity Commission Inquiry Report into Marine Fisheries and Aquaculture No 81, 19 December 2016 <https://www.pc.gov.au/inquiries/completed/fisheries-aquaculture/report>

Deloitte Access Economics *Review of PIRSA's Cost Recovery Policy and practices, including their application to the Fisheries and Aquaculture Industries* 29 July 2015

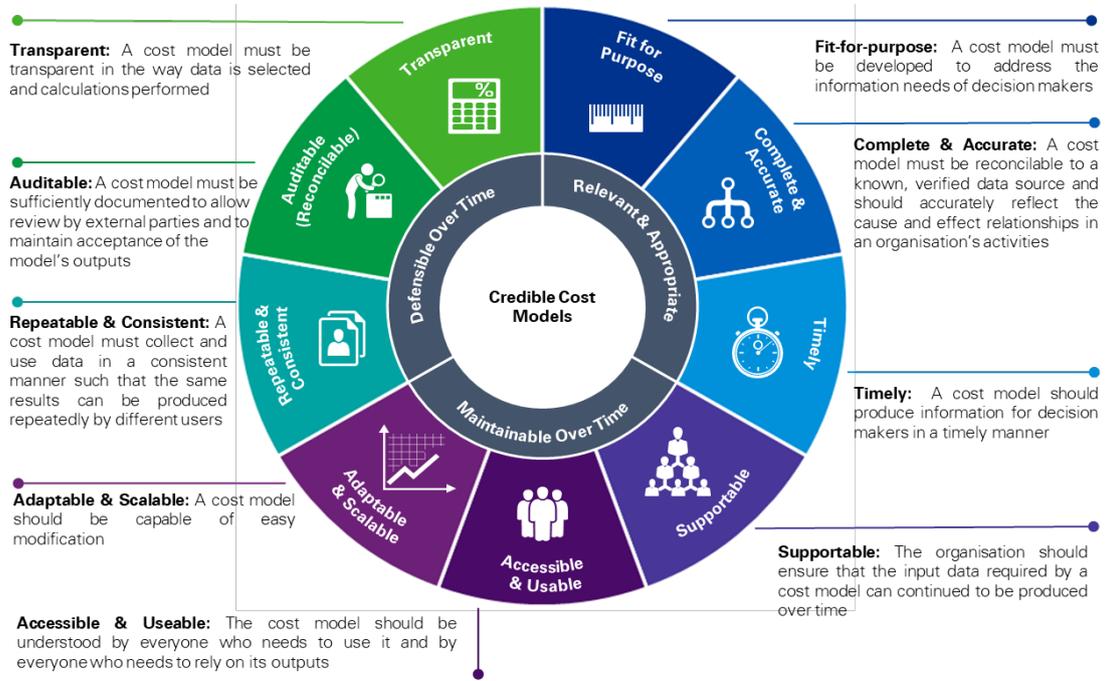
Fisheries Management Act 2007 (SA)

Fisheries service's New Zealand <https://www.oecd.org/newzealand/39927566.pdf>

Department of Primary Industries & Regions of South Australia *PIRSA Cost Recovery Policy v1.4 2016*

Appendix B: Better practice costing principles

KPMG better practice costing principles could be utilised when evaluating effectiveness of the cost model.



Appendix C: Applicable Productivity Commission findings

The following table sets out recommendations and findings from the Productivity Commission that may have impetus on cost recovery.

Commission reference	Headline recommendation	Impacts cost recovery
R 2.1	Amend planning instruments to take into account impacts on marine fishing activities	⊖
R 2.2	Implement harvest strategy policy	⊖
R 2.3	Allocation policies should seek to promote best use of resources	⊖
R 2.4	Trading of access rights between commercial and recreation sectors	⊖
R 3.1	Establish individual transferable quotas	⊖
R 3.2	Review regulation to ensure they only impose minimum restrictions to meet policy objectives	⊖
R 4.1	Introduce licensing for independent recreation marine fishing	✓
R 4.2	implementing harvest tagging or restricted licences to manage valuable at-risk species	⊖
R 4.3	Review penalty regimes for marine recreational fishing to ensure that penalties support deterrence.	⊖
R 4.4	Australian Government should conduct a national survey of recreational fishing	⊖
R 5.1	Fisheries management regimes should recognise Indigenous customary fishing as a sector in its own right.	⊖
R 5.2	Indigenous customary fishing for commercial purposes should be regulated by the commercial fishing laws applying to all other citizens.	⊖
R 5.3	Where there is a need for resource sharing arrangements, governments should set aside a level of catch for local Indigenous communities that is sufficient to maintain their customs before allocating access to other sectors.	⊖
R 5.4	In designing laws consistent with the recommendations in this report, any controls over Indigenous customary fishing activities should be developed, implemented and enforced in collaboration with Indigenous communities.	⊖
R 6.1	reforming cross-jurisdictional fisheries should focus first on higher value and at-risk fish stocks and consider whether the transfer of management responsibility to one jurisdiction or shared management	⊖
R 6.2	Australian Government should set allowable catch limits of southern Bluefin tuna for all fishing sectors.	⊖
R 6.3	The New South Wales Southern Fish Trawl Restricted Fishery should be absorbed into the Commonwealth Trawl Sector	⊖
R 6.4	Governments should ensure the joint stock assessment project for the east coast biological snapper stock proceeds as an immediate priority	⊖
R 6.5	management arrangements for cross-jurisdictional fisheries and supporting memoranda of understanding should be reviewed regularly by governments to ensure they remain fit for purpose	⊖
R 6.6	The task of reviewing and developing reforms to reduce the costs of cross-jurisdictional fisheries should be the subject of a joint Ministerial direction to agencies.	⊖
R 7.1	The Australian Government should publish online the annual reports that fisheries produce as part of their accreditation requirements	⊖
R 7.2	Australian Government should reduce the regulatory burden involved in environmental	⊖
R 7.3	Governments should expand the use of explicit by catch mortality limits for fisheries that have a high risk of interaction with threatened, endangered and protected species.	⊖
R 7.4	Governments that do not already do so should make summaries of information on interactions with protected species publically available (online).	⊖

Commission reference	Headline recommendation	Impacts cost recovery
R 7.5	The Australian Government should clarify the purpose of the List of Marine Species established	⊖
R 7.6	Government should modify the Environment Protection and Biodiversity Conservation Act 1999 (Cth) to allow the take of species listed in Appendix II of the Convention on the Conservation of Migratory Species of Wild Animals	⊖
R 9.1	Governments should not extend mandatory country-of-origin labelling to seafood sold for immediate consumption.	⊖
R 9.2	Fish Names Standard should continue to be used on a voluntary basis.	⊖
R 9.3	All governments should ensure that licence and accreditation fees for seafood processors reflect the efficiently-incurred costs of regulating these facilities.	⊖
R 10.1	All governments should ensure that operational decisions are delegated to the relevant fishery management authorities to the extent possible	⊖
R 10.2	Governance arrangements of advisory groups formed under fisheries laws should include specific terms, ministers or departments should have the power to dismiss advisory group members who breach the terms of their engagement.	⊖
R 10.3	Governments should have clear policies on co-management in marine fisheries.	✓
R 10.4	Government should implement best practice cost recovery arrangements for the commercial fisheries sector.	✓