



# Government response to Independent Cost Recovery Review reports for the South Australian seafood fishery and aquaculture sectors

FEBRUARY 2024



**Government of South Australia**  
Department of Primary Industries  
and Regions

# Purpose





The purpose of this document is to outline the Government's response to the recommendations outlined in the Independent Cost Recovery Review Panel's reports for the seafood (fisheries and aquaculture) sectors.

# Background



The South Australian Government has implemented a Cost Recovery Policy for approximately 20 years through the Department of Primary Industries and Regions (PIRSA). This policy is based on the understanding that the State owns South Australia's aquatic resources, with PIRSA managing them on behalf of the community. Costs incurred by Government services due to commercial access or farming of these resources in State waters are partly recovered from commercial licence/lease holders.

### **Scope of Services and Policy Basis:**

- Services covered include management, policy formulation, scientific monitoring, stock assessment, compliance and licensing as per the Fisheries Management Act 2007 and the Aquaculture Act 2001.
- The cost recovery policy aligns with the Australian Government Cost Recovery Guidelines 2014, facilitating consistent decision-making regarding cost recovery for PIRSA's services.

### **Periodic reviews have shaped PIRSA's cost recovery approach, with findings from various reviews:**

- 2009 Deloitte Review: Highlighted the necessity for transparency in costs, especially those pertaining to recreational fishing, Indigenous use and community benefits. Suggested regular benchmarking.
- 2015 Deloitte Review: Found PIRSA's approach efficient yet complex. Recommended simplification of charges and policy updates for accurate cost allocation.
- 2016 Productivity Commission Review: (Applicable to Commonwealth agencies) Recommended best practice implementation in cost recovery.
- 2018 KPMG Review: Recognised progress in policy transparency and accountability but stressed the need for detailed costing processes.
- 2021 Heilbron Cost Recovery Analysis and Case Studies – Aquaculture and Fisheries (Updated 2023): Proposed a Gross Value of Production (GVP) based model for fair risk sharing and reduced complexity, while noting potential inequities.

In March 2022, the Government committed to an independent review of the current seafood sector's cost recovery policy/model to ensure its sustainability and appropriateness (Terms of Reference – Attachment B). This review is in alignment with ongoing efforts to enhance the cost recovery process, considering industry feedback and expert insights.

# Summary



The Independent Cost Recovery Review Panel, appointed following the Government's election commitment in 2022, provided comprehensive reports on cost recovery in the fisheries and aquaculture sectors.

### **The key findings were:**

- Strong overall support and goodwill from PIRSA and industry for the concept of cost recovery and desire to improve the cost recovery system in South Australian fisheries and aquaculture.
- Review of alternate revenue models in other jurisdictions found no better alternative consistent with Australian and South Australian policies.
- Areas for improvement primarily focused on the application of cost recovery and the need for a transparent approach to determine cost attribution for services and activities.

These reports include 17 recommendations for fisheries and 16 for aquaculture (Attachment A).

The Government has reviewed the recommendations from the Independent Cost Recovery Review Panel and has accepted 28 of the 33 recommendations, with two partially accepted (Attachment A). The remaining recommendations relate to the introduction of a recreational fishing licence and the establishment of fisheries and aquaculture self-insurance funds. Introduction of recreational fishing licences was not deemed within the scope of the review and is not being considered. The establishment of Fisheries and Aquaculture self-insurance funds should be driven by industry, if it has support.

The Panel found that there was no support for shifting to a GVP-based cost recovery model. The Panel noted that industry stakeholders expressed concerns about potential inequities and distortions that a GVP-based model might introduce in management service provision and payment. The current cost recovery framework, focused on cost attribution, is preferred for its transparency and effectiveness.

The Government acknowledges and thanks the significant efforts of the Panel in formulating their recommendations to assist in progressing cost recovery for the State's fisheries and aquaculture sectors.

# Fisheries





The fisheries sector in South Australia is a dynamic and critical component of the State's economy and environment. It is characterised by a diverse range of species and fishing methods, contributing significantly to the local and national markets while being intrinsically linked to the health of marine ecosystems.

PIRSA has adapted to the evolving needs of the fisheries sector where possible. This has involved implementing strategies that foster sustainable practices and equitable cost distribution, ensuring that fisheries contribute positively to the economy without compromising the environmental integrity of the aquatic habitats and resources upon which they depend.

The Independent Cost Recovery Review Panel's recommendations have brought into focus the necessity for more transparent and equitable cost recovery mechanisms. This is particularly pertinent considering the challenges of managing fisheries sustainably amidst fluctuating environmental conditions and market demands.

# Aquaculture



The aquaculture sector in South Australia has shown substantial growth, transitioning from a fledgling industry to a significant contributor to the State's economy.

This growth necessitates a re-evaluation of the existing cost recovery framework to align it with the sector's current status and future potential. The Panel's recommendations for aquaculture similarly focus on transparent cost attribution and regular benchmarking. The unique characteristics of the aquaculture industry, such as its operational methodologies and growth trajectory, suggest adjustments in the cost recovery model may be appropriate. The Government aims to ensure that the cost recovery framework is both equitable and conducive to the sector's continued growth and sustainability, and will further engage the aquaculture sector about future directions.



# **ATTACHMENT A**

## **Response to individual recommendations**

# PANEL COMMERCIAL FISHERIES RECOMMENDATIONS

## Recommendation 1

The Panel recommends retaining the existing PIRSA Cost Recovery Policy, and hence the activity based, attributable cost model, on the basis of it having a strong theoretical and policy rationale, and the strong support of industry.

### ACCEPTED

The government notes that *“The Panel found strong support from PIRSA and industry for the existing PIRSA Cost Recovery Policy (PIRSA 2020) including the overall objectives of cost recovery, the eleven principles set out in the Policy and specifically the key elements as set out in Principle 7 of the Policy (i.e., effectiveness, transparency, accountability, stakeholder engagement).”* (page 33 of fisheries review).

The Government accepts the Panel’s findings that they found no support from industry for a Gross Value of Production model (%GVP model), noting that ‘attempting to recover costs through a charge levied as a %GVP is inconsistent with accepted cost recovery principles (e.g., user pays) and Commonwealth guidelines.’

**Action:** The Government supports retaining and improving the current Cost Recovery Policy, noting the Panel’s findings that the basis of Government’s current policy has a strong theoretical and policy rationale, and the strong support of industry.

## Recommendation 2

The Panel recommends a ‘revise and reset’ process, that:

- addresses the range of issues with existing cost recovery policy, principles, and implementation (revises); and,
- based on this revision, recalibrates cost recovery settings and charges (resets).

### ACCEPTED

The Government acknowledges the recommendation for a ‘revise and reset’ process in cost recovery policies. PIRSA already has a well-developed cost recovery policy and applies a cost attribution model, that is routinely independently reviewed. PIRSA, has a desire to continue to improve the cost recovery system in South Australian fisheries.

**Action:** The Government will work with industry to address and revise the guiding principles to provide assurance and transparency to the industry and community.

### Recommendation 3

The Panel recommends that the ‘revise and reset’ process consider creating a fisheries/aquaculture self- insurance fund, levied as a small percentage of GVP to provide a ‘safety net’ for at-risk fisheries/aquaculture sectors.

#### FOR CONSIDERATION BY INDUSTRY

The Government notes the Panel’s suggestion to create a self-insurance fund, levied as a percentage of GVP, as a safety net for at-risk fisheries sectors. However, the Government considers that this recommendation needs to be agreed and driven by industry, particularly noting the Panel’s concerns and apparent lack of industry support for the application of a GVP-based model.

Establishing such a fund would require clear, industry-agreed guidelines, costings and agreement for cost-subsidisation. This would ensure transparency and equity in the fund’s use, addressing the sector’s concerns and maintaining consistency with existing policies.

**Action:** The Government will invite Seafood Industry South Australia (SISA) to further explore levels of industry support for a self-insurance fund.

### Recommendation 4

The Panel recommends the Fisheries and Aquaculture Cost Recovery Framework document be revised and expanded to include a set of negotiated fisheries and aquaculture cost recovery principles, including making explicit that both user pays and risk creator principles are relevant to the recovery of fisheries/aquaculture management costs.

The Fisheries and Aquaculture Cost Recovery Framework document be revised and expanded to include comprehensive guidelines on cost recovery implementation, including, but not limited to, the agreed attribution model and activity costing model.

#### ACCEPTED

The Government supports the recommendation to clarify guiding principles, update and expand the Fisheries and Aquaculture Cost Recovery Framework.

This update can be carried out in collaboration with Seafood Industry South Australia and will involve formulating a comprehensive set of cost recovery principles, clearly incorporating both user pays and risk creator concepts. Additionally, the revised framework will provide detailed guidelines for implementing cost recovery, incorporating the existing, well-developed cost recovery policy of PIRSA and its cost attribution model.

The PIRSA attribution model is evidence-based and therefore any changes must also reflect a solid evidence-base.

The Government acknowledges the Panel’s view that engaging with the industry on high-level cost recovery principles should be done through Seafood Industry South Australia. This matter is seen as a key strategic topic for cross-sector discussion.

The Government also acknowledges difficulties experienced by both industry and PIRSA in negotiating cost recovery on a yearly basis, and potential efficiency gains for both industry and PIRSA in longer term (5-year) cost recovery arrangements that not only create efficiencies but could also provide more stability for seafood sectors with their mid- to long-term planning.

**Action:** Government will consider implementing a 5-yearly cost recovery cycle in consultation with industry. This process aims to transition from the current annual negotiations to a transparent, evidence- based fee-setting system and provide certainty for license holders in making longer-term business decisions. The costs agreed upon for a 5-year term could be subject to annual indexing in line with Treasury guidelines. This approach could foster strategic discussions over routine fee-for-service negotiations and emphasise the guiding principles of a fee-for-access model.

## Recommendation 5

To enhance transparency, the Panel recommends that PIRSA produce a single, annual, whole of agency, cost recovery implementation statement (CRIS) for the PIRSA Fisheries and Aquaculture Budget similar to that created by AFMA (see AFMA 2022-23 CRIS).

This CRIS should set out the proportions attributed to each sector (including the recreational sector in the case of fisheries, and the general public for both fisheries and aquaculture) for the entire PIRSA fisheries and aquaculture cost recovery budget (with supporting rationale from applying the cost recovery policy, principles and guidance developed through the 'revise and reset process').

The CRIS should include the attribution of activities and associated costs to the individual fisheries and aquaculture industries (with supporting rationale).

### ACCEPTED

The Government supports the recommendation to develop a single, annual whole of agency CRIS for PIRSA's Fisheries and Aquaculture Budget, similar to AFMA, noting the information for some sectors currently exceeds the details provided in AFMA statements.

PIRSA will consult with Seafood Industry South Australia to determine if the style and content of AFMA's CRIS is preferred over the current format.

The Government acknowledges the Panel's findings that, 'the links between management activities and these objectives and goals are not articulated. Instead, they are more procedural in terms – what the activity will be rather than how it will help achieve the desired outcomes.'

**Action:** PIRSA will consult with Seafood Industry South Australia to determine if the style and content of AFMA's CRIS is preferred over the current format, and what additional information will be useful for industry.

## Recommendation 6

The Panel recommends an attribution model be developed that enables the structured and transparent attribution of services across beneficiaries and risk creators, and accounts for both administrative and economic efficiency.

Attributions should be revisited every three years and the attribution model be reviewed every five years.

### ACCEPTED

The Government recognises the Panel's recommendation for the creation of an attribution model that facilitates structured and transparent allocation of services among beneficiaries and risk creators, while also considering both administrative and economic efficiency.

The Government will consider how PIRSA's existing cost attribution model can be further developed to meet this recommendation, with the aim of a best practice attribution model that ensures transparency and adaptability.

**Action:** The Government will consider the adoption of a 5-year benchmarking cycle to align with other benchmarking practices. This will include regular reviews and updates to the attribution model, ensuring it remains responsive and adaptable to changing industry dynamics and economic conditions.



## Recommendation 7

Consideration be given to the introduction of a recreational fishing licence with an associated fee that can be used to support management of the fisheries.

### NOT UNDER CONSIDERATION

The Government recognises the recommendation to consider introducing a recreational fishing licence with an associated fee to support fisheries management. However, this suggestion is deemed outside the scope of the Terms of Reference for the report, which primarily focuses on the cost recovery of commercial fisheries.

Currently, the costs attributed to the recreational fishing sector are covered by the Government, representing the community as the beneficiaries of these services. These costs are typically funded through State appropriations rather than a specific recreational fishing licence.

The introduction of a recreational fishing licence is not being considered.

## Recommendation 8

The 'revise and reset' process should consider the appropriate use of levies (licence and lease fees) and fee-for-service to ensure the mix is consistent with any revised attributions and with the principles of efficient and equitable cost recovery.

### ACCEPTED

The Government considers PIRSA's current approach, which includes a blend of industry-wide fee-for-access cost recovery and individual operator fee-for-service activities, aligns with this recommendation.

PIRSA also provides reductions/discounts to impacted fisheries when situations arise; many of which have resulted in significant reductions of costs to industry, yet there has not been a decrease in services provided by PIRSA.

The table below illustrates, as an example, the current (2023-24) PIRSA cost attribution to the commercial fishing industry. These figures represent the percentage of the total budget for each service that is currently cost recovered from industry. The services cost recovered from industry directly relate to management of commercial fisheries.

PIRSA Services	Industry
Compliance Activities (Compliance; Vessel; VMS)	46%
Research Projects (Stock Assessment & Monitoring; Economic Assessment; Observers; TEPS; Other Research)	81%
Data Collection & Management (Quota Monitoring; Information Services)	70%
Domestic Commercial Fisheries Management (Fisheries Management; Policy; Legislation)	57%
Licensing & Revenue (Licensing; Directorate)	50%
<b>Total</b>	<b>58%</b>

*Note: PIRSA services are those accounted for in 2023-24 Cost Recovery Implementation Statements (CRIS) and combine all the costs for all fisheries. The above percentages do not include current subsidies provided by government to industry. The attributions are subject to annual changes as determined through the annual cost recovery process and detailed in each respective CRIS.*

**Action:** PIRSA will continue to consider the principles of efficient and equitable cost recovery in setting fees but will also consider the impact on industry that full cost recovery would entail.

## Recommendation 9

The revised cost recovery framework should include a clear timetable for regular benchmarking of PIRSA and SARDI activities and costs.

### ACCEPTED

The Government supports the recommendation for regular benchmarking of the activities and costs of PIRSA compliance and SARDI science. This benchmarking is essential for maintaining transparency, efficiency and effectiveness in the management of our State's aquatic resources.

A 5-year review cycle is considered appropriate for these benchmarking efforts. This timeframe allows for a thorough and comprehensive evaluation while ensuring adaptability to changing industry needs and conditions.

This approach aligns with similar recommendations (13, 14, 15 and 17), reflecting a cohesive strategy towards enhancing the operational efficiency and financial accountability of PIRSA and SARDI in their critical roles.

**Action:** PIRSA will undertake benchmarking of PIRSA compliance and SARDI science on a 5-yearly review cycle.

## Recommendation 10

The Panel recommends the establishment of an over-seeing 'cost recovery advisory body' charged with responsibility to consider and advise on broader sector-wide cost recovery policy, principles and implementation issues.

The Panel notes the establishment of the new South Australian industry peak body and proposes this group work with PIRSA which may alleviate the requirement to establish another body.

### ACCEPTED

The Government may approach Seafood Industry South Australia as the appropriate industry body to advise on sector-wide cost recovery policy, principles and implementation issues. However, this would be subject to further consideration and industry feedback.

The Government also notes ongoing efforts to ensure that cost recovery policies reflect broader principles and remain adaptable to changes within the fisheries. It is important that the advisory body works within the context of evolving industry dynamics and historical changes in cost recovery practices.

While PIRSA identifies certain baseline requirements for fishery/aquaculture management as 'non-negotiable', the Government agrees that additional activities over and beyond these base requirements may be subject to negotiation, with ultimate decision-making authority resting with the Government. This approach ensures both regulatory integrity and responsiveness to industry needs.

**Action:** PIRSA will consult with industry and Seafood Industry South Australia regarding an appropriate cost recovery advisory body.

## Recommendation 11

A comprehensive cost recovery performance framework be developed and that the recommended revised CRIS (see Recommendation 5) report appropriate outcome, output and input performance measures.

### ACCEPTED

The Government supports the development of a comprehensive cost recovery performance framework. This framework is critical to ensuring that the cost recovery processes are not only efficient but also transparent and accountable.

While PIRSA's current processes already encompass many aspects of this recommendation, the Government acknowledges there may be value in enhancing these processes to include more detailed outcome, output and input performance measures. As this may increase costs due to additional administrative requirements for PIRSA, it will be important to receive industry feedback on the benefits of these additions. This enhancement aligns with the recommendations for a revised Cost Recovery Implementation Statement (CRIS), as indicated in Recommendation 5.

**Action:** PIRSA will consult with industry about providing more detailed outcome, output and input performance measures.

## Recommendation 12

The broader attribution of benefits arising from policing and enforcement activities should be further explored as part of the recommended 'revise and reset' process.

### ACCEPTED

The Government acknowledges the importance of exploring the broader attribution of benefits arising from policing and enforcement activities in the fisheries.

PIRSA highlights the need for appropriate benchmarking in this context, especially considering the different operational frameworks between AFMA's centralised approach and PIRSA's regionalised enforcement structure. The comparison with jurisdictions where compliance costs are not recovered from the industry, such as AFMA, requires careful consideration to ensure relevancy and applicability.

There is an expectation of increased transparency and efficiency in compliance, which could be impacted by the cost recovery model. However, it should be noted that extensive information is already provided to industry regarding compliance services. For example:

1. The annual risk assessment profiles for each commercial fishery detail the most significant sustainability and regulatory compliance risks, along with the compliance strategies to mitigate them. These assessments are key in annual cost recovery discussions, informing industries about the allocation of compliance services.
2. Fishery performance reports, compiled by State fishery coordinators, reflect the compliance efforts for each fishery, detailing strategies like education, enforcement and deterrence. Data for these reports comes from electronic employee timesheets, which records interaction details with fishers, and the intelligence system for trend analysis. These reports also include statistical data to highlight common issues and the methods used to address them.

**Action:** Policing and enforcement activities will be benchmarked to inform the exploration of a broader attribution of benefits.

## Recommendation 13

An independent review/benchmarking of PIRSA's compliance program and costs is undertaken as part of the 'revise and reset' process and that this includes:

- Review of the compliance risk model and of the consultative arrangements to determine the risk profile for each fishery/aquaculture industry.
- Assessment of the scope for using external compliance contractors for some more straightforward aspects of compliance (e.g. weighing product, boundary checking, gear checking, data confirmation).
- Assessment of other jurisdictional approaches to new technological opportunities for compliance delivery.
- That, as part of the 'revise and reset' process, this review/benchmarking be paid for by Government.

### ACCEPTED IN PART

The Government supports the recommendation for an independent review and benchmarking of PIRSA's compliance program and costs as part of the 'revise and reset' process. This review will ensure that the compliance strategies are effective, efficient and aligned with the current risk profiles of different fisheries.

The Government notes PIRSA's active involvement in the National Fisheries Compliance Committee (NFCC) and the Australian Fisheries Management Forum (AFMF) Electronic Monitoring Sub Committee. These platforms provide valuable opportunities for benchmarking and learning from national and international best practices.

PIRSA's experience with external contractors in compliance roles, ranging from unsuccessful to moderately successful outcomes, underlines the need for a strategic approach in this area. The Government will not be supporting the use of contractors in lieu of Fisheries Officers.

The Government acknowledges PIRSA's current efforts in assessing other jurisdictional approaches to new technological opportunities which may have positive impacts within the context of compliance and the management of South Australia's commercial fisheries, and in particular, cost recovery. It is further noted that at times, there are differing views across industry. Any technology developments and their application to compliance need to be clearly communicated with industry.

This review will contribute to refining PIRSA's compliance strategies, ensuring they are proportionate to the risks and needs of the fisheries.

**Action:** Undertake independent benchmarking of PIRSA's compliance program and costs.

**Action:** PIRSA to continue to assess new technological opportunities for compliance delivery.

## Recommendation 14

A review of the PIRSA/compliance program and benchmarking of compliance costs is undertaken on a regular basis (3-5 years) and that these activities are cost recovered proportionally across sectors.

### ACCEPTED

The Government supports the regular (5-year) review and benchmarking of PIRSA's compliance program and costs. This approach aligns with our commitment to ensure that fisheries management and enforcement remain effective, efficient, and responsive to evolving needs.

A 5-year benchmarking cycle is a prudent measure, ensuring that the PIRSA compliance program is periodically assessed against modern standards and practices. This timeframe allows for a comprehensive evaluation of changes and trends over a significant period, providing a more accurate picture of the program's evolution and its cost implications.

A mutual understanding between PIRSA and industry regarding the acceptance of benchmarking outcomes will aid in maintaining a collaborative and transparent relationship, crucial for the successful implementation of the compliance program. This may come in the form of involvement with a peak industry body such as Seafood Industry South Australia.

This regular benchmarking, combined with proportional cost recovery across fisheries, will contribute to a balanced and fair cost management strategy, ensuring that each fishery contributes according to its impact and benefit from the compliance program.

**Action:** PIRSA to establish a timetable and scope (i.e. Terms of Reference) for regular benchmarking of PIRSA compliance, with a focus on a 5-year review cycle.

## Recommendation 15

An independent review of PIRSA's research program and costs as part of the 'revise and reset' process is undertaken.

### ACCEPTED

The Government supports an independent review of PIRSA's research program and costs, as part of the 'revise and reset' process. This review is essential to ensure that research activities align with contemporary needs and are cost-effective.

This review can facilitate a thorough evaluation of the research program's scope, relevance, and financial sustainability, ensuring that the costs incurred are justified and proportionate to the benefits delivered to the fisheries.

**Action:** PIRSA to establish a timetable and scope (i.e. Terms of Reference) for regular benchmarking of PIRSA research programs and activities, with a focus on a 5-year review cycle.

## Recommendation 16

SARDI to produce fully costed research on a project-by-project basis for each individual fishery's research program and then apply any State contributions, 'in-kind' contributions, and non-inclusion of overheads to provide full transparency.

### ACCEPTED

The Government recognises the importance of transparency in research funding and supports the recommendation for SARDI to provide fully costed research details for each fishery's research program. This approach aligns with our commitment to clear and accountable management of fisheries and aquaculture resources.

PIRSA's current processes already encompass the elements recommended by the Panel. The detailed costing provided in SARDI Project Scopes, including State contributions, 'in-kind' contributions, and overheads, offers a comprehensive view of the financial aspects of each research project, demonstrating PIRSA's adherence to principles of transparency and accountability in research funding.

For fisheries, similar detailed cost breakdowns are provided in project scopes, such as the Snapper science program. This specificity ensures that stakeholders also have clear insights into the financial structuring of research programs that impact them.

This acceptance reaffirms the Government's commitment to maintaining high standards of transparency in the funding and execution of research programs, crucial for the informed management and sustainable development of fisheries and aquaculture in South Australia.

**Action:** PIRSA to communicate and better inform industry on the breakdown of the research program as outlined in the current documents.

## Recommendation 17

A review of the SARDI/science program and benchmarking of science costs is undertaken on a regular basis (3-5 years) and that these activities be cost recovered proportionally across sectors.

### ACCEPTED

The Government endorses the recommendation for a regular review and benchmarking of PIRSA's science program and its associated costs. This approach is crucial to ensure that the science underpinning fisheries management remains up-to-date and cost-effective.

The Government supports a 5-year cycle for the review and benchmarking of its science program. It allows for a comprehensive evaluation over a significant period while ensuring that different research programs are periodically assessed. This strategy will enable PIRSA to stay aligned with the latest scientific advancements and methodologies in fisheries management.

This commitment to regular benchmarking and fair cost recovery underscores the Government's dedication to sustainable and scientifically informed fisheries and management in South Australia.

**Action:** Benchmarking of the SARDI/science program will be undertaken on a regular 5-year basis.

# PANEL AQUACULTURE RECOMMENDATIONS

## Recommendation 1

The Panel recommends retaining the existing PIRSA Cost Recovery Policy, and hence the activity based, attributable cost model, on the basis of it having a strong theoretical and policy rationale, and the strong support of industry.

### ACCEPTED

The Government notes that *“The Panel found strong support from PIRSA and the aquaculture industry for the existing PIRSA Cost Recovery Policy (PIRSA, 2020) including the overall objectives of cost recovery, the eleven principles set out in the Policy and specifically the key elements as set out in Principle 7 of the Policy (i.e., effectiveness, transparency, accountability, stakeholder engagement).”* (page 32 of Aquaculture review).

The Government notes the Panel’s findings that they found no support from industry for a Gross Value of Production model (%GVP model), noting that *‘attempting to recover costs through a charge levied as a %GVP is inconsistent with accepted cost recovery principles (e.g., user pays) and Commonwealth guidelines.’* Government further noted the view that *‘such a system would create potential inequities between sectors, with some effectively subsidising the management of others’* and that *%GVP ‘also distorts the price signal between provision of, and payment for, management services.’*

**Action:** The Government supports retaining and improving the current Cost Recovery Policy, noting the Panel’s findings that the basis of Government’s current policy has a strong theoretical and policy rationale, and the strong support of industry.

## Recommendation 2

The Panel recommends a ‘revise and reset’ process, that:

- addresses the range of issues with existing cost recovery policy, principles and implementation (revises); and,
- based on this revision, recalibrates cost recovery settings and charges (resets).

### ACCEPTED

The Government acknowledges the recommendation for a ‘revise and reset’ process in cost recovery policies. PIRSA already has a well-developed cost recovery policy and applies a cost attribution model, that is routinely independently reviewed. However, PIRSA has a desire to continue to improve the cost recovery system in South Australia.

The Government will consider industry feedback in this process, ensuring any adjustments are equitable and in line with current needs.

**Action:** The Government will work with industry to address and revise the guiding principles to provide assurance and transparency to the industry and community.

### Recommendation 3

The Panel recommends that the 'revise and reset' process consider creating a fisheries/aquaculture self-insurance fund, levied as a small percentage of GVP to provide a 'safety net' for at-risk fisheries/aquaculture sectors.

#### FOR CONSIDERATION BY INDUSTRY

The Government notes the Panel's suggestion to create a self-insurance fund, levied as a percentage of GVP, as a safety net for at-risk aquaculture sectors. However, the Government considers that this recommendation needs to be agreed and driven by industry, particularly noting the Panel's concerns and apparent lack of industry support for the application of a GVP-based model.

Establishing such a fund would require clear, industry-agreed guidelines, costings and agreement for cost-subsidisation. This would ensure transparency and equity in the fund's use, addressing the sector's concerns and maintaining consistency with existing policies.

**Action:** The Government will invite Seafood Industry South Australia (SISA) to further explore levels of industry support for a self-insurance fund.

### Recommendation 4

The Panel recommends the Fisheries and Aquaculture Cost Recovery Framework document be revised and expanded to include a set of negotiated fisheries and aquaculture cost recovery principles, including making explicit that both user pays and risk creator principles are relevant to the recovery of fisheries/aquaculture management costs.

The Fisheries and Aquaculture Cost Recovery Framework document be revised and expanded to include comprehensive guidelines on cost recovery implementation, including, but not limited to, the agreed attribution model and activity costing model.

#### ACCEPTED

The Government supports the recommendation to clarify guiding principles, update and expand the Fisheries and Aquaculture Cost Recovery Framework.

This update can be carried out in collaboration with Seafood Industry South Australia and will involve formulating a comprehensive set of cost recovery principles, clearly incorporating both user pays and risk creator concepts. Additionally, the revised framework will provide detailed guidelines for implementing cost recovery, incorporating the existing, well-developed cost recovery policy of PIRSA and its cost attribution model.

The PIRSA attribution model is evidence-based and therefore any changes must also reflect a solid evidence-base.

The Government acknowledges the Panel's view that engaging with the industry on high-level cost recovery principles should be done through Seafood Industry South Australia. This matter is seen as a key strategic topic for cross-sector discussion.

The Government notes the Aquaculture cost recovery process has not generated the same level of concerns as the Fisheries sector. However, continuous improvement is always a goal.

**Action:** Government will further consider the cost recovery cycle in consultation with industry.



## Recommendation 5

To enhance transparency, the Panel recommends that PIRSA produce a single, annual, whole of agency, cost recovery implementation statement (CRIS) for the PIRSA Fisheries and Aquaculture Budget similar to that created by AFMA (see AFMA 2022-23 CRIS).

This CRIS should set out the proportions attributed to each sector (including the recreational sector in the case of fisheries, and the general public for both fisheries and aquaculture) for the entire PIRSA fisheries and aquaculture cost recovery budget (with supporting rationale from applying the cost recovery policy, principles and guidance developed through the ‘revise and reset process’).

The CRIS should include the attribution of activities and associated costs to the individual fisheries and aquaculture industries (with supporting rationale).

### ACCEPTED

The Government supports the recommendation to develop a single, annual whole of agency CRIS for PIRSA’s Fisheries and Aquaculture Budget, similar to AFMA, noting the information provided by PIRSA for some sectors currently exceeds the details provided in AFMA statements.

The Government acknowledges the Panel’s findings that ‘the links between management activities and these objectives and goals are not articulated. Instead, they are more procedural in terms – what the activity will be rather than how it will help achieve the desired outcomes.’

**Action:** PIRSA will consult with Seafood Industry South Australia to determine if the style and content of AFMA’s CRIS is preferred over the current format, and what additional information will be useful for industry.

## Recommendation 6

The Panel recommends an attribution model be developed that enables the structured and transparent attribution of services across beneficiaries and risk creators, and accounts for both administrative and economic efficiency.

Attributions should be revisited every three years and the attribution model be reviewed every five years.

### ACCEPTED

The Government recognises the Panel’s recommendation for the creation of an attribution model that facilitates structured and transparent allocation of services among beneficiaries and risk creators, while also considering both administrative and economic efficiency.

The Government will consider how PIRSA’s existing cost attribution model can be further developed to meet this recommendation, with the aim of a best practice attribution model that ensures transparency and adaptability.

**Action:** The Government will consider the adoption of a 5-year benchmarking cycle to align with other benchmarking practices. This will include regular reviews and updates to the attribution model, ensuring it remains responsive and adaptable to changing industry dynamics and economic conditions.

## Recommendation 7

The 'revise and reset' process should consider the appropriate use of levies (licence and lease fees) and fee-for-service to ensure the mix is consistent with any revised attributions and with the principles of efficient and equitable cost recovery.

### ACCEPTED

The Government notes that PIRSA's current approach, which includes a blend of industry-wide fee-for-access cost recovery and individual operator fee-for-service activities, aligns with this recommendation.

The Government notes that industry is not currently paying all attributed costs, and full cost recovery would therefore have a significant impact on industry. Some of these costs relate to indirect costs, including ICT systems, procurement, depreciation, human resources and financial services. PIRSA has provided a subsidy to the aquaculture sector since the establishment of cost recovery in recognition of the fledgling nature of the industry. PIRSA also provides reductions/discounts to impacted aquaculture sectors when situations arise; many of which have resulted in significant reductions of costs to industry, yet there has not been a decrease in services provided by PIRSA.

**Action:** PIRSA will continue to consider the principles of efficient and equitable cost recovery in setting fees but will also consider the impact on industry that full cost recovery would entail.

## Recommendation 8

The revised cost recovery framework should include a clear timetable for regular benchmarking of PIRSA and SARDI activities and costs.

### ACCEPTED

The Government supports the recommendation for regular benchmarking of the activities and costs of PIRSA compliance and SARDI science. This benchmarking is essential for maintaining transparency, efficiency and effectiveness in the management of our State's aquatic resources.

A 5-year review cycle is considered appropriate for these benchmarking efforts. This timeframe allows for a thorough and comprehensive evaluation while ensuring adaptability to changing industry needs and conditions.

This approach aligns with similar recommendations (12, 13, 14 and 16), reflecting a cohesive strategy towards enhancing the operational efficiency and financial accountability of PIRSA and SARDI in their critical roles.

**Action:** PIRSA will undertake benchmarking of PIRSA compliance and SARDI science on a 5-yearly review cycle.

## Recommendation 9

The Panel recommends the establishment of an over-seeing 'cost recovery advisory body' charged with responsibility to consider and advise on broader sector-wide cost recovery policy, principles, and implementation issues.

The Panel notes the establishment of the new South Australian industry peak body and proposes this group work with PIRSA which may alleviate the requirement to establish another body.

### ACCEPTED

The Government may approach Seafood Industry South Australia as an appropriate industry body to advise on sector-wide cost recovery policy, principles and implementation issues. However, this would be subject to further consideration and consultation with industry.

The Government also recognises PIRSA's ongoing efforts to ensure that cost recovery policies reflect broader principles and remain adaptable to changes within the aquaculture sectors. It is important that the advisory body works within the context of evolving industry dynamics and historical changes in cost recovery practices.

While PIRSA identifies certain baseline requirements for fishery/aquaculture management as 'non-negotiable', the Government agrees that additional activities over and beyond these base requirements may be subject to negotiation, with ultimate decision-making authority resting with the Government. This approach ensures both regulatory integrity and responsiveness to industry needs.

**Action:** PIRSA will consult with industry and Seafood Industry South Australia regarding an appropriate cost recovery advisory body.

## Recommendation 10

A comprehensive cost recovery performance framework be developed and that the recommended revised CRIS (see Recommendation 5) report appropriate outcome, output and input performance measures.

### ACCEPTED

The Government supports the development of a comprehensive cost recovery performance framework. This framework is critical to ensuring that the cost recovery processes are not only efficient but also transparent and accountable.

While PIRSA's current processes already encompass many aspects of this recommendation, the Government acknowledges there may be value in enhancing these processes to include more detailed outcome, output and input performance measures. As this may increase costs due to additional administrative requirements for PIRSA, it will be important to receive industry feedback on the benefits of these additions. This enhancement aligns with the recommendations for a revised Cost Recovery Implementation Statement (CRIS), as indicated in Recommendation 5.

**Action:** PIRSA will consult with industry about providing more detailed outcome, output and input performance measures.

## Recommendation 11

The broader attribution of benefits arising from policing and enforcement activities should be further explored as part of the recommended 'revise and reset' process.

### ACCEPTED

The Government acknowledges the importance of exploring the broader attribution of benefits arising from policing and enforcement activities in the aquaculture sectors.

In the context of aquaculture, compliance activities are currently very limited, and the 'revise and reset' process should assess the necessary level of compliance required for this sector.

This comprehensive exploration will contribute to a balanced and effective cost recovery framework, ensuring that benefits and responsibilities are appropriately attributed across stakeholders.

**Action:** Policing and enforcement activities will be benchmarked to inform the exploration of a broader attribution of benefits.

## Recommendation 12

An independent review/benchmarking of PIRSA's compliance program and costs is undertaken as part of the 'revise and reset' process and that this includes:

- Review of the compliance risk model and of the consultative arrangements to determine the risk profile for each fishery/aquaculture industry.
- Assessment of the scope for using external compliance contractors for some more straightforward aspects of compliance (e.g. weighing product, boundary checking, gear checking, data confirmation).
- Assessment of other jurisdictional approaches to new technological opportunities for compliance delivery.
- That, as part of the 'revise and reset' process, this review/benchmarking be paid for by Government.

### ACCEPTED IN PART

The Government supports the recommendation for an independent review and benchmarking of PIRSA's compliance program and costs as part of the 'revise and reset' process. This review will ensure that the compliance strategies are effective, efficient and aligned with the current risk profiles of different sectors.

PIRSA's experience with external contractors in compliance roles, ranging from unsuccessful to moderately successful outcomes, underlines the need for a strategic approach in this area. The Government will not be supporting the use of contractors in lieu of Fisheries Officers.

The limited current scope of compliance activities in the aquaculture sector should be considered. The review process should assess the necessary level of compliance for aquaculture, considering its unique characteristics.

This review will contribute to refining PIRSA's compliance strategies, ensuring they are proportionate to the risks and needs of the aquaculture sectors.

**Action:** Undertake independent benchmarking of PIRSA's compliance program and costs.

**Action:** PIRSA to continue to assess new technological opportunities for compliance delivery.

## Recommendation 13

A review of the PIRSA/compliance program and benchmarking of compliance costs is undertaken on a regular basis (3-5 years) and that these activities are cost recovered proportionally across sectors.

### ACCEPTED

The Government supports the regular (5-year) review and benchmarking of PIRSA's compliance program and costs. This approach aligns with our commitment to ensure that management and enforcement remain effective, efficient and responsive to evolving needs.

A 5-year benchmarking cycle is a prudent measure, ensuring that the PIRSA compliance program is periodically assessed against modern standards and practices. This timeframe allows for a comprehensive evaluation of changes and trends over a significant period, providing a more accurate picture of the program's evolution and its cost implications.

A mutual understanding between PIRSA and industry regarding the acceptance of benchmarking outcomes will aid in maintaining a collaborative and transparent relationship, crucial for the successful implementation of the compliance program. This may come in the form of involvement with a peak industry body such as Seafood Industry South Australia.

This regular benchmarking, combined with proportional cost recovery across sectors, will contribute to a balanced and fair cost management strategy, ensuring that each sector contributes according to its impact and benefit from the compliance program.

**Action:** PIRSA to establish a clear timetable and scope (i.e. Terms of Reference) for regular benchmarking of PIRSA compliance, with a focus on a 5-year review cycle.

## Recommendation 14

An independent review of PIRSA's research program and costs as part of the 'revise and reset' process is undertaken.

### ACCEPTED

The Government supports an independent review of PIRSA's research program and costs, as part of the 'revise and reset' process. This review is essential to ensure that research activities align with contemporary needs and are cost-effective.

This review can facilitate a thorough evaluation of the research program's scope, relevance, and financial sustainability, ensuring that the costs incurred are justified and proportionate to the benefits delivered to the aquaculture sectors.

**Action:** PIRSA to establish a clear timetable and scope (i.e. Terms of Reference) for regular benchmarking of PIRSA research programs and activities, with a focus on a 5-year review cycle.

## Recommendation 15

SARDI to produce fully costed research on a project-by-project basis for each individual fishery's research program and then apply any State contributions, 'in-kind' contributions, and non-inclusion of overheads to provide full transparency.

### ACCEPTED

It is noteworthy that the Panel identified *"There were no concerns raised by the aquaculture industry with regard to the research conducted by SARDI"* (page 44 of aquaculture review).

The Government recognises the importance of transparency in research funding and supports the recommendation for SARDI to provide fully costed research details for each sector's research program. This approach aligns with our commitment to clear and accountable management of aquaculture resources.

For the aquaculture sector, detailed cost breakdowns are provided in project scopes, such as the Tuna and Finfish Aquaculture Environmental Program. This specificity ensures that stakeholders in the aquaculture sector have clear insights into the financial structuring of research programs that impact them.

This acceptance reaffirms the Government's commitment to maintaining high standards of transparency in the funding and execution of research programs, crucial for the informed management and sustainable development of aquaculture in South Australia.

**Action:** PIRSA to continue to work with the aquaculture sector to ensure that the research costs are transparent to industry.

## Recommendation 16

A review of the SARDI/science program and benchmarking of science costs is undertaken on a regular basis (3-5 years) and that these activities be cost recovered proportionally across sectors.

### ACCEPTED

The Government endorses the recommendation for a regular review and benchmarking of PIRSA's science program and its associated costs. This approach is crucial to ensure that the science underpinning aquaculture management remains up-to-date and cost-effective.

The Government supports a 5-year cycle for the review and benchmarking of its science program. It allows for a comprehensive evaluation over a significant period while ensuring that different research programs are periodically assessed. This strategy will enable PIRSA to stay aligned with the latest scientific advancements and methodologies in fisheries and aquaculture management.

This commitment to regular benchmarking and fair cost recovery underscores the Government's dedication to sustainable and scientifically informed aquaculture management in South Australia.

**Action:** Benchmarking of the SARDI/science program will be undertaken on a regular 5-year basis.

# **ATTACHMENT B**

## **Terms of Reference**

# SOUTH AUSTRALIAN COMMERCIAL FISHERIES COST RECOVERY REVIEW

## INDEPENDENT COST RECOVERY REVIEW PANEL

### Background

The South Australian Government introduced a Cost Recovery Policy, which the Department of Primary Industries and Regions (PIRSA) has been operating for approximately 20 years. The policy operates from the premise that South Australia's aquatic resources are owned by the State and managed by PIRSA on behalf of the South Australian community. Any costs associated with government services that arise as a direct result of commercial access to the resources, are recovered partly from commercial licence holders through regulated licence fees.

These services include, but are not limited to, management, policy, scientific monitoring and stock assessment, compliance and licensing. PIRSA established a cost recovery policy to enable consistent decision making on the appropriate recovery of costs of PIRSA's goods and services which is based on the Australian Government Cost Recovery Guidelines 2014.

In order to ensure the State's public aquatic resources are managed in a sustainable, efficient and cost-effective manner a review process was established under the PIRSA cost recovery policy, which is undertaken on a 5-year cycle to ensure best practice arrangements are maintained. The PIRSA cost recovery policy has been independently reviewed by Deloitte in 2009 and 2015 and KPMG in 2018. These reviews have typically focused on incremental improvements to, or streamlining, the existing system of cost recovery, and hence on the process or mechanics of the system rather than its inherent economic logic and the model itself. Irrespective of the findings of the independent reviews and the recent improvements in the cost recovery process, there remains significant and increasing challenges with the current process.

In March 2022, the South Australian Minister for Primary Industries and Regional Development announced the Government's Election Commitment to undertake an independent cost recovery review of the current seafood sector cost recovery policy/model to ensure it is sustainable and appropriate.

Across Australia, there is significant variability in the cost recovery models used in the various jurisdictions, from the current activity-based model used by PIRSA to a

Gross Value of Production (GVP) access fee approach used by Western Australia. A GVP cost recovery model has been raised by various fisheries industry sectors as a viable alternative to the current approach used in South Australia.

In order to address the Election Commitment, the Minister has established an Independent Cost Recovery Review Panel to review PIRSA's current cost recovery arrangements. The Panel will comprise members with expertise in fisheries economics, management and commercial business practices. As part of this review, it will be necessary for the Panel to consider alternative cost recovery approaches that are fair and equitable and assess these against current arrangements. In undertaking the review, submissions will be invited from the commercial fisheries sector, other interested stakeholders, PIRSA and other relevant government agencies.

### Independent Panel Members

Membership of the Independent Cost Recovery Review Panel comprises:

- Mr Brett McCallum – Chair and fisheries management and commercial business expertise
- Dr Sarah Jennings – Fisheries economic expertise
- Dr Sean Pascoe – Fisheries economic expertise

### Purpose

To provide advice to the Minister on the most appropriate, fair and equitable cost recovery arrangements for the commercial fisheries sector in South Australia.



## Scope

In developing its recommendations, the Independent Cost Recovery Review Panel is to:

- Consider existing government cost recovery policies in South Australia and other jurisdictions.
- Consider previous cost recovery review reports (i.e. Deloitte, KPMG), as well as the recently commissioned report by independent consultant SG Heilbron, to review the current economic logic, consistency and transparency of the current cost recovery policy framework in South Australia, paying particular attention to the different resources involved and varying risk levels.
- Consider the above reports and any business cases detailing alternative approaches for the commercial fisheries sector,
- Examine and report on the application of the current cost recovery process and policy in South Australia in relation to other jurisdictions for the commercial fisheries sector,
- Examine, assess and, if appropriate, recommend alternative cost recovery processes and policies applied in other Australian jurisdictions and internationally, for the commercial fisheries sector,
- Consider any other matters considered relevant by the Panel or the Minister.

In achieving this task, the Panel will be required to:

- Engage with PIRSA to identify the data, information, reports and policies necessary to undertake the review and analysis.
- If deemed necessary by the Panel, undertake consultation with technical experts familiar with cost recovery models used for fisheries.
- Consult (online or face-to-face) with commercial fisheries sector, other relevant stakeholders and government agencies.
- Consider submissions invited from the commercial fisheries sector, other relevant stakeholders and government agencies.
- Explain and justify the recommended cost recovery approaches to the Minister in a written report and be available for discussion of the report recommendations.
- Maintain full records of all activities undertaken by the Panel.
- Individual Panel members may be required to undertake separate tasks and variable time commitments.

PIRSA will provide relevant background information, any additional relevant information requested by the Panel where such information exists, and access to PIRSA's files regarding relevant matters. PIRSA will also provide executive support and administrative services to assist with the deliberations of the Panel.

## Reporting Relationship

The Panel will report directly to the Minister.

## Deliverables and Timeframe

A draft report of the Panel is to be completed by 30 April 2023, subject to all necessary data and information being provided to the Panel in a timely manner.

# SOUTH AUSTRALIAN COMMERCIAL AQUACULTURE COST RECOVERY REVIEW

## INDEPENDENT COST RECOVERY REVIEW PANEL

### Background

The South Australian Government introduced a Cost Recovery Policy, which the Department of Primary Industries and Regions (PIRSA) has been operating for approximately 20 years. The policy operates from the premise that South Australia's aquatic resources are owned by the State and managed by PIRSA on behalf of the South Australian community. Any costs associated with government services that arise as a direct result of commercial access to the resources, are recovered partly from commercial licence/lease holders through regulated licence/lease fees.

These services include, but are not limited to, management, policy, scientific monitoring and stock assessment, compliance and licensing. PIRSA established a cost recovery policy to enable consistent decision making on the appropriate recovery of costs of PIRSA's goods and services which is based on the Australian Government Cost Recovery Guidelines 2014.

In order to ensure the State's public aquatic resources are managed in a sustainable, efficient and cost-effective manner a review process was established under the PIRSA cost recovery policy, which is undertaken on a 5-year cycle to ensure best practice arrangements are maintained. The PIRSA cost recovery policy has been independently reviewed by Deloitte in 2009 and 2015 and KPMG in 2018. These reviews have typically focused on incremental improvements to, or streamlining, the existing system of cost recovery, and hence on the process or mechanics of the system rather than its inherent economic logic and the model itself. Irrespective of the findings of the independent reviews and the recent improvements in the cost recovery process, there remains significant and increasing challenges with the current process.

In March 2022, the South Australian Minister for Primary Industries and Regional Development announced the Government's Election Commitment to undertake an independent cost recovery review of the current seafood sector cost recovery policy/model to ensure it is sustainable and appropriate.

Across Australia, there is significant variability in the cost recovery models used in the various jurisdictions, PIRSA currently use an activity-based cost recovery model. In order to address the Election Commitment, the Minister has established an Independent Cost Recovery Review Panel to review PIRSA's current cost recovery arrangements. The Panel will comprise members with expertise in fisheries economics, management and commercial business practices.

As part of this review, it will be necessary for the Panel to consider alternative cost recovery approaches that are fair and equitable and assess these against current arrangements. In undertaking the review, submissions will be invited from the aquaculture sector, other interested stakeholders, PIRSA and other relevant government agencies.

### Independent Panel Members

Membership of the Independent Cost Recovery Review Panel comprises:

- Mr Brett McCallum – Chair and fisheries management and commercial business expertise
- Dr Sarah Jennings – Fisheries economic expertise
- Dr Sean Pascoe – Fisheries economic expertise

### Purpose

To provide advice to the Minister on the most appropriate, fair and equitable cost recovery arrangements for the aquaculture sector in South Australia.

## Scope

In developing its recommendations, the Independent Cost Recovery Review Panel is to:

- Consider existing government cost recovery policies in South Australia and other jurisdictions.
- Consider previous cost recovery review reports (i.e. Deloitte, KPMG), as well as the recently commissioned report by independent consultant SG Heilbron, to review the current economic logic, consistency and transparency of the current cost recovery policy framework in South Australia, paying particular attention to the different resources involved and varying risk levels.
- Consider the above reports and any business cases detailing alternative approaches for the aquaculture sector,
- Examine and report on the application of the current cost recovery process and policy in South Australia in relation to other jurisdictions for aquaculture,
- Examine, assess and, if appropriate, recommend alternative cost recovery processes and policies applied in other Australian jurisdictions and internationally, for aquaculture
- Consider any other matters considered relevant by the Panel or the Minister.

In achieving this task, the Panel will be required to:

- Engage with PIRSA to identify the data, information, reports and policies necessary to undertake the review and analysis.
- If deemed necessary by the Panel, undertake consultation with technical experts familiar with cost recovery models used for aquaculture.
- Consult (online or face-to-face) with aquaculture sector, other relevant stakeholders and government agencies.
- Consider submissions invited from the aquaculture sector, other relevant stakeholders and government agencies.
- Explain and justify the recommended cost recovery approaches to the Minister in a written report and be available for discussion of the report recommendations.
- Maintain full records of all activities undertaken by the Panel.
- Individual Panel members may be required to undertake separate tasks and variable time commitments.

PIRSA will provide relevant background information, any additional relevant information requested by the Panel where such information exists, and access to PIRSA's files regarding relevant matters. PIRSA will also provide executive support and administrative services to assist with the deliberations of the Panel.

## Reporting Relationship

The Panel will report directly to the Minister.

## Deliverables and Timeframe

A draft report of the Panel is to be completed by 30 April 2023, subject to all necessary data and information being provided to the Panel in a timely manner.

