

COST RECOVERY AND STRUCTURAL ADJUSTMENT: REVEALING AND APPLYING COSTS OF FISHERIES MANAGEMENT SERVICES

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ABSTRACT

This paper outlines the process and impact of a phased introduction of cost recovery on the Victorian wild and aquaculture sectors and the framework for tracking and delivering data outputs to a co-management fisheries management structure. In order to determine whether efficient and effective development and use of fisheries resources is occurring, all costs associated with these activities must be identified and appropriately apportioned. An integral part of these costs include Fisheries Management Services (FMS) usually delivered by publicly funded Fisheries Management Agencies (FMA's). FMS refers to a range of services provided by a FMA that supports the management of public (wild resources) and private (aquaculture) fisheries resources. FMS are best assessed on an activity basis (activity based costing) with the apportionment of costs associated with these services based upon estimated costs and benefits to particular beneficiary groups. Fisheries Victoria has developed a computerised logging and data management system. The community's interest (including intergenerational concerns) must be met by state stewardship. Being a public good, the FMS costs associated with this responsibility should be fully funded from the tax base. On the other hand, costs associated with FMS that directly benefit private entities for private gain are being recovered by FMA's around the world to varying degrees of sophistication and degree. The recovery of these costs are usually in the form of levies or fees on licence holders. The economic costs associated with the increases in fisheries management levies are in the form of a short-term increase in enterprise costs and decreased returns. Concurrent with these impacts is the restructuring of fishing sectors as industry adjustment processes takes place.

Keywords: cost recovery, industry structure

INTRODUCTION

The Victorian Fishing and Aquaculture Industries

Victoria is the second largest state by population (4.9 million) in the Commonwealth of Australia representing 25% of the nation's population. Victoria's fisheries production of 20,000 tonnes (\$AUD 138.4 million) represents 8% of national production (or 6% by value).

Victoria has over 2,500 kilometres of coast adjacent to open coastal waters, bays and estuaries, with a marine fisheries management area of 139,000 sq klm. Inland Victoria (227,500 sq klms) features thousands of kilometres of rivers and streams as well as a large number of lakes and impoundment's. These aquatic environments support hundreds of different species of fish, molluscs, crustaceans and other aquatic invertebrates.

The commercial wild sector has 1,120 licensed operators and has a capital investment in boats, licenses and processing facilities exceeding \$AUD900 million. There are a total of 882 boats landing at 19 main coastal ports. The aquaculture sector, on the other hand, is a lot smaller with only 200 licence holders carrying out aquaculture across Victoria and has a capital investment in the order of \$AUD70 million. The total industry (wild and aquaculture) provides direct employment for 2,400 people and indirect employment for 4,500 people.

The Cost of Managing Fisheries Resources in Victoria

The Victorian Fisheries Management Agency (FMA) (called Fisheries Victoria), has 133 staff in 17 regional locations. Public fisheries research is carried out by two research stations (marine and freshwater). The public cost of managing the fisheries in Victoria in the form of fisheries management services (FMS) was \$AUD23.2 million (2003/04). This includes commercial fisheries, recreational fishery, assisting in the management of Commonwealth fisheries and providing habitat/environmental services.

The cost of managing the commercial fishing sector (wild harvest and aquaculture) is in the order of \$AUD13.8 million (of which public research accounted for \$AUD3.2 million) or 10% of landed value (GVP). This is consistent with other OECD countries [11]. A breakdown of various sectors can be seen below in Table 1:

**Table 1: Cost of Fisheries Management Services (including Research)
Victoria 2003/04 (\$AUD '000)**

Fishery	Cost	% of total	% of Cost to GVP
Recreational	\$6,243	29	na
Abalone	\$7,144	25	13%
Rock Lobster	\$2,129	11	12%
Other (finfish)	\$1,135	5	2%
Aquaculture	\$1,860	9	9%
General Fisheries Research	\$1,486	7	na
Habitat Services	\$1,799	7	Na
AFMA Fisheries	\$1,415	7	Na
TOTAL	\$23,211	100	10%

Other expenditure incurred by Fisheries Victoria include financial transfers (transferral of money collected under the levy system to industry peak bodies and a national research organisation), marine park duties and general Departmental corporate allocation (supporting democracy with high level policy etc.). These expenditures are all non-recoverable and are in the order of \$17 million. Total budgeted expenditure for the FMA was therefore in the order of \$40 million.

Impetus for Cost Recovery

Governments typically undertake a range of activities (in addition to natural resource management) that benefit the general community and also specific industries, companies and particular groups of persons or individuals. Cost recovery can be defined as the financial contribution towards the costs (including a return on capital) of fisheries management.

The Australian Federal Government first introduced cost recovery all Commonwealth fisheries (3nm to 200nm) in 1985 and refined in 1992. The management of fisheries within the 0nm to 3nm fishing zone are controlled by the seven state and territory fisheries management agencies which have implementing cost recovery over time. As a consequence industry and other stakeholders are looking to have a greater say in the management of the resource via co-management frameworks.

All States and territories have implemented competitive neutrality (under competition policy) as part of the Competition Principles Agreement 1996. The aim of competitive neutrality is to ensure Australia's

resources are used efficiently by removing any net competitive advantage that public businesses accrue from their government ownership and hence resources will flow to efficient public and private businesses. Those businesses or individuals that benefit from restricted resource access should also contribute to funding these essential activities, particularly the costs to government that are incurred through services such as resource assessment, research, monitoring, compliance and management programs. This principle has been one of the guiding elements underlying the National Competition Policy (NCP) framework which governs regulatory review in Australia. Fisheries legislation has been progressively reviewed across Australia. Following the review of Victoria's *Fisheries Act 1995* the movement towards full cost recovery was agreed to by Government [4].

The implementation of cost recovery is a critical aspect of good fisheries management and governance in that it improves enterprise efficiency in that resources are directed to generating the greatest value once the true costs of doing business are revealed. It also improves the efficiency of the delivery of public FMS by making the costs associated with their delivery more transparent.

Failure to recover the costs of resource maintenance distorts markets and invariably leads to inefficiencies in resource utilisation. These costs (or a proportion of them) should be collected through a systematic and transparent cost-recovery framework. The Victorian Department of Treasury and Finance [7] policy regarding cost recovery states:

“...all user-pay type fees and charges should be set to recover the full cost of the product or service provided from users, unless there are explicit policy or public good reasons for not doing so...”

Recoverable costs are those that are incurred as a result of providing access to a sustainable public fishery resource. The method of allocating fisheries management costs should be simple, cost effective, equitable and transparent. A particular user group, as far as practicable, should not bear the costs associated with another user group.

Cost recovery was extensively analysed in the *Inquiry into Fisheries Management* by the Parliamentary Committee of Environment and Natural Resources (2002) [10]. The recommendations of the Inquiry concluded that fisheries management costs be recovered from the various sectors that gain direct benefit from such management. This was again confirmed in a Regulatory Review (2003) of levy raising powers of the *Fisheries Act 1995* [5]. The Review further outlined a phased cost recovery program over 3 years to be implemented beginning April 2003/04.

OVERVIEW OF COST RECOVERY

Objectives of Cost Recovery

The objectives of fisheries management in terms of operational efficiency (management inputs and service outputs) and the maximisation of wealth (both economic and environmental) for current and future generations is one of the major guiding principles that underlie fisheries legislation.

The Victorian *Fisheries Act 1995* specifically states that the objectives of the Act [8] are, amongst other things:

“...to provide for the management, development and use of Victoria's fisheries, aquaculture industries and associated aquatic biological resources in an efficient, effective and ecological sustainable manner...” and

“...to promote sustainable commercial fishing and viable aquaculture industries and quality recreational fishing opportunities for the benefit of present and future generations...”

Efficient and cost effective fisheries management implies the provision of a level of fisheries management service at least cost but ensuring that the service provided produces the highest benefit. In order to determine whether efficient and effective development and use of fisheries resources is occurring, all costs associated with these activities must be identified. An integral part of these costs include the services delivered by publicly funded fisheries management agencies. Tracking the effectiveness of fisheries management has been a continuing objective of the Government in its pursuit of efficiently allocating public funds.

The rationale for a cost effective management objective was defined by the Commonwealth of Australia [1]. It was noted that:

“If Australia’s fisheries are to be exploited in an economically efficient manner then the administration of fisheries management must also be undertaken in a cost efficient manner. For all the administrative functions that are undertaken – licensing, surveillance, logbook collections or general administration – the amounts spent should provide, at the margin, benefits which at least match the costs of undertaking that activity. Furthermore, an equivalent amount spent on a different management function should not yield a greater benefit. These are general principles which underlie the efficient allocation of inputs into any economic activity.”

Principles of Cost Recovery

The principles of cost recovery have been developed in Australia over the last decade beginning with the Commonwealth Government’s Industry Commission Report released in 1992. In this report, the functions of fisheries management were outlined and the public-private good nature of FMS activities examined. [2]. A further elaboration of these principles and an analysis of community returns from fishery access was outlined in a report on FMA pricing policy to the National Standing Committee on Fisheries and Aquaculture Management Committee in 1997 which reported through the Federal Department of Fisheries and Forestry [9].

The cost of fisheries management services should be borne by those who directly benefit from them or those who drive the need for the provision of services.

There are six main principles of cost recovery. These are:

- (i) **Public Good Services** or the community’s interest as a whole (including intergenerational concerns) must be met by the stewardship of the resource, which is the responsibility of government and funded from the tax base.
- (ii) **Management Services** are best assessed on an activity basis with the apportionment of costs associated with these services based upon estimated costs and benefits to particular groups.
- (iii) **Commercial Services** are best calculated on a fishery-by-fishery basis, because of the unique nature of individual fisheries. The cost of these services should be based on the actual costs of providing these services on a commercial basis.
- (iv) The general rule of attributing costs to a particular group rests on the question as to whether the *non-existence* of that group would eliminate the need for particular fisheries management services, i.e. avoidable costs.
- (v) The method of allocating fisheries management costs should be simple, cost effective, equitable and transparent. A particular user group, as far as practicable, should not bear the costs associated with another user group. However, there may be an overlap of management outcomes, which benefits different groups, in which case the costs would be appropriately apportioned.
- (vi) Fishing Licences (Access, Commercial Fishing, Recreational Fishing and Aquaculture) are the most appropriate instruments for recovering costs associated with FMS. The total licence charge should reflect the apportioned cost of managing a particular fishery or activity. Commercial services should be recovered through direct charging and invoicing.

Implementing Cost Recovery

The timing of achieving appropriate cost recovery will be dependent to a large extent upon the capacity of the beneficiaries to adjust to new cost regimes. The path to recovery of costs is limited by three main factors:

- (i) Definition and extent of benefit to a particular user group;
- (ii) Existence of extenuating socio-economic issues (i.e. protecting traditional lifestyles); and
- (iii) Cost effectiveness of recovering costs.

To ensure that current commercial access licence holders and aquaculture licence holders are not overly burdened by the imposition of extra costs associated with cost recovery, a phased program (over three years) has been implemented following a recent Government inquiry into the setting of Fisheries fees and levies [5].

The average recoverable rate was only 15% in 2003/04. It is intended to increase the rate of recovery by 33% of the difference between full cost recovery (100%) and the amount collected in 2003/04 (i.e. 43% of total costs) and 67% of the difference in 2005/06 (i.e. 81% of total costs). This phased strategy will ensure that each class of licence holder (beneficiary) reaches 100% recovery via the same proportional increases in FMS levies by 2006/07 [6].

The recreational sector is not included in this cost recovery program as this sector raises revenue through the All Waters Recreational Fishing licence (freshwater and marine). This licence fee raises approximately \$4 million per annum. However this revenue is not used to recovery public costs but is diverted to a trust fund which is used to carry out projects directly beneficial to the sector, including the funding of commercial access licence buy-outs.

FISHERIES MANAGEMENT SERVICES (FMS)

Cost Recovery Categories of Fisheries Management Services (FMS)

There are three broad recoverability categories of fisheries management costs which are associated with providing a particular type of service depending on whether they are non-recoverable, partially recoverable or fully recoverable. These costs are associated with the provision of:

- (i) ***State Stewardship (Public Goods/Services)***
The State Stewardship role of the Government in managing the community's aquatic resources. The costs associated with these public goods and services are non-recoverable;
- (ii) ***Management Services***
Includes services and activities that benefit the whole community as well as particular user groups. The costs associated with these services and activities are partially or fully recoverable; and
- (iii) ***Commercial Services***
Includes services and activities that directly support the utilisation of aquatic resources that benefits particular user groups only. The costs associated with these services and activities are fully recoverable.

Defining Fisheries Management Services (FMS)

Fisheries Management Services (FMS) refers to a range of services, defined as activities, provided by Fisheries Victoria that supports the management and development of public and private fisheries resources in Victoria. Fisheries Victoria has defined over 70 activities defined under two broad FMS

headings of Fisheries Management and Administration Services and Compliance Services. Fisheries Research Services, on the other hand, are defined in terms 52 projects. All three types of FMS include all ranges of recoverability (from 0% to 100%). See description of the Fisheries Activity Costing System below for further details.

(i) Fisheries Management and Administration Services

Management and Administration Services comprise two main functions:

(a) Administering the Fisheries Management Framework

Fisheries management requires an array of complex administration tasks that ensures that the framework for managing fisheries resources, as determined by the *Victorian Fisheries Act 1995* (the Fisheries Act) and the associated Fisheries Regulations 1998, is being adhered to. This framework requires rigorous data collection and a management backbone that forms the basis for tracking and monitoring the status of fisheries under Victorian jurisdiction.

(b) Amending Fisheries Management Framework

An important aspect of fisheries management is that systems and frameworks be continually analysed and adjusted as required by complex environmental and social/economic pressures. This modification is a critical aspect of the ecologically sustainable development (ESD) imperative that is an overarching responsibility of governments.

(ii) Compliance Services

Enforcement of the fisheries management framework is a key activity set for regional staff. A wide range of activities is required to complete the three main elements of enforcement (i.e. Inspections – Boat-based and Processor Inspections).

(a) Surveillance

Surveillance activity could be fully recoverable from the commercial sector where a particular fishery requests a specific surveillance activity to protect a fishery stock that is only accessed by that sector and hence directly affects private investment and revenue streams. However, where illegal activity is detected via general surveillance (e.g. for sovereignty reasons and resource conservation obligations at the state level) then a portion of the costs should be borne by taxpayers.

(b) Enforcement

Enforcement is considered to be partially recoverable as there is a clear public cost in upholding the law, which are covered by general taxes. There is an overall social benefit to all stakeholders where an effective enforcement role ensures that regulations underpinning sustainable harvest levels are obeyed.

(c) Prosecutions

Prosecution of criminal offences is the constitutional responsibility of the State, however the courts do impose cost recovery principles to partially recover court costs. On balance the Government covers the cost of prosecutions.

(d) Community Education

The provision of community education services is vital to ensure that the general public (both recreational and commercial licence holders) fully understand and appreciate the many regulations that are in place; and the penalties that will ensue if regulations are broken.

(iii) Research

Public fisheries research is currently carried out by Primary Industries Research Victoria (PIRVic Marine and Freshwater Systems). This research cover eight broad areas of investigation. These include the following areas:

- (i) Aquaculture
- (ii) Education and Training
- (iii) Modelling and Data Management
- (iv) Offshore Fisheries
- (v) Freshwater Resources
- (vi) Bay and Coastal Fisheries
- (vii) Education and Training
- (viii) Aquatic ecosystems

Research in each of these areas are defined under specific research projects which are defined and budgeted each year under the co-management structure of the Fisheries Research Advisory Committee. These projects also include annual foundation research and data management tasks that are central to the administration of fisheries management such as fisheries/species assessment reports and Catch and Effort data storage and analysis.

ALLOCATING AND TRACKING FMS COSTS

Activity Based Costing Framework

Traditionally, public sector financial monitoring arrangements have concentrated on the cost of resources rather than the activities and outputs produced by these resources. Today, public sector bodies, and Fisheries Management Agencies (FMA's) in particular, are being held increasingly accountable for performance targets and fisheries managers need to ensure that spending decisions are tied to strategic goals. Responding to government policies, implementing cost containment measures and the increasing emphasis on output and outcome measurement is as challenging to fisheries managers as anything facing those in the private sector.

Output and outcome measurement is an integral part of modern fisheries management. It is generally agreed that reliable performance information can help FMA's develop policy and manage the resources at their disposal in the most cost effective manner possible. Further, reliable information is required to report performance to central government and the general public, thereby promoting accountability for the use made of public resources. Activity Based Costing (ABC) analysis can provide a useful background for discussion in these areas.

FMA's consume resources when performing FMS activities and the majority of the organisation's costs can assigned to one, or in proportion to a number, of these specific activities. By investigating what is being done (by tracking activities) an organisation can identify surplus capacity if it occurs along with the lack of or mis-allocation of capacity.

ABC is currently making inroads into the public sector as organisations strive to:

- (i) Decrease inefficiencies and waste due to increased budgetary constraints
- (ii) Re-engineer business processes and ensure accountability
- (iii) Increased requirement to justify budget in terms of performance and contestability

This presents three main challenges for FMA's implementing cost recovery. Firstly they must determine the true cost of the services that they provide; secondly, they must ensure that the processes by which

these services are delivered are as efficient as they can be; and thirdly, they must establish ways of comparing those costs with those of their peers in both the public and private sector.

ABC has the capacity to more accurately and timely:

- (i) Identify services provided in a standard and consistent language
- (ii) Identify the actual cost of that service
- (iii) Improve management information
- (iv) Maximise public revenue by linking beneficiaries to services
- (v) Manage public expectations regarding the allocation of the tax dollar
- (vi) Increase the accountability and responsiveness of government [12]

The costs identified by ABC may be used for benchmarking activity with other fisheries management service providers, but the main benefits to be accrued go beyond this. What is more significant for FMA managers is the use that is made of the information. ABC delivers a ready supply of information required to inform improvements in service delivery. This information can be used to:

- (i) Support the application of cost recovery
- (ii) Establish benchmarks for efficiency
- (iii) Assist in justifying budget allocations to Government and the public
- (iv) Develop on going fisheries management performance measures to isolate inefficiencies

The Fisheries Activity Costing System (FACS)

The allocation of Victoria's FMA (*Fisheries Victoria*) expenditure to various cost items has been implemented by linking direct *Fisheries Victoria*'s staff time to a list of fisheries management activities that are also linked to specific fisheries (defined by access licence) and/or stakeholder groups (e.g. Inland Recreational Fisheries). *Fisheries Victoria* developed the **Fisheries Activity Costing System (FACS)** for the purpose of gathering this fisheries management activity-based information by fishery or beneficiary group. FACS is designed on a *Lotus Notes* software platform which delivers a fortnightly FMS Activity Recording template to each staff for completion and submission to their supervisor.

The framework of FACS is structured hierarchically so that a particular activity (which defines the work that fisheries staff do) is connected to particular projects (these projects are used to link activities directly to the FMA's budgeted accounts). Projects are automatically connected by FACS to a funding source (e.g. general recurrent funding, special Government Initiative funding or other special fund sources such as the Recreational Fishing Licence Trust Account). Activities can also be connected to an output measure if required. This is especially useful in automating output data that is deemed important for public reporting and managing regional service agreements and individual work planning (such as the number of fisheries patrols in a particular area or the number of on board boat inspections). Figure 1 below outlines the hierarchy of data under FACS.

FACS has been modelled on the principles ABC in that it defines Fisheries Management Services (Fisheries Management and Administration Services and Compliance Services) by activities (currently there are 77 defined). Each of these activities and are assigned a recoverability rating which indicates the amount to be recovered from industry (a list of these activities and examples of recovery rates can be seen in Appendix 1) The recoverability rates range from:

- 0%. A total public good FMS e.g. Executive Administrative Support,
- 25%. A predominantly public good FMS but with an amount of private good e.g. Fishcare volunteer program (see Appendix A for a list of these,

- 50%. An equal amount of public and private good FMS e.g. most Compliance related FMS activities,
- 100% A total private good FMS e.g. Industry Extension Services

The undertaking of these activities are linked to specific beneficiaries (currently there are 97 defined). Beneficiaries range from the global, as in All Fisheries; to the sectoral, as in Abalone; to the sub – sectoral, as in Abalone (Western Zone). The costs associated with each of the higher order beneficiaries (definitions above a licence category) are pro rata distributed to each of the discrete licence categories. For example, recorded costs against “Abalone Victoria” are distributed to each of the three licence categories in the Western, Central and Eastern Zones.

The data collected is stored and aggregated in a central database and regular summaries track the cost of managing individual fisheries or sectors of industry. The activity data from FACS will be used to calculate the salary and on-cost component of total costs associated with delivering FMS.

Fisheries Research Services, on the other hand, are defined in terms 52 discrete projects (2003/04), covering marine and freshwater issues. These projects are carried out by Victoria’s public fisheries research institutes (marine and freshwater). Each of these projects are analysed to determine the amount of public and private good embedded in them and the applicable beneficiary.

Defining Total Costs Associated with FMS Service Delivery

The cost of delivering FMS includes the following cost categories. Wages and Salaries and on-costs account for over 50% of the total costs:

- (i) Wages and Salaries
- (ii) On-costs (various levies attached to each employee. eg. Holiday pay, Workcover, Office expenses etc.
- (iii) Operating Costs (e.g. fuel etc)
- (iv) Depreciation on Capital Goods
- (v) Capital Charge (8%) (Treasury Return on Capital).

The cost categories of operating, depreciation and capital charge are apportioned to each fishery (defined by access licence) depending on the overall allocation of wages, salaries and on-costs which has been determined by FACS via the Departmental payroll system. The overall recoverability rate for these costs are determined by the calculated proportion recovered from FMS activity costs based on wages and salaries and on-costs data. This is approximately 40%. In other words, full industry cost recovery accounts for 40% of total costs associated with delivering all FMS activities (ie full, partial and non recoverable activity).

Added to these public delivery costs are expenditures on external consultancies which are used by FMA’s to carry out discrete projects. The cost of these projects are analysed to determine the amount of public and private good and linked to specific beneficiaries (e.g. software development for the commercial licensing system).

CHANGES TO LICENSING AND LEVY COLLECTION

In order to ensure that direct cost attribution was adhered to it was necessary to define new categories of commercial and aquaculture licences that will better reflect the definition of a beneficiary. The creation of these new licences will not restrict the current access rights held by current licence holders.

New commercial fishing licences to be created include zonal rock lobster and abalone licences (e.g. rock lobster (Western Zone)). Newly created aquaculture licences will reflect the species being farmed and or the area of public water being farmed. Therefore if a current aquaculture licence has two species attached (e.g. yabbies and warm water finfish), the new licensing arrangements means that two licences will be issued for the previous one licence. This has resulted in an increase in annual licence fees.

The development of these new categories will ensure that cost attribution is directed at particular licence holder/s that receive the benefit; and that there is no cross-subsidisation occurring across sectors, zones or species.

COST RECOVERY DISTRIBUTION

FMS Activity FACS data

Recovery of identified recoverable FMS costs are in the form of three FMS levies (management, compliance and research). These levies are collected as part of licence renewal each year and will be phased in over the next 3 years (2004/05 – 2006/07). The current round of the phased cost recovery program (2004/05) is expected to collect approximately 45% (\$2.4 million) of estimated total recoverable costs of \$5.3 million (2006/07). Full cost recovery estimates may change as recovery rates for each FMS activity are investigated and resolved through the co-management structures.

The distribution of costs across each of the defined fisheries in relation to the main FMS activities (including public research and other costs such as depreciation and externally contracted work). Initial data analysis of the 77 activities (covering both state stewardship and management and compliance services) reveals that between 10 and 15 key activities account for over 80% of FMS costs.

CONCLUSIONS

Fisheries Co-Management and Implementing Cost Recovery

Any regulations that affect any group of community stakeholders are subject to a Regulatory Impact Statement (RIS) for public scrutiny. The RIS outlines the regulatory objectives and the nature and extent of the problem being addressed by the new regulations. Also included is a benefit cost analysis of the regulatory changes and an impact statement concerning National Competition Policy.

Consultation with the peak bodies of the commercial wild sector (Seafood Industry Victoria) and the aquaculture sector (Victorian Aquaculture Council) prior to and after the release of the RIS led to a number of significant changes to the final regulations that were enacted in March 2004. Over 140 submissions were received in response to the RIS, including the Fisheries Co-management Council (FCC), Seafood Industry Victoria (SIV), the Victorian Aquaculture Council (VAC), several fisheries sectoral committee's of the FCC, SIV and the VAC, and individual licence holders.

Particularly changes were made to the amounts to be collected for the various FMS levies. Overall changes to the apportionment of recoverable FMS activities and their respective costs were reduced by 24%. The aquaculture sector received further assistance by receiving a 10% point reduction in the recoverability of allocated recoverable costs. This amounted to a 27% reduction in FMS levies.

Two Cost Recovery Standing Committee's (CRSC's) (one for the wild harvest sector and one for the aquaculture sector) are to be established. These CRSC are expected to meet quarterly with government to assist in the implementation of the phase in of full cost recovery.

A further two separate RIS's will be developed for each sector (wild harvest sector – November 2004 and aquaculture sector – August 2005) and released for public comment for the proposed new FMS levies to

be implemented for the 2005/06 fishing season. This process will be repeated in 2006/07. Each of these regulatory changes will fix the new FMS levies at a level that will collect 80% (2005/06) and 100% (2006/07) of full cost recovery. These levies will be directly linked to FMS activities and CRSC's will be able to track these costs through time using output from the FACS system. Collection of FMS levies are therefore retrospective as they relate to FMS activities carried out in the previous financial year (July 1st to June 30th).

Articulating and Enhancing the Distribution of FMS Activities

The breadth of FMA activities and the number of beneficiaries reveals the complex nature of fisheries management and the many skills a FMA requires to carry out their work. The process of auditing and defining FMS activities across the FMA has had a positive impact on how staff integrate and articulate their work within the larger organisational structure. The process of auditing FMS activities across the FMA has assisted in developing a greater clarity of purpose and program regarding the role and functions of fisheries management.

Individual staff profiles will be available to allow staff to track the activities they carry out during a year. This will greatly enhance the performance based management scheme that is in place that is attached to work plans.

As FACS highlights actual regional / seasonal activity expenditure, FMA management can better allocate and track FMS expenditure through regional service agreements. Compliance hotspots can easily be quantified in terms of FMS cost and compared to historical activity to see if there are significant changes occurring in compliance matters.

Increased Fisheries Management Accountability

The introduction of an activity based costing system to track and allocate FMS costs to private beneficiaries has presented both Fisheries Victoria and industry with an opportunity to develop more sophisticated scrutiny protocols in the management of Victorian fisheries resources. These protocols will be developed over time as management information is extracted from the FACS system and analysed. A new reporting system that regularly links FMS expenditure with budgeted expenditure will be tracked through time.

A more detailed review of fisheries research priorities carried out by public research institutions will also be called upon as industry develops a greater appreciation in the link between public research and private benefit. This will necessarily lead to a greater level of contestability for the research budget as industry investigates other delivery platforms.

The introduction of cost recovery has indeed led to a form of cultural shift in the way the FMA articulates its activities to industry and the broader public and also in the way that industry takes a more sophisticated look at the complex nature of managing a valuable public resource and aquaculture food production.

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