



Australian Government

Australian Fisheries Management Authority

AFMA COST RECOVERY IMPACT STATEMENT 2010

September 2010

COST RECOVERY IMPACT STATEMENT

In December 2002, following a Productivity Commission review, the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of Commonwealth cost recovery arrangements and promote the efficient allocation of resources.

The policy applies to all *Financial Management and Accountability Act 1997* (FMA Act) agencies and to relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies. The Australian Fisheries Management Authority (AFMA), was a relevant CAC Act body until 1 July 2008 and since then as an FMA Act agency, was and is subject to the cost recovery policy, with total cost recovery receipts that exceed the threshold above which the preparation of a cost recovery impact statement is mandatory.

AFMA's previous Cost Recovery Impact Statement (CRIS2004) was certified in February 2004 in conformity with the Cost Recovery Guidelines that applied at the time. CRIS2004 determined AFMA's cost recovery arrangements from then until now.

Agencies are required to review their cost recovery arrangements at least every five years. In accordance with the current Australian Government Cost Recovery Guidelines published in 2005, AFMA has reviewed its cost recovery arrangements and has published a revised Cost Recovery Impact Statement (CRIS 2010). The full review process included:

- A **policy review** of AFMA's activities to ensure that the application of the guidelines to each activity was within the Government's policy framework for the management of Commonwealth fisheries;
- Consideration of **design and implementation issues** to ensure that the costs recovered from those who use or create the need for AFMA's activities are recovered in the most effective and efficient manner and that any legal issues associated with the introduction of a revised cost recovery regime are addressed;
- Inclusion of a process for **ongoing monitoring** and **periodic reviews** of AFMA's costs and cost recovery arrangements; and
- Consultation with all major **stakeholders** including fishing industry representative bodies, relevant government departments and agencies and the specific groups, which include fishing industry representatives, that advise AFMA on fisheries management and research. The feedback obtained from stakeholders has been considered in the finalisation of CRIS2010 and is summarised in the final report.

The Minister for Agriculture, Fisheries and Forestry approved the CRIS on 30 September 2010. CRIS 2010 will be implemented straight away and used for the calculation of the 2010-11 fisheries management levies. .

James Findlay
A/g Chief Executive Officer

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1. OVERVIEW

Purpose

The purpose of this Cost Recovery Impact Statement (CRIS) is to give effect to and transparently demonstrate compliance with the Australian Government Cost Recovery Guidelines July 2005. Agencies are required to review their cost recovery arrangements every five years. The last review was undertaken in 2004 and a full review of AFMA's cost recovery arrangements is required.

Background

AFMA's management of Commonwealth fisheries covers a range of activities which are driven by AFMA's legislated functions. The Fisheries Administration Act 1991 requires AFMA to achieve government targets in relation to the recovery of the costs of the Authority. These activities are grouped by characteristics and objectives defined by the purpose of the activity, its beneficiaries and who creates the need for the activity.

Australian Government Cost Recovery Policy

In December 2002 the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. Cost recovery policy is administered by the Department of Finance and Deregulation and outlined in the Australian Government Cost Recovery Guidelines of July 2005. Finance Circular 2008/08 of 26 June 2008 issued by the Department of Finance and Deregulation confirmed the cost recovery policy and provided some further guidance on the policy.

The underlying principle of the cost recovery policy is that agencies should set charges to recover all the costs of products or services where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives.

The policy applies to all Financial Management and Accountability Act 1997 (FMA Act) agencies and to relevant Commonwealth Authorities and Companies Act 1997 (CAC Act) bodies that have been notified, under sections 28 or 43 of the CAC Act, to apply the cost recovery policy. These entities are collectively referred to as 'agencies' for the purposes of the guidelines. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring agencies' implementation and compliance with the cost recovery guidelines.

2. POLICY REVIEW – Analysis of AFMA’s activities

An analysis of the activities undertaken and services provided by AFMA was carried out to review which activities and services should be cost recovered. A summary of this analysis, including the main beneficiaries of each activity/service is shown below.

Since AFMA’s 2004 CRIS:

- The Cost Recovery Guidelines were revised in 2005 to focus on activities
- Government policy requirements, expressed in a direction to AFMA in December 2005, introduced new activities including fishery independent surveys
- The clarification of the economic efficiency objective and definition of ecologically sustainable development in AFMA’s governing legislation in 2006
- AFMA’s outcome was revised in 2008 in line with the Finance Minister’s Outcome Statement principles
- Following a business efficiency review in 2007-08, AFMA revised its organisational structure and advisory and regulatory processes.

As a result, the definition and analysis of AFMA’s activities in the 2004 CRIS no longer accurately reflect AFMA’s activities.

The activity group structure for the purposes of this CRIS is as follows:

Activity	Activity Name
1	Management of Domestic Commercial Fisheries
2	Management of Traditional, Indigenous and Non-commercial Fisheries
3	Input into defining international treaty standards and developing regulation
4	Policy Support
5	Domestic Fisheries Compliance Enforcement
6	Foreign Fisheries Compliance Enforcement and Outreach
7	Data collection and Management
8	Research – Industry Funded
9	Research – Government funded
10	Licensing / Registration and Revenue Collection

The cost identified for each activity is the 2009-10 budget cost and aligns to Table 4 on page 25

Activity Group 1 – Management of Domestic Commercial Fisheries

Beneficiary: Commercial Industry

Cost of Activity: \$4.336m

Charge: Levy

Australia's fisheries resources are community-owned. AFMA is responsible for the day-to-day management of Commonwealth fisheries resources within the Australian Fishing Zone (AFZ) and regulating the commercial exploitation of those resources. AFMA is also responsible for managing Australian commercial fisheries extending onto the high seas, and for managing Australian-flagged fishing vessels and Australian nationals on foreign fishing vessels operating in waters beyond national jurisdictions.

Description of Activity

This activity group involves devising management arrangements, implementing management arrangements and monitoring the performance of domestic fisheries. Examples include determining fishery catch targets to maximise net economic returns to the community through the commercial industry, directions, determinations and conditions on fishing concessions controlling specific fishing activities and catch levels. It involves consultation and negotiation with industry and all community sectors, as well as State jurisdictions, with a legitimate interest in Commonwealth fisheries. The activity group includes:

- Analysing ecological risk assessments for species and ecosystems
- Defining Harvest strategies
- Developing stock rebuilding strategies and plans
- Setting ecological sustainability standards for fishing activities
- Conducting public consultation on the development and amendment of fishery management plans.
- Implementing management responses to ecological risk assessments
- Implementing Harvest strategies
- Implementing stock rebuilding strategies and plans
- Implementing environmental standards for fishing activities.
- Assessing the bio-economic performance of Commonwealth commercial fisheries
- Assessing Commonwealth fisheries under the *Environment Protection and Biodiversity Conservation Act 1999*.

The primary means of consulting and analysing all sectors' stakeholder advice is through AFMA's Management Advisory Committees which are responsible for providing advice on matters regarding individual fisheries or groups of fisheries.

Within this activity group, community input is analysed by fisheries managers within AFMA and decisions setting standards, regulations, Fishery Management Plans and administrative policies are made by the AFMA Commission, often in conjunction with the broader government through the relevant portfolio departments and Ministers.

Who should pay

The need to manage domestic commercial fishing activities is created by those activities. There are no policy impediments to charging for these activities and the firms and groups involved are readily identifiable. The beneficiaries are all concession holders in each fishery, rather than individual firms, and the cost of the activity group should be recovered by fishery-based levy.

Activity Group 2 – Management of Traditional, Indigenous and Non-commercial Fisheries

Beneficiary: Community

Cost of Activity: \$2.390m

Charge: Taxpayer funding

Description of Activity

This activity group involves AFMA's contribution to the management of traditional, indigenous or non-commercial fishing sectors. The aim of regulation, such as measures implemented under the *Torres Strait Fisheries Act 1984* is to sustainably maximise the social, cultural or economic benefits to the groups involved. The measures include fishery catch targets, directions, determinations and, where relevant, conditions on fishing concessions controlling specific fishing activities and catch levels.

Who should pay

The traditional, indigenous or non-commercial beneficiaries who create the need for this activity group are not subject to cost recovery. Either Australian Government policy determines that costs will not be recovered, such as in the case of Torres Strait indigenous fisheries, or the participants do not hold Commonwealth fishing concessions against which fees and levies can be charged under existing Commonwealth law. The Norfolk Island inshore fishery is an example of the latter, where management of the fishery on a commercial basis is neither efficient nor practical, but continuation of the fishery has wider social, health and economic value for the island's community. This activity group should therefore be taxpayer funded.

Activity Group 3 - Input into defining international treaty standards and developing regulation

Beneficiary: Community

Cost of Activity: \$0.815m

Charge: Taxpayer funding

Description of Activity

AFMA provides input to the Australian Government's position in international fisheries forums, including regional fisheries management organisations, bi-lateral and other multi-lateral agreements and bodies. This input includes technical advice and research supporting government policy and statute leading to the sustainable management of straddling and highly migratory fish stocks. These activities directly benefit the Australian and international community.

AFMA provides input to the development of primary legislation, and develops subordinate legislation to implement international treaties and agreements, including standards set by regional fisheries management organisations.

This activity group includes reporting to regional fisheries management organisations on catch levels, fishing operations and compliance with international treaty obligations. Data collection costs associated with monitoring of international obligations.

(Note: The implementation of those regulations within Commonwealth commercial fisheries is included in Activity Group 1.)

Who should pay

This activity group is a service to the Australian Government, and through it the international community, and should therefore be taxpayer funded. The development of legislation and legislative instruments, and reporting fulfil the Australian Government's international treaty obligations. Under the guidelines, these policy and parliamentary servicing activities, including compliance with international treaties, should be taxpayer funded and not cost-recovered through fees or levies.

Activity Group 4 - Policy Support

Beneficiary: Community

Cost of Activity: \$4.830m

Charge: Taxpayer funding

Description of Activity

The activity includes policy advice and support to the parliament and Ministers and to relevant government departments and agencies, including answering ministerial and

parliamentary questions, researching, planning and advising on proposals for changes to legislation, regulations, whole of government programs, Commonwealth-State and international fisheries arrangements, and preparing budget and related documents and reports.

This activity involves AFMA senior management, and the public policy advising and budget and statutory reporting review activities of the AFMA Commission.

AFMA is also closely involved in providing broad policy support and information to a range of other government departments and agencies – such as the BRS, ABARE, DAFF, DEWHA and the agencies participating in the Border Protection Command, much of which is not of direct benefit to the fishing industry. These activities are also included under this activity group.

Who should pay

Generally the support of public policy and legislation benefits the community at large. Under the guidelines these policy and parliamentary servicing activities should be taxpayer funded and not recovered through fees or levies.

Activity Group 5 - Domestic Fisheries Compliance Enforcement

Beneficiary: Community Cost of Activity: \$3.423m Charge: Taxpayer funding

Contemporary regulatory practice distinguishes activities that promote voluntary compliance, where individuals, firms and groups “buy in” to the arrangements on the basis of informed self-interest, and deterrence, involving enforcement activities directed at illegal activities of those who do not “buy-in” to the voluntary compliance regime.

In Australian fisheries, this model is incorporated into the *Australian Fisheries National Compliance Strategy, 2005-2010*, developed and published by Australia’s National Fisheries Compliance Committee (NFCC), comprising senior fisheries compliance managers from the Commonwealth and States/Territories, and endorsed by the Natural Resource Management Committee of Commonwealth and State/Territory Ministers. AFMA’s regulatory activities are modeled on this basis.

Most of AFMA’s activities contribute to voluntary compliance by regulating, collecting biological and economic data, monitoring fishing activities and assessing fisheries performance to ensure Commonwealth fisheries are sustainable, and in contributing to policies that balance competing sectoral interests in Australia’s marine living resources.

However, the scope for non-compliance in fisheries is broad. Fishing takes place at sea, in relatively isolated areas out of public gaze, where “policing” in a more conventional form, supported and informed by members of the public, is usually impossible and where weather, distance and other conditions intrinsic to fishing can hinder investigation and

apprehension. In addition, the non-exclusive nature of commercial fishers' access rights, inefficient jurisdictional arrangements, and competing access to the resource by other sectors and the effectiveness of the regulation of those sectors, can negatively affect some fishers' sense of ownership of and commitment to the regulatory regime. There is also increasing evidence of organised criminal activity in fishing (eg: Australian Institute of Criminology, *A national study into crime in the Australian fishing industry*, rpp no.76, 2007).

Description of Activity

This activity group comprises compliance risk assessment, investigation and enforcement. It also incorporates, with respect to fisheries compliance, cooperation, consultation and exchange of information with state, Northern Territory and overseas bodies having similar functions to AFMA.

Prior to 2009-10, AFMA's domestic compliance has relied for around 50% of its budgeted activities on the contracted provision of compliance services (including staff, boats and other capital items) by State/NT fisheries and/or police agencies. It has also involved the allocation of activities and costs across all Commonwealth managed fisheries to avoid cross-subsidisation that could otherwise result from cost recovery of these activities. These arrangements are relatively inflexible once annual allocations of funding and service level agreements are made with the state agencies. This inflexibility has generally been at the expense of a more effective risk-minimisation approach to compliance.

Accordingly, from 2009-10, AFMA has implemented a centralised, strategic model of domestic fisheries compliance enforcement more consistent with contemporary regulatory best practice. This will allow AFMA to more efficiently identify and more flexibly and effectively address high risk areas of non-compliance.

In reviewing cost recovery for domestic compliance, where the over-riding priority is to achieve optimal levels of compliance and fishery sustainability, care must be taken to ensure that unintentionally perverse outcomes, inconsistent with compliance objectives, are avoided.

Who should pay

In order to maximise the effectiveness of AFMA's domestic compliance enforcement activity group, a centralized, strategic model is the most appropriate policy. To avoid cross subsidization, this may result in relatively little expenditure particularly in fisheries that are assessed as low risk. However, this would be identifiable by industry during the budget process and in turn would create the incentive for non compliance in that fishery. This is clearly inconsistent with the objectives of this activity group.

Therefore in accordance with the cost recovery guidelines in order to avoid cross subsidization and to not undermine the effectiveness of fisheries regulations or the level of compliance, this activity group will be taxpayer funded.

In accordance with the guidelines, the policy goals of domestic compliance enforcement are not consistent with recovering costs from fisheries for several reasons:

- *Past cost-recovery has led to inflexible and inefficient compliance enforcement arrangements*
- *There is an element of “paying twice” in cost recovering activities promoting voluntary compliance if enforcement activities are then also cost recovered*
- *The benefits of enforcement are shared between the community, recreational, charter and non-commercial fishers – by protecting the community-owned resource – and the Commonwealth commercial fishing industry in protecting the potential value of their access rights*
- *The need for enforcement activities is created by the people who contravene the law and are subject to legal penalties.*

The beneficiaries of monitoring activities are the wider community, including the recreational, charter and state fishing sectors and the commercial fishing industry. Charging for enforcement activities will not be efficient or cost effective. The activities in this group contribute to compliance and the orderly management of the fishery as a whole. The charging of fees to individual firms may alter fishers’ behaviours or provide information on monitoring levels inconsistent with the objectives of these activities.

In addition, it is not feasible to define a boundary between the costs associated with specific cases that are proven and result in prosecution or administrative penalty and those that do not. If it were possible to charge individual firms, to do so would lead to partial cost recovery of the activity group. Cost recovery is not possible in cases where the people concerned do not hold Commonwealth fishing concessions against which fees or levies can be charged. The groups benefiting from or creating the need for the activity group cannot be consistently charge. This adds more weight to this activity group being taxpayer funded.

Note: Additional monitoring for non-fisheries purposes allowed by the Fisheries Management Act 1991, including Customs, border protection and Marine Protected Areas, are intra-government services and outside the scope of the cost recovery policy. The additional incremental costs of these monitoring services should be taxpayer funded or subject to inter-agency charging.

Activity Group 6 - Foreign Fisheries Compliance Enforcement and Outreach

Beneficiary: Community

Cost of Activity: \$19.990m

Charge: Taxpayer funding

AFMA's role in managing foreign fisheries compliance is an integral part of the Australian Government's border protection effort. By its nature, AFMA's foreign fisheries compliance function is directed to stopping illegal, unreported and unregulated fishing activity in the Australian Fishing Zone on behalf of the Australian community. In some cases the Commonwealth commercial fishing industry is a major beneficiary of the activity, such as in Southern Ocean fisheries. In other cases state fisheries or the community, with respect to environment protection and biodiversity conservation or protection from invasive pest species are the primary beneficiaries. The northern regions of Western Australia, Queensland and the Northern Territory are particularly vulnerable. In all aspects, the activities under this output are directed at protecting Australian sovereignty, protecting Australia's marine and terrestrial ecosystems and fulfilling Australia's obligations under international agreements and institutions such as the Commission for the Conservation of Antarctic Marine Living Resources.

Description of Activity

Foreign fisheries compliance enforcement and outreach activities are undertaken by several Commonwealth, State/Territory and international agencies, including AFMA. The objective is to prevent, deter and eliminate illegal, unreported and unregulated (IUU) fishing by foreign owned and/or flagged vessels anywhere in the Australian Fishing Zone (AFZ).¹ The provision by the Government of significant additional taxpayer funding for foreign fisheries compliance in recent years, to AFMA and other participating authorities, is indicative of the importance of this activity to the Australian community.

Agencies engaged in policy development and implementation relevant to this output include, in addition to AFMA, State/Territory fisheries and law enforcement authorities, and Commonwealth departments and authorities responsible for customs, border protection, defence, foreign affairs, quarantine, immigration and law enforcement.

AFMA's activities within this activity group include close liaison and cooperation between relevant authorities in Australia and in Indonesia, Papua New Guinea and East Timor. These activities extend to multi-lateral forums including regional fisheries management organisations and monitoring, control and surveillance networks, as well as bilaterally with the 'nearby' countries of France, New Zealand and South Africa and the flag states of the IUU fishing vessels apprehended in Australian waters.

¹ Recent developments in the delineation of Australia's "extended" continental shelf (to beyond 200 nm) have, potentially, implications for foreign fisheries compliance in relation to the conservation and management of the benthic species on the (extended) sea bed. Whether and how this might affect future foreign fisheries compliance arrangements and costs will need to be kept under review and, if necessary, reflected in revisions of AFMA's CRIS and future budget requirements.

Activities specific to AFMA in managing foreign fisheries compliance include the coordination and management of the deterrence and apprehension of illegal foreign fishers through surveillance and at-sea patrols. IUU fishing in the AFZ involves offences under the *Fisheries Management Act 1991*, for which AFMA has the primary legislative and administrative responsibility. AFMA officers also lead IUU fishing investigations, provide evidence, prosecution briefs and advice in all prosecutions and are responsible for the disposal of illegal foreign fishing vessels forfeited to the Commonwealth.

AFMA also commissions research and investigations aimed at improving knowledge about the ecological and economic impacts of IUU fishing, for example, the damage to shark stocks from illegal shark finning, and the operation of the criminal networks through which shark fins and other products are traded and exported to (mainly) Asian markets.

Who should pay

The beneficiaries of AFMA's (and the wider whole-of-government) engagement in combating foreign IUU fishing and the related sovereignty protection issues are diverse, as outlined above. It would be inconsistent with the guidelines and with broader government policy in connection with protecting Australian sovereignty and meeting international treaty obligations for the costs of foreign fisheries compliance to be recovered from Commonwealth commercial fishers. The Commonwealth commercial fishing industry is not the primary beneficiary of the activity, nor does it create the need for the activity. Individuals, firms and groups outside the reach of AFMA's cost recovery powers create the need for the activity group. These activities should therefore be taxpayer funded.

Activity Group 7 - Data collection and management

Beneficiary: Commercial Industry

Cost of Activity: \$4.524m

Charge: Levy / Fees

Description of Activity

This activity group is directed at monitoring fishing activity and commercial fishers' compliance with fisheries regulations. It includes:

- collecting and assessing data on compliance with quota limits
- monitoring vessel's locations and activities for the purposes of managing each Commonwealth fishery
- the definition and collection of logbook data
- observation of fishing activities
- collection of fisheries data used to inform fisheries management decisions
- fisheries independent surveys where there is no demonstrated public benefit
- transmission of the data and entry of the data into AFMA's databases
- the provision and maintenance of the specific supporting technology.

Who should pay

The data collected through this activity group is essential to assessing the impact of Commonwealth commercial fishing on the resource, the efficiency of fishing operations for bio-economic assessment, reporting on fishing activities and interactions with listed species. The need is created by Commonwealth commercial fishing activities and commercial fishers as a group are the primary beneficiaries.

For designing and processing logbooks, and designing and maintaining the data entry and repository systems, charging a fee may discourage reporting and diminish commitment to voluntary compliance, and a levy is therefore the most efficient cost recovery method.

Sampling observations of fishing activities, undertaken to assess each fishery's impact on particular species or the marine environment, are caused by and benefit the fishery as a whole and the costs should be recovered from all fishers in the fishery. This is most cost effectively done through levies.

Observations that allow specific fishing operations to be undertaken which would otherwise not be allowed should be cost recovered through fees.

Where possible and appropriate, requests for data extracts from other government agencies, external researchers, other industries and the recreational and charter sectors will be considered on a case by case basis and if provided, will be done so on a fee for service basis. The fee would be based on the marginal cost of providing the information.

Activity Group 8 - Research – industry funded

Beneficiary: Commercial
Industry

Cost of Activity: \$3.403m

Charge: Levy

Description of Activity

AFMA has a specific responsibility under the Fisheries Administration Act 1991 to establish research priorities relating to fisheries managed by the Authority and arrange for the undertaking of such research.² The purpose of this activity group is to provide information to AFMA to help make management decisions (i.e. activity 1)³. This activity

² Funding for other fisheries related research activities is available through the Department of Agriculture, Fisheries and Forestry, the Fisheries Research and Development Corporation and CSIRO within existing appropriations. The Department also administers the Fisheries Resources Research Fund (FRRF) which provides funding for a rolling program of assessments of all Commonwealth fisheries undertaken by ABARE and BRS, and targeted biological, economic and social research to underpin the Government's response to current and emerging fishery policy and management issues. These sources are not subject to this CRIS.

³ Research commissioned by AFMA will likely partially fall into this activity group and partially fall into activity group nine. An AFMA policy (attachment A) provides guidance on how particular research projects will be divided between this activity group and activity group nine.

group includes services and products that primarily benefits the Commonwealth commercial fishing industry arising from the following:

- fisheries independent surveys where a public benefit has been demonstrated
- assessing fish stock status
- formulation and application of bio-economic modeling or proxy measures of economic performance
- research into new technologies that will assist AFMA to more efficiently collect data or acquire knowledge
- data analysis and reporting to inform ecological risk management decisions
- assessment of research by AFMA's resource assessment groups
- analysis of fishing activities for the purposes for informing resource allocation decisions

Who should pay

The research undertaken through this activity group is essential to assessing the impact of Commonwealth commercial fishing on the resource, the efficiency of fishing operations for bio-economic assessment, reporting on fishing activities and interactions with listed species. The need is created by Commonwealth commercial fishing activities and commercial fishers as a group are the primary beneficiaries.

Activity Group 9 - Research – government funded

Beneficiary: Community

Cost of Activity: \$1.850m

Charge: Taxpayer funding

Description of Activity

Some of the research commissioned by AFMA results in significant benefits to the Australian community and to sectors outside the domestic Commonwealth commercial fishing industry. The purpose of this activity group is to provide information to AFMA to help make management decisions (i.e. activity 1)⁵. This activity group includes services and products that primarily benefit the Australian community and these other sectors arising from the following:

- fisheries independent surveys where a public benefit has been demonstrated
- assessing fish stock status
- formulation and application of bio-economic modeling or proxy measures of economic performance
- research into new technologies that will assist AFMA to more efficiently collect data or acquire knowledge
- data analysis and reporting to inform ecological risk management decisions
- assessment of research by AFMA's resource assessment groups
- analysis of fishing activities for the purposes for informing resource allocation decisions

Who should pay

AFMA has funding for this purpose in its base budget. The cost of these research activities are not cost recoverable and will be taxpayer funded.

Activity Group 10 - Licensing/Registration and Revenue Collection

Beneficiary: Commercial Industry	Cost of Activity: \$1.371m	Charge: Levy \$1.256m Fee \$0.115m
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Description of Activity

This activity group comprises the transactions of granting and registration of Commonwealth fishing concessions, transferring concessions between fishers and charging fees for transactional services and levies for levied services. The concessions include Statutory Fishing Rights, Fishing Permits, Scientific Permits, Fish Receiver Permits and Foreign Fishing and Treaty Licenses. The costs of the transactional activities are recovered by a fee for service and the other costs are recovered through the levy mechanism.

Who should pay

These activities individually benefit the firms and industry that create the need. Charging is consistent with the objectives of the Fisheries Administration Act 1991 and fee for service charging is efficient and cost-effective. Charging for this activity group should be through fees for service for transactional activities and by levy for the remainder of the activity group. This will change more towards fee for service with the take up of online transactions.

3. DESIGN AND IMPLEMENTATION

Basis of Charging – Fee or Levy

AFMA prepares its detailed annual budget by activity and, where appropriate, fishery. Fishery-related budget elements are provided to relevant MACs for comment before formal consideration by the Commission and approval by the CEO. The determination of the costs to be recovered will be governed by the 2010 CRIS. In line with the guidelines, a fee will be charged where the activity is attributable to an individual or firm and it is efficient to do so. Levies are more efficient and will apply where AFMA undertakes activities that are caused by or benefit whole fishery sectors or the whole Commonwealth commercial fishing industry.

Fees – Where it is practical and cost effective to do so, costs will be recovered as fees for service. The above analysis identifies licensing and applicable observer costs as recoverable through fees as there is a direct link between the costs of the activity and the amount recovered. This enhances transparency and efficiency in service delivery. The fee will be based on estimated efficient unit costs, such as the daily cost of placing an observer on a fishing boat including administration. The efficient cost is determined by identifying direct costs, overheads, capital costs and depreciation as detailed in the ‘Costs to be included in charges’ section below.

Where it is practicable and cost effective to do so (and not inconsistent with the guidelines), the costs of information or services provided by AFMA to third party groups and organisations, including related overheads, will be separately charged. In the main these will be inter-agency or inter-government charges and AFMA will apply the principles underlying appropriate cost recovery to these charges. Typically, however, the amounts so recovered are a small proportion of AFMA’s overall costs.

With the introduction of GoFish, AFMA’s on-line business facility, reduced fees have been introduced which recognise the lower cost of electronic transactions.

A schedule of AFMA’s current fees and charges is included in this CRIS.

The total amount of fee for service activity budgeted in AFMA for 2010-11 is \$486,000 of which \$371,000 is the recovery of observer costs and \$115,000 for licensing activities. The observer fees are based on daily cost plus overheads and the licensing fee for service are based on estimated transaction costs. The revenue from licensing fee for service is only a minor part of AFMA’s revenue base at this stage at only an estimated \$50,000 for 2009-10.

Levies – The majority of AFMA’s recovered revenue is by levy because of the sectoral nature of several of AFMA’s activities. The recovered revenue by levy is \$13.147 million – 96% of total revenue. The levy mechanism is through annual fishery-based levies, established by Regulation under applicable legislation. Levies do, however, incorporate ‘fee for service’ principles in that within a given fishery the quantum of each fisher’s total levy is proportional to a measure of that fisher’s beneficial interest in the fishery, such as

the fisher's share of the total allowable catch, or the number of permits held, or the amount of fishing effort permitted, etc. The quantum and make-up of levied activities in each fishery are developed in consultation with the relevant MAC or industry sector on an annual basis and may change over time according to the fishery's circumstances. The Minister for Agriculture, Fisheries and Forestry will formally approve levies in the form of annual Levy Regulations, which are made law by the Governor-General in council and subject to disallowance by Parliament.

In addition to the annual process for setting levies, after the end of a financial year, for each fishery, any net difference between total levies received and total recoverable costs actually incurred will be ascertained and an adjustment, up or down as required, made in the following year's levies for that fishery.

In the case of industry-government partnership research funding, fishery industry representatives on the relevant MAC may agree to carry over unspent research funds from one year to the next, to accommodate anticipated research needs, rather than include those funds in the annual adjustment process.

The **Summary of Charging Arrangements** at Table 4 shows the costs that should be recovered by levy or fee for service, and the costs that should be funded by the taxpayer.

Legal Requirements for Cost Recovery

AFMA's cost recovery arrangements are fully authorised by applicable Commonwealth law. Part 7 of the Fisheries Management Act 1991 provides for the administration and collection of both fishing levies and charges, with reference to associated legislation – the Fishing Levy Act 1991, the Foreign Fishing Licences Levy Act 1991, the Statutory Fishing Rights Charge Act 1991 and, for Torres Strait fisheries, the Fisheries Levy Act 1984. The fees for service are prescribed in the Fisheries Management Regulations 1992. The Fisheries Administration Act 1991 also requires AFMA to pursue the achievement of government targets in relation to the recovery of the costs of the Authority. There have been no successful legal challenges to the arrangements based on any alleged lack of authority.

International Obligations

Those AFMA activities subject to international treaties, or international agreement obligations are included in the Policy Review section of this draft CRIS. Activities directed towards developing regulations, or complying with international obligations, should be funded by the taxpayer in accordance with the guidelines. Activities directed at the sustainable management of the associated domestic fisheries are cost recovered on the same basis as if they were wholly domestically managed fisheries.

Costs to be included in charges

AFMA will base its cost recovery on the principles described in this section and the Policy Review Section. The numerical examples shown in this draft CRIS are based on the level of funding for AFMA for 2009-10 and estimates of costs against the activities. Cost recovery in subsequent years will reflect the final approved CRIS and the costs anticipated for those years, including the savings realised from implementing the Cost Reduction Working Group recommendations approved by AFMA.

The principles on which recovered costs will be based in implementing the CRIS are the estimation of efficient costs and transparency. Costs for activities are defined as direct costs, indirect costs (overheads) and capital costs. Each will be adjusted annually based on operations, the price of goods and services received and estimates of achievable cost savings.

Direct costs, of which staff costs are the most significant component, will be based on historical financial information and statutory requirements in relation to staff, analyses of staff utilisation and surveys of future operational requirements. AFMA managers will provide direct input to validate the costs and identify likely variations over time as part of AFMA's budgeting processes. ICT services (such as VMS transmission costs for fishery monitoring) specific to an activity will be included as a component of direct costs for the activity.

Overheads include rent, utilities, corporate services employee costs, ICT infrastructure services and office supplies.⁴ These overheads are allocated in this draft CRIS on the basis of the full time staff equivalents (FTEs) involved in each activity. This is considered to be an equitable and reasonable basis for allocation, as employee numbers are the most significant cost determinant for overheads in all activities. All overhead costs have been incorporated into individual activity costs on this basis and recovered (or not recovered) accordingly. Overheads have been categorised into 3 categories - Type A, B, and C. Type A overheads are allocated based on direct expenditure budgets, Type B overheads are allocated based on the number of full time staff and Type C overheads are allocated on the basis of Canberra based full time staff as these costs relate to the Canberra accommodation and facilities.

Capital costs will be allocated directly to the relevant activity where the cost is attributable specifically to the activity (such as licensing software) and on the basis of the FTEs involved in a particular group of activities where it is not. The capital charges used in these calculations will be based on the fair value of assets in accordance with *Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets*.

⁵ However, those ICT services attributable to "above private sector" security standards will be taxpayer funded (see Output 1.0) and those directly attributable to fishery specific activities – such as those for e-licensing, e-logbooks and the like – will be recovered from industry through relevant Outputs such as Output 1.1.3.

Depreciation of assets will be on a straight line basis over the life of the asset, and leasehold items will be amortised over the life of the lease.

According to the guidelines, the CRIS should consider efficient costs rather than actual costs when determining cost recovery charges in cases where products are not produced efficiently or apply higher standards than absolutely necessary. The program of IT renewal (Piscis, e-licensing and e-logs, e-monitoring) currently funded from AFMA's cash reserves arguably has such characteristics. These and other projects funded from AFMA's cash reserves and from the government's \$6 million allocation for improved science, data and compliance under the Securing our Fishing Future package are treated separately in this analysis. Future ongoing maintenance activities resulting from these projects, and future core business software developments should be allocated as direct costs for the activities or activity groups supported.

The charging structure proposed in this consultation draft is reflected in the Summary of Charging Arrangements. Licensing transaction fees, observer fees and fishery levies are reviewed and set annually.

This cost recovery analysis is based on fully distributing overhead costs. Non-cost recoverable activities form the largest part of AFMA's activities in the current analysis under the July 2005 guidelines. The 2004 CRIS applied fully distributed costs on the basis of analysis solely as a regulatory agency under the December 2002 cost recovery guidelines.

AFMA Cost Allocations

Fees and Charges Trends

AFMA has given a commitment to industry to ensure that charges for 2009-10 would not exceed the levels payable in 2005-06 - \$13.6 million. Also, industry charges beyond 2009-10 would only increase by the consumer price index. AFMA's annual budgeting process provides very detailed budgets for each fishery and the MAC has the opportunity to fully review the proposed budget for the ensuing year.

Furthermore, AFMA undertook a Business Efficiency Review in 2008 with the aim of identifying and recommending options for reducing the costs of Commonwealth fisheries management. The Review worked through a Cost Reduction Working Group which had representatives from the then AFMA Board, Commonwealth Fisheries Association and AFMA. The review identified \$1.5 million savings in the short term and up to \$3.5 million savings in the medium term. The Business Efficiency Review can be accessed from AFMA's website. While the majority of the savings identified have been achieved, some further rationalisation and savings can still be achieved.

AFMA has committed to ensure that the cost recovered funds from industry for 2009-10 will be not more than those for 2005-06. The forward projections have been increased by a 3% inflator.

The budgeted expenses and revenues for AFMA are identified in the table below:

Table 3.2.1 Comprehensive Income Statement (Showing Net Cost of Services)
for the period ended 30 June

	Estimated actual 2009–10 \$'000	Budget estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000	Forward estimate 2012–13 \$'000	Forward estimate 2013–14 \$'000
EXPENSES					
Employee benefits	21,817	21,034	20,378	20,872	21,974
Supplier expenses	18,033	16,473	16,417	16,356	16,951
Depreciation and amortisation	1,641	1,710	1,739	1,775	1,753
Total expenses	41,491	39,217	38,534	39,003	40,678
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	2,350	1,405	1,155	1,155	1,155
Levies and license fees provided via crediting right to special account	11,184	13,071	13,168	13,563	13,970
Other revenue	-	-	-	-	-
Total own-source income	13,534	14,476	14,323	14,718	15,125
Net cost of (contribution by) services	27,957	24,741	24,211	24,285	25,553
Appropriation Revenue	23,018	22,774	23,534	23,621	24,889
		*	*	*	*
Surplus (Deficit) attributable to the Australian Government*	(4,939)	(1,967)	(677)	(664)	(664)

Table 1 – Budgeted expenses and revenue

Source – Portfolio Budget Statements 2010-11

Trend Analysis

AFMA undertakes an annual detailed budget exercise in February of each year which feeds into the business planning and budgets for the ensuing year.

The key assumptions for the above estimates are as follows:

- The AFMA Collective Agreement expires on 30 June 2011. The agreement provides for a 4% salary increase on 1 July 2010. Further salary increases are dependent on the next collective agreement, however a 4% increase has been factored into the estimates.
- An increase of 2% has been factored into the supplier expense estimates. This takes into account general cost increases and any efficiency gains that AFMA can put into place.

- The depreciation and amortisation charges are expected to spike in 2011-12 and then gradually decrease as capital items are fully written off
- The appropriation revenues from Government have been forecast to increase by 2%, however the forward estimates are subject to scrutiny by the Department of Finance and Deregulation on an annual basis and any specific decisions by Government
- AFMA is continually reviewing its operations to identify measures for cost savings and more efficient business processes. Some specific areas for review in 2009-10 and 2010-11 are:
 - Review Canberra office accommodation to explore opportunities for sub leasing portions of the Canberra office
 - Explore opportunities for shared services arrangements with other Government agencies, and in particular the Department of Agriculture, Fisheries and Forestry
 - Continue implementation of recommendations from the Business Efficiency Review, particularly the cost of MACs and RAGs.

Recovered Costs

The estimated industry recovered costs as identified in the table above is projected to be \$13.496 million for 2010-11 and increase by 3% annually going forward.

Budgets for each fishery are compiled each year and a detailed analysis is provided to MACs in about April each year for their review and comment.

AFMA's direct, corporate and support costs for 2009-10 and 2010-11 forecasts for the cost recovered portion of AFMA's budget is set out below.

	2009-10	2010-11
	\$'000s	\$'000s
Direct Costs	5,151	5,301
Corporate Costs	2,813	2,895
Support Costs	5,145	5,300
Total Industry Cost	13,109	13,496

The costing information listed is shown below:

- Summary of Expected Available Funding 2009-10 to 2012-13
- Actual and Estimated Levy and other Fee Collections 2001-02 to 2012-13
- Summary of Proposed Charging Arrangements 2009-10

Summary of Expected Available Funding over the next three years

	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Industry Levies and License Fees	12,884	13,071	13,168	13,563	13,970
Observer Fees	655	655	655	655	655
Total Levies and Fees from industry	13,539	13,726	13,823	14,218	14,625
Other Revenue	1695	750	500	500	500
AFMA Appropriation - Departmental Funding	10,684	9,930	10,134	10274	11458
AFMA Appropriation - Foreign Fishing Compliance Administered Appropriation - Foreign Fishing Compliance	12,334	12,844	13,400	13347	13431
Funding from reserves	5,038	7,146	5,139	5,276	5,367
	3239	1,536	-	-	-
		431	677	664	664
Total Available Funding	46,529	46,363	43,673	44,279	46,045

Table 2 – Expected funding
Based on the 2010-11 Portfolio Budget Statements.

Comments

1. Departmental funding for 2008-09 includes \$3m for the levy subsidy and \$2m for science data and compliance funding – these both cease for 2009-10 and beyond. The comparable amount for subsequent years is \$11.210m.
2. The total funding available does not take into account any deficit funding for special projects.
3. The figures shown as total available funding for 2009-10 and beyond are only expected to increase for CPI adjustments.
4. The above figures do not take account of Government savings of \$0.7m in 2009-10 and \$1.4m in subsequent years from the AFMA Departmental Appropriations. This decision was announced in October 2009.

Actual and Estimated Levy and Other Fee Collections

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Budget	Budget	Budget	Budget	Budget						
	\$											
Levy and License Fees	11,252,390	12,394,145	12,250,480	13,134,809	6,892,682	8,683,219	9,988,000	12,884,000	13,071,000	13,168,000	13,563,000	13,970,000
Observer fees	567,000	481,000	560,000	505,000	242,000	301,000	419,000	655,000	655,000	655,000	655,000	655,000
Other fees	42,000	76,000	35,000	41,000	107,000	57,000						
	609,000	557,000	595,000	546,000	349,000	358,000	419,000	655,000	655,000	655,000	655,000	655,000
Total cost recovered income	11,861,390	12,951,145	12,845,480	13,680,809	7,241,682	9,041,219	10,407,000	13,539,000	13,726,000	13,823,000	14,218,000	14,625,000
Levy Subsidy provided for 3 financial years					7,250,000	5,250,000	3,000,000					
Subsidy plus recovered costs	11,861,390	12,951,145	12,845,480	13,680,809	14,491,682	14,291,219	13,407,000	13,575,000	13,726,000	13,823,000	14,218,000	14,625,000

Table 3 – Actual and Estimated Levy and Fees Collections 2002-03 to 2013-14

Summary of draft 2010-11 Budgets by CRIS Activity

Activity Group	Name	Industry \$'000	Taxpayer \$'000	Total \$'000
Activity 1	Management of Domestic Commercial Fisheries			
	Fishery Management	3,746		
	Management Advisory Committees	590		
		<u>4,336</u>		
Activity 2	Management of traditional indigenous and non commercial fisheries			
	Fishery management costs		1,790	
	Torres Strait research		600	
			<u>2,390</u>	
Activity 3	Input into defining international treaty standards and developing regulation		815	
Activity 4	Policy Support		4,830	
Activity 5	Domestic fisheries compliance enforcement		3,423	
Activity 6	Foreign fisheries compliance enforcement and outreach			
	Departmental		12,844	
	Administered		7,146	
			<u>19,990</u>	
Activity 7	Data Collection and management			
	Data Management	649		
	Logbooks	519		
	Observers	2,912		
	Compliance data collection	444		
		<u>4,524</u>		
Activity 8	Research - Industry funded			
	Research projects	2,660		
	Resource Assessment Groups	433		
	Research Administration	310		
		<u>3,403</u>		
Activity 9	Research Government funded			
	Research projects		1,548	
	Resource Assessment Groups		108	
	Research Administration		194	
			<u>1,850</u>	
Activity 10	Licensing/Registration and revenue collection			
	Licensing and quota management	868		
	PISCES & Go-Fish amortisation	503		
		<u>1,371</u>		
Total AFMA Expenditure		<u>13,634</u>	<u>33,298</u>	<u>46,932</u>

Table 4 – Summary Charging Arrangements based on 2010-11 budgets

4. ONGOING MONITORING

The finalised and approved CRIS will become operational with effect from 1 July 2010, subject to the agreement of the Minister for Agriculture, Fisheries and Forestry.

Monitoring Mechanisms

AFMA will continue its annual monitoring of costs and prices. This will be open to scrutiny by stakeholders through consultation with MACs and Commonwealth commercial fishing industry sectors in setting fishery budgets for each activity group, and to Parliamentary scrutiny in the Levy Regulation-making process.

AFMA provides detailed budgetary information to MACs for review and comment as part of AFMA's budget setting process.

License and observer fees are reviewed on an annual basis.

AFMA will publish costing and cost recovery information for each activity or group of activities in its annual report.

The AFMA Commission and the Audit and Risk Committee will monitor costs and cost recovery arrangements to ensure they are appropriate and efficient.

AFMA's internal auditors will monitor and review AFMA's operations and costs. The Australian National Audit Office (ANAO) can also review AFMA's operations and costs whenever it should decide to do so. The ANAO publishes a forward work program on an annual basis and may include AFMA in cross agency reviews of activities or it may undertake performance reviews of specific programs.

Stakeholder Consultation

AFMA provided a 1st consultation draft CRIS to industry in January 2009. AFMA provided further costing details to industry in April 2009 which identified the potential impact of the new CRIS on 2009-10 budgets. Industry raised a number of issues with the CRIS and the budgets and AFMA has worked with industry to resolve the issues. AFMA provided a further three consultation drafts to industry as well as a draft research policy. The draft CRIS was simplified and rearranged to ensure that it complied with the Government's Cost Recovery Guidelines.

The Commonwealth Fisheries Association has endorsed the cost recovery arrangements as identified in this CRIS.

AFMA will continue the processes of consultation with stakeholders, through MACs, RAGs and fishing industry organisations, on its activities and costs.

Periodic Review

AFMA will conduct detailed reviews of costs and cost recovery arrangements which will be less frequent, but in addition to, annual monitoring. The triggers for such periodic reviews may include:

- Significant developments in fisheries policy, domestically or internationally
- Changes in other government policies which may impact on fishery activities and costs
- Significant technological changes which may impact on AFMA's costs
- Significant changes in the guidelines.

AFMA has introduced a number of activities on-line in 2009. E-licensing was introduced in September 2009 and allows for registered users to conduct most of their AFMA licensing business electronically. As part of the introduction of e-licensing, AFMA has reviewed the fees and charges to ensure that the anticipated reduced costs of electronic processing are passed on to the users.

AFMA will formally involve stakeholders in all periodic reviews.

In any case, government policy requires agencies to review their cost recovery arrangements at least every five years, which means subject to any of the above triggers, the next major review would be in 2015.

5. CERTIFICATION

I certify that this Cost Recovery Impact Statement is prepared in accordance with the *Australian Government Cost Recovery Guidelines - July 2005* and complies with the Australian Government's cost recovery policy.

James Findlay
A/g Chief Executive Officer
Australian Fisheries Management Authority

September 2010

6. COST RECOVERY LINKS

The Australian Government Cost Recovery Guidelines and the accompanying Finance circulars can be found at;

<http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/cost-recovery.html>

Attachment A - Schedule of Current Licensing Fees and Charges

Fisheries Management Regulations 1992 Schedule 2

Column 1 Item	Column 2 Matter	Column 3 Fee \$
Part 1	Formally managed fisheries	
2	Application for the grant of a foreign fishing licence in respect of a boat for a formally managed fishery	300
3	Application for the grant of a foreign master fishing licence for a formally managed fishery	100
4	Application for the grant of a fishing permit or a foreign master fishing licence for an area in a formally managed fishery	100
5	Application for the grant of a foreign fishing licence for an area in a formally managed fishery	300
Part 2	Informally managed fisheries	
6	Application for the grant of a fishing permit or a foreign fishing licence in respect of a boat for an informally managed fishery	300
7	Application for the grant of a fishing permit or a foreign fishing licence for an area in an informally managed fishery	300
8	Application for the grant of a foreign master fishing licence for an area in an informally managed fishery	100
8A	Application for the grant of a fishing permit for an informally managed fishery that is outside the Australian fishing zone	400
8B	Application for the grant of a fishing permit for an informally managed fishery that is in the area of waters south of the Antarctic Convergence	1 000
Part 3	Fisheries generally	
9	Application for the variation, revocation or specification, under subsection 32 (8) of the Act, of a condition, or conditions, of:	300

Column 1	Column 2	Column 3
Item	Matter	Fee \$
	(a) a permit in respect of a boat; or (b) if the application is made at the same time in relation to more than 1 permit in respect of that boat — those permits	
10	Application for the transfer, under subsection 32 (10) of the Act, of: (a) a permit for a boat; or (b) if the application is made at the same time to transfer more than 1 permit in respect of that boat — those permits	300
11	Registration of an interest in a statutory fishing right under subsection 46 (4) of the Act	50
12	Inspection of the Register under subsection 52 (1) of the Act	50
12A	Inspection of the High Seas Register under subsection 57D (1) of the Act	50
12B	Inspection of the Fishing Permits Register under subsection 57J (1) of the Act	50
13	Application for the grant or renewal of a fish receiver permit under subsection 91 (2) or (10) of the Act	150
14	Notice (under paragraph 32 (1A) (b) of the Act) of nomination of another Australian boat in lieu of the boat specified in a permit, or in each permit of a permit package	300
15	Notice (under subsection 32 (1B) of the Act) of nomination of an Australian boat to a permit, or in each permit of a permit package	300
16	Application for the grant of a port permit under section 94 of the Act: (a) first instalment (payable when the application is made); and (b) second instalment (payable if AFMA decides to grant the application)	414 336
		for each port entry requested in the application

With the introduction of electronic transactions, AFMA has introduced the following fee reductions:

Item	Current Fee	Estimated amounts to be deducted from current fee [s 21(2)]	Applicable Electronic Transactions Fee
Part 1 – item 4	\$100.00	\$12.00	\$88.00
Part 1 – item 5	\$300.00	\$212.00	\$88.00
Part 2 – item 6	\$300.00	\$212.00	\$88.00
Part 2 – item 7	\$300.00	\$212.00	\$88.00
Part 2 – item 8A	\$400.00	\$312.00	\$88.00
Part 3 – item 9	\$300.00	\$212.00	\$88.00
Part 3 – item 10	\$300.00	\$212.00	\$88.00
Part 3 – item 13	\$150.00	\$62.00	\$88.00

The full impact of these fee reductions will be reflected in the 2010-11 budgets.

Glossary

ABARE	Australian Bureau of Agricultural and Resource Economics
AFMA	Australian Fisheries Management Authority
AFZ	Australian Fishing Zone
ARC	AFMA Research Committee
ARDC	AFMA research and data collection
BRS	Australian Government Bureau of Rural Sciences
CAC Act	Commonwealth Authorities and Companies Act 1997
CCAMLR	Convention on the Conservation of Antarctic Marine Living Resources
CCSBT	Convention for the Conservation of Southern Bluefin Tuna
CRIS	Cost Recovery Impact Statement
CRIS2004	AFMA's CRIS, with effect from 2004-05
CRIS2010	AFMA's CRIS, which is expected to take effect from 2010-11
CRWG	Cost Recovery Working Group, AFMA, 2007-2008
DAFF	Australian Government Department of Agriculture, Fisheries and Forestry
DEHWA	Australian Government Department of the Environment, Heritage, Water and the Arts
EEZ	Exclusive Economic Zone
EPBC Act	Environment Protection and Biodiversity Conservation Act 1999
FFA	Forum Fisheries Agency of the South Pacific Community
FMA Act	Financial Management and Accountability Act 1997
FRDC	Fisheries Research and Development Corporation
Guidelines	Australian Government Cost Recovery Guidelines, July 2005
HIMI	Heard Island and McDonald Islands
ICT	Information and Communications Technology
IUU Fishing	Illegal, Unreported and Unregulated Fishing
MAC	Management Advisory Committee, AFMA
NFCC	National Fisheries Compliance Committee
NGO	Non-Governmental Organisation
PBS	Portfolio Budget Statement
RAG	Resource Assessment Group, AFMA
RFMO	Regional Fisheries Management Organisation
RIRDC	Rural Industries Research and Development Corporation
SBT	Southern Bluefin Tuna
SIOFA	Southern Indian Ocean Fisheries Agreement
SPRFMO	South Pacific Regional Fisheries Management Organisation
VMS	Vessel monitoring system (for electronic surveillance of fishing vessel position)
WCPOFC	Western and Central Pacific Ocean Fisheries Commission



Australian Government

Australian Fisheries Management Authority



AFMA's Research Policy

September 2010



AFMA's Research Policy Principles

AFMA has developed the principles outlined below for the assessment of funding proposals for research. These principles are guided by and consistent with the 'New Directions for Commonwealth Fisheries Management in the 1990's (December 1989)' and the 2nd reading speeches introducing the Fisheries Management Act 1991 and the Fisheries Administration Act 1991 (1992).

Principles

- 1. AFMA will be responsible for setting research priorities (in consultation with industry) and administering the resultant research projects related to AFMA fisheries.**

Under the Fisheries Administration Act one of AFMA's functions is to establish research priorities and arrange research relating to fisheries AFMA manages.

- 2. Any research must be cost effective. That is, the benefits from research must outweigh the costs of the research.**

AFMA recently released a framework for delivering cost effective research. Essentially research is considered cost effective if the expected benefits from the research are larger than the expected costs. Benefits of research could include, for example, higher fishery profits, avoided costs and improved environmental outcomes. Costs could include, for example, the costs of the research or the costs of implementing associated changes to management arrangements. If proposed research is not cost effective, it should not be considered further.

- 3. The beneficiary of research pays for the research**

Role of industry

The principle of beneficiary pays is central to the Government's policies on research funding. The role of the Government in funding fisheries research is to contribute to cost effective research where the private sector would otherwise under invest because the benefits to the private sector are insufficient to justify the costs. Such research could only be cost effective if spillover benefits¹ exist. Where spillover benefits occur industry should contribute to the research in proportion to the benefits received.² Where it is cost effective or possible, spillover beneficiaries should pay the remainder of the costs instead of the Government. For example, if spillover benefits accrue to other Commonwealth fisheries then those other fisheries should contribute to the cost of the research.

Spillovers do not necessarily justify Government contribution

It's important to recognise that the presence of spillover benefits does not necessarily justify a financial contribution from the AFMA Government appropriation. A contribution is only justified if the private benefits (i.e. to fishers) are insufficient to cover the costs of the research **AND** the spillover benefits are large enough to cover the cost of the research. Also, it may be

¹ Spillover benefits are benefits that flow to members of the Australian community that are not in the primary group of beneficiaries.

² Of course such research must also be cost effective.



that other forms of Government contributions such as from FRDC, DAFF or State Governments are more appropriate than AFMA Government appropriations.

Avoid cross subsidisation

Another element of the principle of beneficiary pays is that cross subsidisation of research costs between or within fisheries should be avoided. For example, research costs surrounding particular species should be recovered where possible from those fishers who hold entitlements to catch that species (i.e. the likely beneficiaries of the research). This may be administered, for example, by levying quota SRF holders in proportion to their quota holding.

Align incentives

A further benefit of pursuing the beneficiary pays principle is that it will result in industry being exposed to appropriate incentives. That is, in order for industry to make appropriate recommendations to AFMA regarding fishery management research, it is necessary that industry be exposed to both the benefits and the costs of that research. If, for example, industry were able to accrue the benefits of research but not incur the costs, there is a significant risk that industry would recommend funding research that was not cost effective.

CATEGORISATION AND COST RECOVERY

AFMA's cost recovery impact statement 2010 (CRIS), identifies research activities as either Government or industry funded – Activity 8 and 9. These guidelines provide details of the research activities supported by AFMA and how those costs will be apportioned between Government and industry. Industry funded costs will be attributed to Activity 8 and Government funded costs will be attributed to Activity 9.

APPROVAL OF RESEARCH PROJECTS

All research activities must pursue the objectives of the *Fisheries Management Act 1991* and be consistent with current strategic research plans and fisheries management plans. Research projects will be reviewed by the AFMA Research Committee and recommendations made to the AFMA Chief Executive Officer for approval. Approval will be subject to availability of sufficient Government and industry funding (see budget constraints later).

For the purposes of these Guidelines research is defined as follows.

Research is the process of acquiring and developing knowledge that assists AFMA make ecosystem based fisheries management decisions. All research funded by AFMA must be consistent with AFMA's legislative objectives. A strategy for communicating research is considered a valid project output. However, research does not include the communication to stakeholders of management arrangements or their responsibilities.

The AFMA Research Committee / Commonwealth Fisheries Research Advisory Body will determine the appropriate funding source for research proposals using the Research / RAG proposal funding assessment decision tree (Attachment 1) in conjunction with these Guidelines.

BROADER MARINE RESEARCH

Broader marine research will include research projects that have significant spillover benefits for the general public or involve significant innovation. Broader marine research could also include research into collapsed fisheries, by-catch and resource allocation to non-commercial



sectors. Funding for broader marine research is on the basis of 75% from AFMA Government funding and 25% from industry funding. The 25% industry share of the cost of broader marine research projects will be allocated to the relevant fisheries based on the relative benefits to those fisheries. Broader marine research does not include fisheries management research, observers, monitoring, or fixed station surveys.

The following types of activities would be considered as broader marine research:

-  Research or consultancies where there are significant spillover benefits to resource user groups other than commercial fishers such as research into: sharing marine resources between commercial fishers and recreational or traditional fishers. This may include international population assessment work that is substantially and inextricably linked with a domestic fishery.
-  Research to assess the impacts on commercial fisheries of Australian Government policies, programs or initiatives that are not primarily related to fisheries management, eg research into impacts on commercial fisheries from regional marine plans, marine protected areas, marine resource allocation between user groups, national plans of action and recovery plans for threatened species
-  Research that facilitates assessment or monitoring of populations of protected species or important non-commercial bycatch where there are other significant sources of threat
-  Research that is highly innovative or makes fundamental advances in understanding of species biology, ecosystem functions or trophic dynamics. Such knowledge should have identified wider uses beyond immediate fisheries management applications
-  Research into the impact of activities other than fishing, such as pollution or predators, on marine ecosystems
-  Research into management systems that has a benefit to all or many fisheries.

FISHERIES MANAGEMENT RESEARCH

Fisheries management research is research more closely associated with the management of a fishery. Funding for fisheries management research is made on the basis of 20% from Government funding and 80% from industry funding. A fisheries management research proposal will need to demonstrate a public benefit. The AFMA Research Committee will assess the public benefit component of each proposal and if the proposal is appropriately classified as Fisheries Management Research or as a Multiple Category Research Project - see below.

FISHERIES INDEPENDENT SURVEYS

Fisheries independent surveys can attract Government funding of up to 20% when a public benefit can be demonstrated and agreed to by the AFMA Research Committee.

RESOURCE ASSESSMENT GROUPS

The main role of RAGs is to provide advice on the status of fish stocks, substocks, species (target and non-target), and on the impact of fishing on the marine environment. This includes providing advice to MAC research sub-committees on the type of information required for stock assessments. RAGs also evaluate alternative harvest options proposed by MACs, including impact over time of different harvest strategies; stock depletion or recovery rates;



confidence levels for fishery assessments; and risks to the attainment of approved fishery objectives. The RAGs also evaluate and report on economic and compliance factors affecting the fishery. RAGs coordinate, evaluate and regularly undertake fishery assessment activity in each fishery. They report their recommendations through the individual fishery MACs to the AFMA Commission on issues such as the setting of total allowable catches (TACs), stock rebuilding targets, biological reference points etc. In effect, the RAGs provide advice taking account of uncertainty and seek to identify the risks associated with the alternatives (risk assessment).

Funding for RAGs is made on the basis of 20% Government funding and 80% from industry funding. The following costs are attributed to the RAG function.

-  Members travel to attend RAG meetings
-  Meeting costs, eg, room hire, meals, audio-visual equipment hire
-  Fees payable to the Chair and scientific members for attendance and preparation for RAG meetings (development of assessment models, undertaking resource assessments and all related scientific analysis will be funded as fisheries management research as separate projects – see below)
-  Reporting and publication costs

MULTIPLE CATEGORY RESEARCH PROJECTS

A research project will be categorised as 50% fisheries management research and 50% Broader marine research when there are equivalent benefits that could justify the research proposal under either category. The funding splits applicable to each category will be applied to the respective 50% of the cost of the project. This equates to 50% from industry levies and 50% from taxpayer funds.

Some research proposals may contain elements of CRIS activity seven (data collection and management) as well as either fisheries management research and/or a broader marine research. Based on an assessment of the project, 25%, 50%, 75% or 100% of the cost of such a project will be attributed to CRIS activity seven. This assessment would be undertaken as part of the AFMA Research Committee assessment process.

MULTI-FISHERY RESEARCH PROJECT

The industry funding for a research project that benefits multiple Commonwealth fisheries, will normally be attributed to these fisheries based on the relative proportion of management levies for each fishery.

BUDGET CONSTRAINTS

AFMA is appropriated limited funds each year for its budget funded activities. AFMA will identify an annual budget which will be available for research activities.

Projects can only be funded up to the limit of budgeted funds. If funding is insufficient to pay for all nominated projects, the projects will be prioritised and those projects that do not qualify may be brought forward in future years or can be funded as fisheries management research, subject to total budgetary constraints. The 25% industry share of approved broader marine research projects will be allocated across fisheries according to the relative benefits received. These costs will be attributed to the relevant fishery levy bases as a direct cost.



If there is insufficient Government funding, then a fisheries management research project may not be supported. If this is the case, the MAC will be asked to fully fund the project from industry levies.



Research / RAG proposal funding assessment decision tree

