



**PRIMARY INDUSTRIES
AND RESOURCES SA**

AQUACULTURE COST RECOVERY POLICY

Prepared by

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Gazetted on 13th February 2003

AQUACULTURE COST RECOVERY

POLICY

PROPOSAL

To establish a policy framework for cost recovery for the management of the State's aquaculture industry.

BACKGROUND

The Aquaculture Resource Management Fund (the Fund) will be established to receive fees, expiation fees, penalties, rents or any other amount paid to the Minister under the Act. The Act also enables the Fund to receive money appropriated by Parliament for the purposes of the Fund.

The fund may be applied by the Minister for the purposes of any investigations or other projects relating to the management of aquaculture resources or towards the cost of administration of the Aquaculture Act.

PIRSA Aquaculture has a statutory and regulatory responsibility for the management of aquaculture practised in South Australia and will do so through the granting and renewal of essential licenses, leases and permits pursuant to the *Aquaculture Act 2001*.

Statutory and regulatory obligations that ensure the appropriate application, management and protection of resources are met by the following Aquaculture functional areas:

- Policy and Resource Planning
- Environment and Resource Management
- Aquaculture Licensing and Leasing
- Aquatic Animal Health and Surveillance
- Compliance
- South Australian Shellfish Quality Assurance Program
- Program Management and Administration

The attributable costs of Program Management and Administration are to be apportioned as group overheads across functional areas.

DISCUSSION

This policy has been prepared in accordance with the Productivity Commission's recent report, "Cost Recovery by Government Agencies" (August 2001).

Broadly, the areas where government carries out activities of direct benefit to industry are defined below.

Resource management:

- determines the appropriate areas for aquaculture activity, allocating the rights to use of the resource and the evaluation of environmental impacts. This also includes attention to the ecosystem of the target areas, the interests of the broader community that has traditionally had access to the resource and considers regional social and economic impacts.

Regulatory management:

- should aim to ensure that resources used in the industry are managed efficiently, and take into consideration the environmental impacts and operational activities associated with aquaculture. Importantly, this can also deal with the management of disease, release of fish into a farming activity and the ability of a farmer to sell fish.

Research and Development:

- The government provides research and development products or services because it requires some information for its internal policy processes, to meet equity, social or environmental objectives, or because of economic (ie market failure) reasons. That is, the public good characteristics of some products of positive spillover effects (or externalities), where a private provider would not be able to charge all users, limits the potential for the service to be provided privately. Aquaculture research and scientific activities produce information that can help to open up new opportunities for industry development, to help industry and Government to reach decisions and to produce effective solutions to a range of challenges.

The Productivity Commission report recognises cost recovery arrangements should not include the cost of activities undertaken for Government, such as ministerial or parliamentary services and international obligations.

Determination of Beneficiaries

Cost recovery proportions by category of beneficiary activities determines the extent of user group benefit from the activity. This determines the level by which associated costs should or could be recovered.

Beneficiary category	Cost recovery proportion	Notes
Producers individually (recovered predominantly by fee for service)	100%	Expenditure which is focused on activities of individual producers should be paid for entirely by the individual concerned.
Producers collectively	76-99%	Expenditure that operates collectively on behalf of producers in an aquaculture sector or group of sectors. However, some activities may benefit future growers therefore should not be fully paid for by existing producers.
Producers and community	1-75%	Expenditure undertaken to benefit producers as well as the wider community should be paid for in part by current producers and in part by taxpayers. Assessment will be made on an activity-by-activity basis and, in principle, could lie outside the range indicated.
Community only	0%	Expenditure undertaken solely to benefit government or sectors of the community other than current producers should be paid for solely by taxpayers.

Charging Methods

Not all sectors in the aquaculture industry are at a similar level of maturity, and dependence on common property resources varies between sectors. For marine based sectors, there is a relatively high need for planning, compliance and other services, as well as a significant utilisation of common property resources. For land based sectors there is no substantial use of common property resources in the farming process. However, it is important that charging methods are adequate to ensure that resources used in the industry are managed effectively and take into account the environmental impacts and operational activities associated with aquaculture. Importantly, this can also deal with the management of disease, release of fish into a farming activity and the ability of a farmer to sell fish.

Fee for service

Fee for service shall be charged for undertaking specific tasks such as licence applications, licence amendments, licence transfers, surveys and site inspections and veterinary diagnostic services.

Licence Fees

Licence fees will be set to recover costs of services relating to a licensed area and/or activity. In addition, this would include expenditure that benefits producers collectively in an aquaculture sector or group of sectors and fees would be paid collectively by that sector. The composition of a marine licence and associated costs will vary from that of a land based licence.

Lease Fees

Lease fees will be set to recover costs associated with the utilisation of the common property resource which will determine and maintain appropriate areas for aquaculture activity, allocating the rights to use the resource and the evaluation of collective environmental impacts.

COST RECOVERY POLICY

Cost recovery policies will apply to specific activities rather than the management authority as a whole. That is, some activities incur a cost recovery charge while others do not, and the level of cost recovery varies according to the beneficiary category and program objectives through:

1. A Cost Recovery Review Committee (“the Committee”) will be established comprising of representatives from each aquaculture industry sector and Primary Industries and Resources South Australia (PIRSA).
 - 1.1 On request of the Aquaculture Advisory Committee (AAC) the Committee will negotiate with industry and review cost recovery beneficiaries, sector allocations and service delivery functions with the Minister’s nominated representative.
 - 1.2 The Committee will advise the Aquaculture Advisory Committee (AAC) of the outcome of these negotiations.
2. Following the first full year of operation of Cost Recovery the Committee will review the beneficiaries and sector allocations to set a three year cost agreement.
3. Agreement for the subsequent three year period will be reached in the final year of the three year cycle.
4. Annual negotiations on outcomes and services will commence with the Committee in December each year to finalise an agreed set of services and costs by April of the following year for recommendation to the Aquaculture Advisory Committee (AAC).
5. The Minister will determine a minimum level of activity required by industry and government to meet regulatory responsibilities and obligations under the Act and will inform the AAC accordingly.
6. In the event an agreement cannot be reached between the Minister and industry, cost recovery arrangements will continue on a “no policy change” basis until the position is resolved. New arrangements will come into effect from the date the new fee structure appears in the South Australian Government Gazette.
7. An annual budget for core activities by functional areas will be established by PIRSA using activity based costing, and based on Cabinet approved State Funding and other revenue.
8. In unforeseen circumstances a request to vary the agreed services and/or costs for an activity, sector or zone during a financial year must be approved by the Minister. Such additional costs may be recovered on a sector or zone basis once approved by the Minister.
9. An annual budget report will be prepared by PIRSA outlining budget to actual for the preceding year in the context of a three year service and cost agreement.
10. An annual financial statement for the Aquaculture Resource Management Fund will be prepared by PIRSA and made available to the Committee and AAC.
11. Fee for service charges will be determined by the Minister on an annual basis, using activity based costing to recover 100% of the costs of those services.

12. Following determination of fee for service activities, non-fee for service attributable costs will be apportioned between aquaculture zones and sectors.
13. Costs associated with the establishment of aquaculture zones will be amortised over a period determined by the Minister, and be payable by new entrants in those zones.
14. The cost associated with each of the activities and the beneficiary allocation will determine the costs recovered from each beneficiary group (eg individual, producer, etc) and the method used to recover the cost (eg licence fee, lease fee).
15. Overhead costs relating to a specific function area are allocated directly to that area.
16. Management and corporate support overhead costs applicable to all functional areas are allocated proportionately on the basis of full time equivalent positions (FTE's).
17. Following a review by the ATAB the Minister may determine an adjustment to fees where a case of genuine hardship can be demonstrated. Consideration may be given, but not be limited to, lack of positive cashflow, natural disaster, disease outbreak or status of the industry.