



Regulatory Impact Statement

Fisheries (Fees, Royalties
and Levies) Regulations 2008

November 2007

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Department of Primary Industries

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Contents

This Regulatory Impact Statement	1
Submissions	1
Executive Summary	2
Background	9
Victorian Commercial (Wild Catch) Fisheries and Aquaculture Industries	9
Nature and Extent of the Problem	9
Costs of Fisheries Management Services.....	12
Fisheries Management Services (FMS) Costs	12
Commercial Wild Harvest Fishing Sector	13
Summary.....	13
Objective of Proposed Regulations.....	14
Proposed New Regulations.....	14
Authorising Power and Groups Affected by Proposed Regulations.....	14
Authorising Power	14
Affected Groups	14
Costs of Fisheries Management Services	15
Total FMS Expenditure by the Department of Primary Industries	15
Costs associated with Management and Compliance FMS.....	16
Costs associated with Fisheries Research	16
Recoverable Costs associated with the Provision of FMS	17
Management and Compliance Services	17
Commercial Fisheries Research.....	17
Eastern Zone Rock Lobster Cost Recovery Subsidy	17
Base Rate Regulatory Management Charge	17
Breakdown of Recoverable Costs.....	18
Increases in Combined Levies	19

Basis for Proposed Fees and Levies	20
Proposed Changes in Fisheries Management Services Levies	20
Allocating Fisheries Management Services Levies.....	20
Setting Individual Licence Holder Levies.....	20
Proposed Fisheries Research and Development Corporation (FRDC) Levy.....	20
Proposed Increase in Jellyfish Fishery Development Levy	21
Proposed Increase in Banded Morwong Development Levy	21
Proposed New Urchin Fishery Development Levy	21
Proposed Increase in the Peak Body Levy.....	21
Impact of Proposed Fees and Levy Changes.....	22
Cost Benefit Analysis	28
Economic Benefits and Costs of the Proposed Regulation.....	28
Social Benefits and Costs of the Proposed Regulation	28
Environmental Benefits and Costs of the Proposed Regulation	29
Administrative Costs of the Proposed Regulation	29
Compliance Costs of Proposed Regulation.....	29
Comparison of Costs and Benefits.....	29
Identification of Practical Alternatives and Their Costs and Benefits.....	30
Summary of Benefits/Costs of Regulation and Alternatives	31
Consultation with Industry	32
Aquaculture Sector.....	34
Summary	34
Objectives of Proposed Regulations	35
Proposed New Regulations	35
Authorising Power and Groups Affected by Proposed Regulations	35
Authorising Power.....	35
Affected Groups	35

Costs of Aquaculture Management Services.....	36
Total FMS Expenditure	36
Costs associated with Management and Compliance FMS.....	38
Costs associated with Aquaculture Research.....	38
Recoverable Costs associated with the Provision of FMS	38
Management and Compliance Services	38
Aquaculture Research.....	39
Fisheries Research and Development Corporation (FRDC) Levy	40
Increases in Combined FMS Levies	40
Basis for Proposed Fees and Levies Changes	41
Proposed Changes in Fisheries Management Services Levies.....	41
Allocating Fisheries Management Services Levies	41
Setting Individual Licence Holder Levies.....	41
Proposed Fisheries Research and Development Corporation (FRDC) Levy	41
Impact of Proposed Fees and Levy Changes	42
Cost Benefit Analysis.....	46
Economic Benefits and Costs of the Proposed Regulation.....	46
Social Benefits and Costs of the Proposed Regulation	46
Environmental Benefits and Costs of the Proposed Regulation	46
Administrative Costs of the Proposed Regulation.....	47
Compliance Costs of Proposed Regulation	47
Comparison of Costs and Benefits.....	47
Identification of Practical Alternatives and Their Costs and Benefits.....	47
Summary of Benefits/Costs of Regulation and Alternatives	48
Consultation with Industry	50
Other Fees, Levies, Royalties and Charges.....	51
Summary.....	51
Proposed New Regulations.....	51
Authorising Power and Groups Affected by Proposed Regulations.....	51
Authorising Power	51
These Regulations are made under sections 150, 151, 151A and 153 of the Fisheries Act 1995.....	51
Affected Groups	51

Fees, Levies, Royalties and Charges	52
Commercial Fishing and Aquaculture	52
Regulatory History	52
Other Fees and Charges	52
Schedule of Other Fees, Charges and Royalties	53
Recreational Fishing Licenses.....	53
Fishing Permits.....	53
Protected Aquatic Biota Permits.....	53
Boat Registration (old 605)	53
Applicability of “Other” Fees and charges.	54
Appendix 1.....	55
Fisheries (Fees, Royalties and Levies) Regulations 2008	55
Assessment against the Guiding Legislative Principle on Competition	55
Background	55
Tests on the Restriction on Competition	55
Why the Restriction is Necessary	55
Costs to the Community Caused by the Restriction.....	55
Community Benefits.....	55
Why Benefits Outweigh the Costs	55
Appendix 2.....	56
STATUTORY RULES 2008.....	56

This Regulatory Impact Statement

Under the *Subordinate Legislation Act 1994* (Vic), the introduction of all substantial changes or additions to current regulations is required to be accompanied by an evaluation that allows for analysis and public scrutiny of the proposed regulation changes. This evaluation, known as a Regulatory Impact Statement (RIS), must conform to a number of legislative requirements, including:

- A statement of regulatory objectives;
- A statement of the nature and extent of the problem to be addressed;
- An outline of the proposed rules, affected groups and expected effects;
- A statement of the costs and benefits of the proposed statutory rule including likely compliance and administrative costs;
- A statement of alternatives to these regulations;
- A statement of the costs and benefits associated with the identified alternatives;
- A statement as to why the identified alternatives are not preferred; and
- A copy of the proposed regulations.

An assessment of the proposed regulations against the guiding principles of competition policy can be found in Appendix 1.

Submissions

Submissions relating to this RIS should be directed to:

Dr Terry Truscott
Executive Services Section
Fisheries Victoria
Department of Primary Industries,
GPO Box 4440, Melbourne
Victoria, 3001

Submissions must be received by 5 pm Friday 21 December 2007. All submissions will be treated as public documents.

Executive Summary

This Regulatory Impact Statement (RIS) has been prepared to fulfil the requirements of the *Subordinate Legislation Act 1994 (Vic)* and to facilitate public comment on Victoria's proposed *Fisheries (Fees, Levies and Royalties) Regulations 2008* (see Appendix 2 for detail of these proposed Regulations). These regulations are to continue until a new schedule of fees, levies and/or royalties are proclaimed.

Schedule 12 (Table B) of Victoria's *Fisheries Regulations 1998* requires updating to reflect changes to the three Fisheries Management Services (FMS) levies (i.e. for management, compliance and research), the Fisheries Research and Development Corporation (FRDC) levy and other assorted fees and charges that are to apply from 1 February 2008 for the commercial fishing (wild catch) and the aquaculture industries. These changes are in line with the implementation of full recovery of attributable costs, which have been phased in since February 2004.

The objectives of the proposed regulatory changes are to adjust FMS levies in accordance with cost recovery principles that ensure, as far as practicable, there is no cross subsidisation between sectors of industry, and that the allocation of attributable recoverable costs is clear and transparent. The benefits associated with these proposed changes were realised in the delivery of fisheries management, compliance and research services (regulated and non-regulated) by the Department of Primary Industries (DPI) for the financial year 2006/07.

Total recoverable costs associated with these proposed levy changes amount to \$2.2 million or 15.9% of total public expenditure of \$13.8 million (see tables 3, 4 and 18) associated with the delivery of fisheries management services (FMS) to the commercial fishing (wild catch) and the aquaculture industries in 2006/07. The combined Gross Value Product of the commercial fisheries and aquaculture is approximately \$100 million per annum.

The fees and levies are being collected in accordance with Sections 150 and 153 of the *Fisheries Act 1995*. Licences are renewed (permits re-issued) on 1 April each year after the receipt of the licence renewal fee, FMS levies, the Federal Government's Fisheries Research and Development Corporation (FRDC) levy and the peak body levy (wild catch sector only); hence, compliance with the new regulations is expected to be high.

This RIS outlines the basis for setting the 2008 FMS levies for each of the various categories of licence holder, and describes how the Fisheries Activity Costing System (FACS) allocates FMS costs. Schedule 12 (Table B) of the *Fisheries Regulations 1998* also requires amendment to reflect Consumer Price Index (CPI) increases in relation to the peak body levy; a dedicated increase to the peak body levy for the Western and Central zone abalone access licence holders; and adjustment to the Federal Government's FRDC levy.

The total FMS levies payable in 2008 by the commercial wild catch industry will be in the order of \$2.2 million (compared to \$2.4 million paid in 2007, an 8% decrease). The amount recovered represents 29% of total recoverable recurrent expenditure on FMS (\$7.7 million) delivered to the wild catch industry by DPI, or 19.5% of total expenditure of \$11.3 million (excluding research attributable to the recreational sector).

The total FMS levies payable in 2008 by the aquaculture industry will be in the order of \$38,000 (compared to \$60,000 paid in 2007, a 37% decrease). The amount recovered represents 6.1% of total recoverable recurrent expenditure on FMS (\$621,000) delivered to the aquaculture industry by DPI, or 1.5% of total expenditure of \$2.5 million.

Table 1 summarises the total costs recovered (including FRDC and peak body levies) compared to 2007.

Table 1: Summary of Total Costs Recovered

Sector	Costs recovered via FMS levies	Costs recovered via FRDC and peak body levies	Total costs recovered	Change from 2007
Commercial fishing (wild catch)	\$2,203,677	\$938,479	\$3,142,156	- 3.4%
Aquaculture	\$37,885	\$27,176	\$65,061	- 20.7%
TOTAL	\$2,241,562	\$965,655	\$3,207,217	- 3.6%

This RIS also includes a list of other fees, charges, royalties and levies which are currently in the **Fisheries Regulations 1998**. These have not changed since last year but as the Regulations are sun-setting in 2008, they will be perpetuated by insertion in these proposed regulations. An explanation as to the level of each of these fees, levies and charges are outlined in the RIS. A vast majority of these charges are administrative charges that are collected for the preparation and administration of the required paperwork associated with licensing, permits, boat registration and quota management.

Table 2(A) & 2(B) are outlines of the proposed FMS levies and other levies for 2008 compared to 2007 associated with each Fishery Access Licence (FAL) and Aquaculture Licence (AL).

Table 2(A): Proposed FMS Levies Compared to 2007 Levies

Category of Licence (FAL/AL)	Management FMS Levy		Compliance FMS Levy		Research FMS Levy		TOTALS	
	2007	2008	2007	2008	2007	2008	2007	2008
Abalone (WZ) Quota Unit	\$302	\$173	\$289	\$178	\$283	\$321	\$874	\$672
Abalone (WZ) Fishery Access Licence	\$2,054	\$2,105					\$2,054	\$2,105
Abalone (CZ) Quota Unit	\$304	\$229	\$319	\$266	\$283	\$298	\$906	\$793
Abalone (CZ) Fishery Access Licence	\$2,054	\$2,105					\$2,054	\$2,105
Abalone (EZ) Quota Unit	\$456	\$444	\$494	\$415	\$283	\$314	\$1,233	1,173
Abalone (EZ) Fishery Access Licence	\$2,054	\$2,105					\$2,054	\$2,105
Bait	\$208	\$208	\$2	\$20	\$39	\$4	\$249	\$232
Corner Inlet	\$192	\$208	\$143	\$34	\$1,592	\$1,298	\$1,927	\$1,540
Eel (type A)	\$303	\$208	\$556	\$186	\$69	\$93	\$928	\$487
Giant Crab	\$231	\$208	\$3.45 per quota unit	\$22.00 per quota unit			\$231 plus variable	\$208 plus variable
Gippsland Lakes	\$318	\$208	\$177	\$195	\$1,503	\$1,135	\$1,998	\$1,538
Gippsland Lakes (Bait)	\$262	\$208	\$19	\$56	\$39	\$54	\$320	\$318
Gippsland Lakes (Mussel)	\$217	\$208	\$2	\$39	\$1	\$1	\$220	\$248
Lake Tyers (Bait)	\$208	\$208	\$0	\$0	\$39	\$1	\$247	\$209
Mallacoota LL (Bait)	\$208	\$208	\$0	\$57	\$39	\$3	\$247	\$268
Ocean	\$210	\$208	\$8	\$7	\$7	\$12	\$225	\$227
PPB (Mussel Bait)	\$208	\$208	\$0	\$61	\$39	\$2	\$247	\$271
Purse Seine (Ocean)	\$413	\$208	\$191	\$47	\$7	\$12	\$611	\$267
Purse Seine (PPB)	\$250	\$208	\$39	\$186	\$7	\$0	\$296	\$394
Rock Lobster (WZ)	\$909	\$844	\$47.90 per quota unit	\$51.81 per quota unit	\$18.28 per pot	\$19.77 per pot	\$909 plus variable	\$844 plus variable
Rock Lobster (EZ)	\$422	\$470	\$21.89 per quota unit	\$28.60 per quota unit	\$5.20 per pot	\$6.72 per pot	\$422 plus variable	\$470 plus variable
Scallop	\$388	\$208	\$488	\$325	\$7	\$80	\$883	\$613
Snowy River (Bait)	\$208	\$208	\$0	\$0	\$39	\$37	\$247	\$245
Sydenham Inlet (Bait)	\$208	\$208	\$0	\$0	\$39	\$41	\$247	\$249
Trawl (Inshore)	\$214	\$208	\$40	\$12	\$10	\$20	\$264	\$240
PPB/WP	\$223	\$208	\$435	\$75	\$1,376	\$1,299	\$2,034	\$1,582

Table 2(A): Proposed FMS Levies Compared to 2007 Levies (Continued)

Category of Licence (FAL/AL)	Management FMS Levy		Compliance FMS Levy		Research FMS Levy		TOTALS	
	2007	2008	2007	2008	2007	2008	2007	2008
Wrasse (Ocean)	\$253	\$208	\$8	\$10	\$19	\$30	\$280	\$248
Fish Receivers (Abalone)	\$198	\$208	\$125	\$15	\$0	\$0	\$323	\$223
Fish Receivers (Scallop)	\$225	\$319	\$249	\$143	\$0	\$0	\$474	\$462
Aquaculture Private Land								
On-Shore Abalone	\$935	\$34	\$466	\$44	\$48	\$45	\$1,449	\$123
Eels	\$421	\$0	\$162	\$0	\$48	\$45	\$631	\$45
Marine	\$194	\$44	\$59	\$5	\$48	\$45	\$301	\$94
Ornamentals	\$71	\$89	\$87	\$127	\$48	\$45	\$206	\$261
Other	\$0	\$159	\$0	\$116	\$48	\$45	\$48	\$320
Salmonids	\$98	\$47	\$19	\$33	\$48	\$45	\$165	\$125
Warmwater finfish	\$113	\$32	\$44	\$17	\$48	\$45	\$205	\$94
Yabby	\$49	\$19	\$15	\$12	\$48	\$45	\$112	\$76
Yabby-multiwaters	\$79	\$0	\$16	\$0	\$48	\$45	\$143	\$45
Tourism	\$98	\$0	\$19	\$0	\$48	\$45	\$165	\$45
Indoor Intensive	\$113	\$0	\$44	\$0	\$48	\$45	\$205	\$45
Aquaculture Crown Land								
Other	\$49	\$0	\$40	\$0	\$48	\$45	\$137	\$45
Abalone	\$241	\$56	\$134	\$51	\$48	\$45	\$423	\$152
Eels	\$168	\$173	\$314	\$166	\$48	\$45	\$530	\$384
Offshore	\$49	\$370	\$40	\$93	\$48	\$45	\$137	\$508
Bivalve Shellfish	\$578	\$273	\$86	\$63	\$48	\$45	\$712	\$381

Table 2(B): Proposed other Levies Compared to 2007 Levies

Category of Licence (FAL/AL)	FRDC Levy		Peak Body Levy		FMS Levies		TOTALS	
	Licensing Year	2007	2008	2007	2008	2007	2008	2007
Abalone (WZ)	\$85 per QU	\$96 per QU	\$51 plus \$338 per QU ¹	\$52 plus \$346 per QU ¹	\$2,054 plus \$874 per QU	\$2,105 plus \$672 per QU	\$2,105 plus variable amount based on Abalone quota units held	\$2,157 plus variable amount based on Abalone quota units held
Abalone (CZ)	\$85 per QU	\$96 per QU	\$51 plus \$315 per QU	\$52 plus \$368 per QU	\$2,054 plus \$906 per QU	\$2,105 plus \$793 per QU	\$2,105 plus variable amount based on Abalone quota units held	\$2,157 plus variable amount based on Abalone quota units held
Abalone (EZ)	\$85 per QU	\$96 per QU	\$51 plus \$51 per QU	\$52 plus \$52 per QU	\$2,054 plus \$1,233 per QU	\$2,105 plus \$1173 per QU	\$2,105 plus variable amount based on Abalone quota units held	\$2,157 plus variable amount based on Abalone quota units held
Bait	\$19	\$21	\$345	\$354	\$249	\$232	\$613	\$607
Corner Inlet	\$235	\$263	\$345	\$354	\$1,927	\$1,540	\$2,507	\$2,157
Eel (type A)	\$77	\$112	\$345	\$354	\$928	\$487	\$1,350	\$953
Giant Crab	\$50	\$41	\$345	\$354	\$231 plus \$3.45 per QU	\$208 plus \$22 per QU	\$626 plus \$3.45 per QU	\$603 plus \$22 per QU
Gippsland Lakes	\$232	\$230	\$345	\$354	\$1,998	\$1,538	\$2,575	\$2,122
Gippsland Lakes (Bait)	\$19	\$21	\$258	\$264	\$320	\$318	\$597	\$603
Gippsland Lakes (Mussel)	\$19	\$21	\$345	\$354	\$220	\$248	\$584	\$623
Lake Tyers (Bait)	\$19	\$21	\$258	\$264	\$247	\$209	\$524	\$494
Mallacoota LL (Bait)	\$19	\$21	\$258	\$264	\$247	\$268	\$524	\$553
Ocean	\$17	\$15	\$345	\$354	\$225	\$227	\$587	\$596
PPB (Mussel Bait)	\$19	\$21	\$258	\$264	\$247	\$271	\$524	\$556
Purse Seine (Ocean)	\$17	\$15	\$345	\$354	\$611	\$267	\$973	\$636
Purse Seine (PPB)	\$0	\$0	\$345	\$354	\$296	\$394	\$641	\$748

Table 2(B): Proposed other Levies Compared to 2007 Levies (Continued)

Category of Licence (FAL/AL)	FRDC Levy		Peak Body Levy		FMS Levies		TOTALS	
	Licensing Year	2007	2008	2007	2008	2007	2008	2007
Rock Lobster (WZ)	\$372	\$372	\$345	\$354	\$909 plus \$47.90 per QU \$18.28 per pot	\$844 plus \$51.81 per QU \$19.77 per pot	\$1,626 plus variable amount	\$1,570 plus variable amount
Rock Lobster (EZ)	\$97	\$92	\$345	\$354	\$422 plus \$21.89 per QU \$5.20 per pot	\$470 plus \$28.60 per QU \$6.72 per pot	\$864 plus variable amount	\$916 plus variable amount
Scallop	\$25	\$17	\$345	\$354	\$883	\$613	\$1,253	\$984
Snowy River (Bait)	\$19	\$21	\$258	\$264	\$247	\$245	\$524	\$530
Sydenham Inlet (Bait)	\$19	\$21	\$258	\$264	\$247	\$249	\$524	\$534
Trawl (Inshore)	\$18	\$25	\$345	\$354	\$264	\$240	\$627	\$619
PPB/WP	\$147	\$156	\$345	\$354	\$2,034	\$1,582	\$2,526	\$2,092
Wrasse (Ocean)	\$17	\$15	\$345	\$354	\$280	\$248	\$642	\$617
Fish Receivers (Abalone)	n.a	na	\$3,759	\$3,853	\$323	\$223	\$4,082	\$4,076
Fish Receivers (Scallop)	n.a	na	\$677	\$694	\$474	\$462	\$1,151	\$1,156
Aquaculture Private Land								
On-Shore Abalone	\$154	\$158	\$0	\$0	\$1,449	\$123	\$1,603	\$281
Eels	\$154	\$158	\$0	\$0	\$631	\$45	\$785	\$203
Marine	\$154	\$158	\$0	\$0	\$301	\$94	\$455	\$252
Ornamentals	\$154	\$158	\$0	\$0	\$206	\$261	\$360	\$419
Other	\$154	\$158	\$0	\$0	\$48	\$320	\$202	\$478
Salmonids	\$154	\$158	\$0	\$0	\$165	\$125	\$319	\$283
Warmwater finfish	\$154	\$158	\$0	\$0	\$205	\$94	\$359	\$252
Tourism	\$154	\$158	\$0	\$0	\$165	\$45	\$319	\$203
Indoor Intensive	\$154	\$158	\$0	\$0	\$205	\$45	\$359	\$203
Yabby	\$154	\$158	\$0	\$0	\$112	\$76	\$266	\$234
Yabby-multiwaters	\$154	\$158	\$0	\$0	\$143	\$45	\$297	\$203
Aquaculture Crown Land								
Other	\$154	\$158	\$0	\$0	\$137	\$45	\$295	\$203
Abalone	\$154	\$158	\$0	\$0	\$423	\$152	\$577	\$310
Eels	\$154	\$158	\$0	\$0	\$530	\$384	\$1,348	\$542
Offshore	\$154	\$158	\$0	\$0	\$137	\$508	\$291	\$666
Bivalve Shellfish	\$154	\$158	\$0	\$0	\$712	\$381	\$866	\$539

¹ QU = Abalone Quota Unit (Blacklip and Greenlip).

The preparation of this RIS was conducted in consultation with industry, through the Fisheries Cost Recovery Standing Committee (FCRSC), which represents stakeholders of the wild catch and aquaculture sectors and DPI. The role of the FCRSC is to advise the Minister for Agriculture regarding the implementation of cost recovery.

In this RIS, the costs and benefits of the proposed Regulations are outlined and compared with alternatives to the recommended cost recovery model.

Alternatives to the proposed Regulations have been considered. It is concluded that the proposed regulatory change offers the most efficient and transparent method of ensuring an effective cost recovery program. The conclusion of this RIS is that a cost recovery model should apply whereby the Victorian Government pays for public good elements of fisheries management; and private beneficiaries (holders of Fishery Access licences, Fish Receivers licences and Aquaculture licences) pay for the private good elements embedded in delivery of the various FMS.

The RIS is made available for a public consultation period commencing 20 November 2007 and closing 21 December 2007.

Background

Victorian Commercial (Wild Catch) Fisheries and Aquaculture Industries

Victoria has over 2,000 kilometres of coast adjacent to open coastal waters, bays and estuaries, and many thousands of kilometres of rivers and streams, as well as a large number of lakes and impoundments. These aquatic environments support hundreds of different species of fish, molluscs, crustaceans and other aquatic invertebrates. Many species are valued by commercial (wild catch) fishers and/or fish consumers and are used for commercial, recreational or subsistence purposes. The community also values fish and aquatic ecosystem habitats for environmental and other non-consumptive uses.

Victoria has over 150 aquaculture intensive and extensive farms (on land and at sea) producing a wide variety of species of fish, molluscs and crustacea.

Both industries combined provide direct employment for some 2,800 people and indirect employment for 4,500 people. Victorian licensed operators in both industries have capital investments in boats, licences and processing and production facilities exceeding \$900 million. The GVP of the landed wild commercial catch from Victorian waters and aquaculture production for 2005/06 was in the order of \$100 million¹.

Victorian businesses add tens of millions of dollars in value to the Victorian wild catch and farmed species. They also add value to a large range of seafood products imported from foreign countries, other Australian states, and caught under Commonwealth fishing entitlements. Although Victoria exports much of the local catch of abalone and rock lobster, most other species are consumed domestically. Victorian domestic consumption of seafood averages about 17 kg (live weight equivalent) per person per year with about 6% of all meals containing seafood.

While recreational fishers often eat fish that they have caught themselves, most Victorian consumers are reliant on the supplies of fish that are produced (caught or farmed) by local or foreign commercial operators.

Nature and Extent of the Problem

Cost Recovery

Governments in Australia are implementing “user pays” or cost recovery principles in regard to fisheries management costs. Industry and other stakeholders are, therefore, seeking to have a greater say in the management of the resource via appropriate consultative arrangements.

The Victorian Government initiated a **National Competition Policy Review of the Fisheries Act 1995** in 1999. One of the recommendations of the Review was that cost recovery should be introduced in order to rectify the inefficient allocation of public resources. The government accepted this recommendation given that a suitable policy framework was provided.

Cost recovery was again extensively analysed in the **Inquiry into Fisheries Management by the Parliamentary Committee of Environment and Natural Resources** (2002)². The recommendations of the Inquiry concluded that fisheries management costs should be recovered from the various sectors that gain direct benefit from such management. The review titled “Review of Fisheries Levy Administration: Review of section 151 of the *Fisheries Act 1995* (2003)”, stated:

“The cost of fisheries management services should be borne by those who directly benefit from them or who drive the need for a provision of services...”³

One of the principal drivers for efficient resource allocation is that all attributed recoverable costs associated with the management (including compliance and research) of the regulated fishing and aquaculture industries are met by those that directly benefit from the services provided by the Department of Primary Industries (DPI).

The implementation of full recovery of attributable costs (FCR) was phased in over three years. The phase-in began in 2004/05 with the second and third phases being implemented in 2005/06 and 2006/07. The

¹ Department of Primary Industries, *Commercial Fish Production 2005/06* (Preliminary estimates)

² Parliamentary Committee of Environment and Natural Resources *Inquiry into Fisheries Management: Report 2, 2002*

³ Department of Primary Industries, *Review of Fisheries Levy Administration* (September 2003), p. 16.

implementation of FCR was accomplished in 2006 for the wild catch sector and 2007 for the aquaculture sector. The attainment of FCR means that participants in both industries are not being subsidised by the taxpayer.

DPI provides, on behalf of the Victorian Government, fisheries management products and services. Some of these are solely in the public interest and warrant full public funding. In other cases, it is appropriate for government to provide a product or service that also benefits individuals (licence holders) or groups. If such projects are undertaken, the beneficiaries should, as a principle, fund the services to the extent of the benefit received.

The principles of cost recovery are encapsulated in the Terms of Reference for the Fisheries Cost Recovery Standing Committee (FCRSC) which advises the Minister for Agriculture on issues surrounding cost recovery and the delivery of fisheries management services. These principles include:

- a) The recovery of costs will be based on actual expenditure.
- b) 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.
- c) The general rule of attributing costs to a particular beneficiary group is based on whether the *non-existence* of that group would eliminate the need to publicly provide fisheries management services (i.e. the provision of FMS is *avoided* because they are not required due to the fact that a particular beneficiary does not exist – this is known as the *avoidable cost principle*).
- d) The costs associated with the executive management of Fisheries Victoria (Executive Director, 3 Directors (Fisheries Management, Field Services and Policy & Licensing) & associated executive support) will be non-recoverable.
- e) A base regulatory management cost should apply to industry in order to acknowledge that fisheries management provides a regulatory framework for all fisheries to function in a sustainable manner.
- f) The community's interest as a whole (including intergenerational concerns) is the responsibility of government. Being a community benefit and a *public good*, the costs associated with this responsibility should be fully funded from the tax base.
- g) Fisheries management services will be calculated on an activity based accounting system (Fisheries Activity Costing System) with the apportionment of costs associated with these services based upon estimated costs and benefits to particular groups.
- h) Fee for services, on the other hand, are best calculated on a fishery-by-fishery basis or aquaculture sector by sector, because of the unique nature of individual fisheries or aquaculture sectors. The cost of these services should be based on the actual costs of providing these services on a competitive commercial basis.
- i) The method of allocating fisheries management costs should be simple, cost effective, equitable and transparent. As far as practicable, a particular user group (or licence category) should not bear the costs associated with another user group.
- j) The FCRSC may provide advice concerning the capacity of a fishery or aquaculture sectors to pay FMS levies due to the existence of extenuating circumstances (e.g. the financial impact of drought conditions on particular licence holders).
- k) Compliance services deemed recoverable from industry sectors will be partially or fully recoverable depending on the service and sector.
- l) If FMS activities are recommended to be excluded from cost recoverability and are not part of the regulatory or public good role of Fisheries Victoria then these activities may not be delivered.
- m) Any proposed changes to the FACS categories will be brought to the attention of the Committee for comment prior to any changes being made.

A more detailed explanation of the framework of cost recovery and the method of cost allocation used to determine the proposed FMS levies in this RIS can be located in the **Regulatory Impact Statement Fisheries (Aquaculture Licences, Fees, levies and Royalties) Regulations 2007** (pp 11-15 , pp 17 – 20 and pp 65 - 71). This document can be accessed via the website of the **Victorian Competition and Efficiency Commission** (www.vcec.vic.gov.au).

The allocation of costs to the various sectors of the commercial fishing industry and the aquaculture industry will potentially change on an annual basis as expenditure patterns and services delivered change. The allocation of costs entails the following key elements:

- Allocating total fisheries management services (FMS) costs and the amount to be recovered (comprising three levies: management, compliance and research) across all licence categories based on principles of cost recovery
- Ensuring that appropriate costs are recovered for the provision of maintenance services for marine reserves; and
- Increasing other fees and levies by CPI.

The use of FMS levies to recoup these costs is the most equitable way of ensuring that there is no cross subsidisation occurring between sectors and that the cost of managing a particular sector can be tracked through time.

Costs of Fisheries Management Services

Fisheries Management Services (FMS) Costs

Total expenditure on managing the Victorian fisheries resources (wild sector, aquaculture, recreational and habitat sector) in 2006/07 was \$30.9 million. This expenditure consisted of Management, Compliance and Research FMS and was made up of the following:

- Management and Compliance services associated with the 26 wild catch sector fisheries (including zonal fisheries and fish receivers), 16 aquaculture sectors and the recreational sector (\$22.0 million).
- Fisheries and Habitat public research carried out by DPI (\$7.4 million).
- FMS services carried out for the Australian Fisheries Management Authority (\$1.5 million)

A further \$7.8 million (20% of total expenditure) was expended on the following functions: \$1.8 million on the Marine Parks adjustment package, \$3.8 million on budgetary transfers (e.g. peak body levies and the FRDC); and \$2.2 million was dedicated to DPI corporate overheads.

Table 3 outlines these costs.

Table 3: Department of Primary Industries expenditure 2006/07 (\$ million)

Expenditure Item	Total Expended \$ million	Non-Recoverable \$ million (Including Recreational)	Total Recoverable FMS Costs Full Cost Recovery \$ million
FISHERIES MANAGEMENT SERVICES			
Fisheries Management and Compliance Services (includes external funding)	\$22.0	\$20.7	\$1.3 Wild Fisheries (\$1.3) Aquaculture (\$0.04)
Fisheries and Habitat Research (includes external funding)	\$7.4	\$6.5	\$0.9 Fisheries (\$0.9) Aquaculture (\$0.01)
SUB TOTALS	\$29.4	\$27.2	\$2.2 Wild Fisheries (\$2.2) (see table 7) Aquaculture (\$0.04) (see table 20)
Aust. Fisheries Management Authority Services	\$1.5	-	\$1.5
TOTAL FMS COSTS	\$30.9	\$27.2	\$3.7
PUBLICLY FUNDED FUNCTIONS			
Marine Parks	\$1.8	\$1.8	
Transfers (e.g. FRDC, peak bodies etc)	\$3.8	\$3.8	
Departmental Overheads	\$2.2	\$2.2	
Sub Totals	\$7.8	\$7.8	
TOTAL EXPENDITURE	\$38.7	\$35.0	

Commercial Wild Harvest Fishing Sector

Summary

The commercial wild harvest fishing sector provides direct employment for some 2,400 people (licence holders and deck hands) and indirect employment for about 4,500 people. Victorian licensed operators have capital investments in boats, licences and processing facilities exceeding \$900 million. The landed wild commercial catch from Victorian waters in the year 2005/06 was 5,160 tonnes. The GVP of the sector was \$76.0 million in 2005/06.

Schedule 12 (Table B) of Victoria's *Fisheries Regulations 1998* requires updating to reflect changes to the three Fisheries Management Services (FMS) levies (management, compliance and research), the Fisheries Research and Development Corporation (FRDC) levy and other assorted fees and charges that are to apply from 1 February 2008 for the commercial fishing (wild catch) and the aquaculture industries. These changes are in line with the implementation of the full recovery of attributable costs, which has been phased in since 1 April 2004.

The objectives of the proposed regulatory changes are to adjust FMS levies in accordance with cost recovery principles that ensures, where practicable, there is no cross subsidisation between sectors of industry and that the allocation of attributable recoverable costs is clear and transparent.

Management, compliance and research FMS are delivered by DPI. Those FMS that benefit the commercial fishing industry are outlined and the costs associated with their delivery are partially recovered from licence holders.

Total recoverable costs associated with these proposed FMS levy changes amount to \$2.2 million (see table 3) or 29% of total public recurrent recoverable expenditure (\$7.7 million) (Table 4) associated with the delivery of FMS to the commercial fishing industry. This recoverability decreases to 18% when compared to total expenditure of \$12.1 million (includes partially recoverable and non-recoverable expenditure).

The fees and levies will be collected in accordance with Sections 150 and 153 of the *Fisheries Act 1995*. Licences are renewed (re-issued for permits) only on receipt of the licence renewal fee, FMS levies, the Federal Government's FRDC levy and the peak body levy. Compliance with the new regulations is expected to be high.

Objective of Proposed Regulations

Part of the objective of the proposed *Fisheries (Fees, Royalties and Levies) Regulations 2008* (the proposed Regulations) is to amend the amount paid for each of the proposed FMS levies applied under Schedule 12 of the *Fisheries Regulations 1998* (the Regulations).

The purpose of amending the levies is to efficiently recover an appropriate proportion of the costs of administering fisheries and aquaculture licences and undertaking FMS activities associated with the regulation of the sectors.

The rationale of the FMS levy changes is consistent with the implementation of cost recovery which reflects changes to the delivery of FMS throughout 2005/06 and the concomitant amount to be recovered.

To ensure that the FMS costs of participating in the regulated commercial fishing industry are distributed in an equitable manner, the proposed regulations link recovered costs to individual licence categories. This linkage ensures that no cross subsidisation occurs between different licence classes, and that the true costs associated with a particular fishery or aquaculture sector are transparent.

Attributable fisheries management costs are defined as the costs associated with FMS that benefit private beneficiaries belonging to a particular fishery sector or class of access licence. These costs have been identified and attributed through the use of the Fisheries Activity Costing System (FACS), which has been implemented throughout DPI.

Proposed New Regulations

Authorising Power and Groups Affected by Proposed Regulations

Authorising Power

The proposed Regulations will be made under section 151 of the Fisheries Act. The proposed Regulations apply to each prescribed class of licence or permit and encompass prescribed levies at prescribed rates.

Affected Groups

Persons and groups who will be directly affected by the proposed Regulations include:

- **Access licence holders**
Licence Classes as defined in Schedule 12 of the *Fisheries Regulations 1998*;
- **General Permit Levy for Developing Fisheries (Banded Morwong)**
The General Permit Levy for the developing banded morwong fishery (under Regulation 617B) will increase from \$2,145 to \$2,199 (or 2.5%) (in line with Treasurer's approved annual rate of increase of statutory fees and charges). This levy will be unitised at 199.5 fee units.
- **General Permit Levy for Developing Fisheries (Jellyfish)**
The General Permit Levy for the developing jellyfish fishery (under Regulation 617C) will increase from \$10,742 to \$11,010 (or 2.5%). This levy will be unitised at 999 fee units
- **General Permit Levy for Developing Fisheries (Urchin)**
The new General Permit Levy for the developing urchin fishery (under Regulation 617D) will increase from \$967 per year or \$1,611 per three years to \$991 per year or \$1,651 per three years (or 2.5%). This levy will be unitised at 89.9 fee units for a one-year permit, and 149.8 fee units for a 3-year permit.

Costs of Fisheries Management Services

Total FMS Expenditure by the Department of Primary Industries

DPI expended \$12.3 million on the activities relating to the commercial fisheries (wild catch) program in 2006/07, which represents approximately 41% of total expenditure on fisheries management services (FMS) (see Tables 4 & 5 for a breakdown of expenditure). Of the amount spent on the commercial fisheries (wild catch), \$9.4 million (76%) was spent on management and compliance services (including regional budgets) and \$2.9 million (24%) was spent on related research (including a portion of research allocated to the recreational sector).

Table 4: Total DPI Expenditure on the Commercial Fisheries Program 2006/07

FMS Activity Fisheries Management Services	Recurrent Expenditure Partially Recoverable	Recurrent Expenditure Non Recoverable	Marine Parks Initiative Non Recoverable	TOTAL EXPENDITURE
Management & Compliance				
Head office	\$2,031,865		\$426,178	\$2,458,043
Regional Compliance	\$2,588,296		\$2,809,240	\$5,397,536
Advocacy	\$287,255		\$61,825	\$349,080
Regional Management	\$536,915	\$188,430		\$725,345
Commonwealth fisheries	\$84,124		\$10,420	\$94,544
13 Fish Compliance	\$74,563			\$74,563
Catch & Effort Redevelopment	\$136,816			\$136,816
Fisheries Standards Management	\$43,241			\$43,241
Co-Management		\$167,209		\$167,209
SUB TOTAL	\$5,783,075	\$355,639	\$3,307,663	\$9,446,377
Fisheries Research				
PIRVic (M&FS)				
Abalone Stock Assessment	\$645,000			\$645,000
Abalone Ecology	\$79,617			\$79,617
WZ Abalone quarantine		\$55,000		\$55,000
Abalone biosecurity protocols		\$10,000		\$10,000
Rock Lobster & Giant Crab Stock Assessment	\$504,000	\$56,000		\$560,000
Rock Lobster Ecological Risk Assessment	\$101,723	\$11,302		\$113,025
Bay & Inlet Pre-recruitment survey	\$35,603	\$72,285		\$107,888
Port Phillip Bay Demersal Trawl monitoring	\$48,113	\$54,692		\$102,805
Port Phillip Bay Snapper Trawl	\$12,800	\$51,200		\$64,000
Bay & Inlet Fishery & Habitat assessment				
Bay & Inlet Monitoring	\$137,634	\$155,204		\$292,838
Stock Assessment Groups	\$86,557	\$98,393		\$184,950
Bream movements	\$12,330			\$12,330
Bream Dynamics	\$12,000			\$12,000
Catch & Effort System	\$251,469	\$97,793		\$349,262
Scallop Monitoring	\$12,000			\$12,000
Eel Fishery By-catch		\$41,100		\$41,100
Other Services		\$250,887		\$250,877
SUB TOTAL	\$1,938,846	\$953,856 ⁴		\$2,892,702
TOTAL	\$7,721,921	\$1,309,495	\$3,307,663	\$12,339,079

⁴ This amount is carried out on behalf of the recreational sector.

Public recurrent partially recoverable and non-recoverable expenditure on fisheries management, compliance and research (excluding portion allocated to recreational sector) was in the order of \$8.1 million (from Table 4) which amounts to 9.9% of industry GVP (\$81.7 million – average 2003/4 – 2005/06). Recent Organisation for Economic Cooperation and Development (OECD) data suggests that this is consistent with world best practice.⁵ A majority of countries (U.S.A, France, Denmark, Greece, Portugal, UK Canada, NZ, Norway) range between 7% and 18% of GVP of their fisheries.

Costs associated with Management and Compliance FMS

The total costs (deemed as partially recoverable) of delivering management and compliance FMS to the commercial fishing sector in 2006/07, as identified by FACS, was \$5.033 million (Table 5). This amount is less than DPI accounted expenditure of \$5.78 million (Table 5) as FACS does not collect data on all staff data (Executive Branch are excluded and deemed non - recoverable), and some operating costs, and services, which were deemed non recoverable are not included.

Table 5: FACS derived FMS Expenditure by Wild Catch Beneficiary 2006/07

Category of Licence (FAL)	Management	Compliance	TOTALS
Abalone (WZ)	\$480,355	\$263,786	\$744,141
Abalone (CZ)	\$1,021,966	\$669,307	\$1,691,273
Abalone (EZ)	\$783,157	\$508,823	\$1,291,980
Bait	\$6,802	\$1,277	\$8,079
Corner Inlet	\$7,060	\$2,417	\$9,477
Eel (type A)	\$37,631	\$18,655	\$56,285
Giant Crab	\$9,158	\$1,437	\$10,595
Gippsland Lakes	\$9,211	\$6,214	\$15,425
Gippsland Lakes (Bait)	\$3,971	\$1,774	\$5,745
Gippsland Lakes (Mussel)	\$717	\$255	\$972
Lake Tyers (Bait)	\$600	\$0	\$600
Mallacoota LL (Bait)	\$654	\$358	\$1,012
Ocean	\$81,217	\$8,514	\$89,731
PPB (Mussel Bait)	\$334	\$204	\$538
Purse Seine (Ocean)	\$2,945	\$271	\$3,216
Purse Seine (PPB)	\$2,950	\$1,068	\$4,018
Rock Lobster (WZ)	\$297,419	\$134,416	\$431,835
Rock Lobster (EZ)	\$61,584	\$35,688	\$97,272
Scallop	\$242,008	\$180,477	\$422,485
Snowy River (Bait)	\$400	\$0	\$400
Sydenham Inlet (Bait)	\$400	\$0	\$400
Trawl (Inshore)	\$16,144	\$3,577	\$19,721
PPB/WP	\$54,715	\$20,644	\$75,359
Wrasse (Ocean)	\$14,033	\$1,268	\$15,301
Fish Receivers (Scallop)	\$3,158	\$960	\$4,118
Fish Receivers (Abalone)	\$27,888	\$5,778	\$33,666
TOTALS	\$3,166,477	\$1,867,167	\$5,033,644

Costs associated with Fisheries Research

Public fisheries research expenditure for 2006/07 carried out on projects that were partially or wholly applicable to the commercial fishing industry was \$2.64 million (Table 6). The amount of research costs apportioned to the industry (the remainder being allocated to the recreational sector) was \$1.74 million or 66%. This apportioned amount was recovered at a standard rate of 50%.

The method of apportionment takes into account the degree (based on the proportion caught by weight) to which the recreational fishing sector benefits from various research based on species under investigation.

⁵ Schrank, W.E., et al *The Cost of Fisheries Management*. Ashgate Publishers, 2003.

The apportionment of fisheries research across broad sectors of the industry are shown in table 6.

Table 6: Public Research Attributable to the commercial fishing industry (2005/06)

Industry Sectors	Research Expenditure	Apportioned to sectors
Abalone	\$789,379	\$668,885
Rock Lobster	\$673,025	\$560,513
Bays & Inlets	\$597,531	\$170,109
Eel	\$41,100	\$0
Scallop	\$3,695	\$3,695
General Industry ¹	\$534,212	\$338,396
TOTAL	\$2,638,942	\$1,741,598

Note: (1) General Industry Research is allocated across all licence categories according to the GVP of each category

Recoverable Costs associated with the Provision of FMS

The allocation of DPI expenditure to various cost items can be achieved by linking direct staff time allocation and contracted services (e.g. various research and management programs) to a list of fisheries management activities. This list of activities is linked to specific commercial wild catch licensed fisheries and other beneficiaries via FACS.

Management and Compliance Services

Management and compliance FMS activities are delivered across all fisheries represented by licence categories ranging from the development and implementation of fisheries management plans to the execution of on-board boat inspections.

Commercial Fisheries Research

Specific commercial fisheries research, or research undertaken for a specific sector, is apportioned to the commercial sector and recovered at a standard rate of 50% (see Table 6 above). In other words, 50% of research carried out with public funds is deemed to contribute to the public good. This current recovery rate is endorsed by the FCRSC.

Eastern Zone Rock Lobster Cost Recovery Subsidy

The Eastern Zone rock lobster fishery has recently been going through a structural change process due to depressed economic returns from the fishery. As a consequence, a cost recovery levy subsidy has been afforded in the past to the licence holders in the form of a zonal recoverable cost equalisation process. This process entailed charging Eastern Zone rock lobster licence holders the same in terms of cost per kilo (the combined recoverable cost of management, compliance and research) as the Western Zone fishery (which has historically been more productive and profitable due to higher catch rates).

The Fisheries Co-management Council has recommended that this levy subsidy be phased out over three years (2007 – 2009), with 66% of the subsidy being afforded in 2007, 33% in 2008 and 0% in 2009. In other words, full recovery of attributable costs will be implemented in 2009. This recommendation was supported by the FCRSC, and accepted by the Minister for Agriculture following advice from the Fisheries Co-management Council.

The cost per kilo of these combined FMS levies was \$0.85 for the Western Zone and \$1.19 for the Eastern Zone. Phasing out of the subsidy (33% of the difference between the Western Zone and the Eastern Zone cost per kilo) reduced the Eastern Zone recoverable cost to \$1.08 (or a subsidy of \$7,073, which is equivalent to \$150.49 per Eastern Zone licence holder). Consequently, total recoverable FMS costs constitute 3% of GVP for the Western Zone and 4.2% for the Eastern Zone.

Base Rate Regulatory Management Charge

In order to ensure that all licence holders across the industry are charged for the overall maintenance of the regulatory framework in which the industry functions, the FCRSC recommended that a base rate (i.e. minimum) of \$200 be charged to all licence holders irrespective of how many hours were expended by DPI staff delivering various FMS activities. This charge acknowledges the fact that a substantial amount of recoverable activities are carried out that affect all licence holders, and that each licence holder should contribute an amount to ensure that the total industry functions efficiently under the fisheries regulatory regime. The base rate is determined by the FCRSC on the basis of being a small but equitable charge to all licence holders.

Breakdown of Recoverable Costs

A breakdown of recoverable costs of each of the FMS categories are detailed below in Table 7 and shown in Figure 1. The total recoverable amount is in the order of \$2.20 million or approximately 29% of the commercial wild catch fisheries recurrent program of \$7.7 million. This recoverable amount decreases to 19% if non-recurrent MPI funding is taken into account.

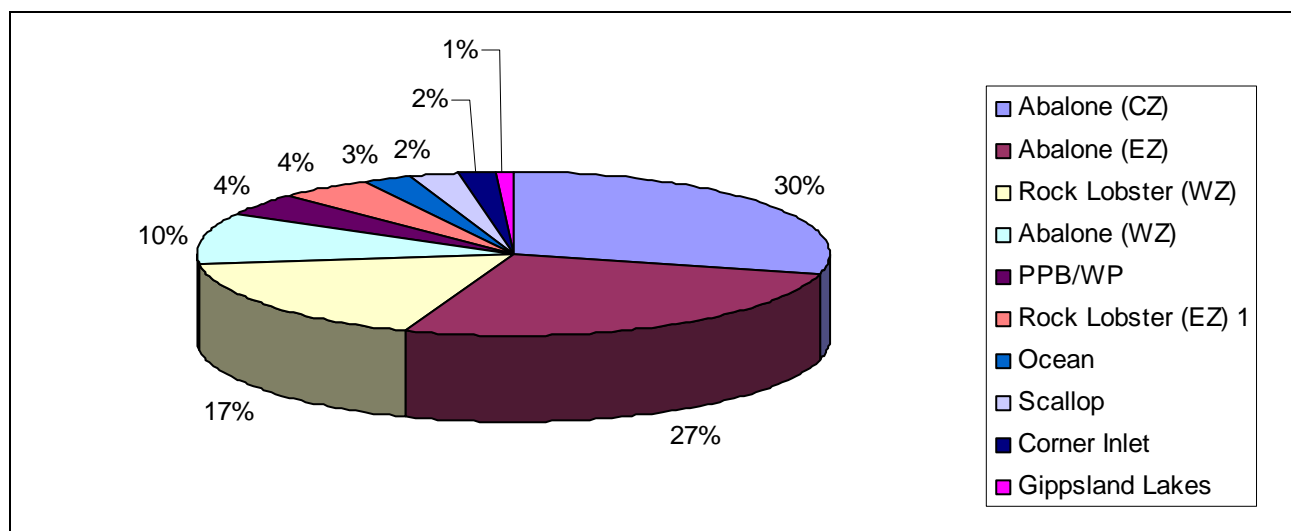
**Table 7: Breakdown of Full - Attributable Recoverable Commercial Fisheries Costs
Key Sectors/Beneficiaries (2006/07 Expenditure)**

Commercial Fisheries Sector	Management & Administration	Compliance	Fisheries Research	TOTAL
Abalone (WZ)	\$80,419	\$52,466	\$94,344	\$227,229
Abalone (CZ)	\$234,751	\$189,842	\$212,547	\$637,140
Abalone (EZ)	\$252,842	\$190,778	\$144,502	\$588,122
Bait	\$3,744	\$360	\$74	\$4,178
Corner Inlet	\$3,744	\$608	\$23,367	\$27,719
Eel (type A)	\$3,744	\$3,342	\$1,672	\$8,758
Giant Crab	\$7,072	\$447	\$1,154	\$8,673
Gippsland Lakes	\$2,080	\$1,948	\$11,348	\$15,376
Gippsland Lakes (Bait)	\$2,080	\$561	\$543	\$3,184
Gippsland Lakes (Mussel)	\$416	\$79	\$1	\$496
Lake Tyers (Bait)	\$624	\$0	\$4	\$628
Mallacoota LL (Bait)	\$416	\$114	\$7	\$537
Ocean	\$59,696	\$2,108	\$836	\$62,640
PPB (Mussel Bait)	\$208	\$61	\$2	\$271
Purse Seine (Ocean)	\$208	\$47	\$2,630	\$2,885
Purse Seine (PPB)	\$208	\$186	\$0	\$394
Rock Lobster (WZ)	\$71,761	\$44,154	\$265,174	\$381,089
Rock Lobster (EZ) ¹	\$22,109	\$14,353	\$35,433	\$71,895
Scallop	\$18,928	\$29,538	\$3,139	\$51,605
Snowy River (Bait)	\$416	\$0	\$75	\$491
Sydenham Inlet (Bait)	\$416	\$0	\$83	\$499
Trawl (Inshore)	\$12,480	\$700	\$1,227	\$14,407
PPB/WP	\$9,984	\$3,604	\$62,346	\$75,934
Wrasse (Ocean)	\$6,032	\$227	\$882	\$7,141
Fish Receivers (Abalone)	\$1,872	\$131	\$0	\$2,003
Fish Receivers (Sc7,717)	\$5,426	\$2,427	\$0	\$7,853
TOTAL	\$801,676	\$538,130	\$870,799	2,210,605

Note 1: including subsidy

Figure 1 shows the breakdown of full recovery of attributable costs for each of the top 10 fisheries and accounts for 97% of total cost recovery. (This figure is a comparison of the top 10 fisheries as a percentage of the combined total of the top 10 fisheries.)

Figure 1: Total Recoverable Costs Breakdown (2006/07) (ordered in rank)



Increases in Combined Levies

Nine of the 26 fisheries licence categories will experience a real increase in FMS levies (accounting for a 2.5% increase due to inflation); of these, only four licence categories will experience an increase in FMS levies over 10%.

The increases have been due to a combination of increases in compliance or research expenditure and/or decreases in the number of licences within a sector or that the previous year was a very low base. Table 8 below details those fisheries and the reasons for the increase.

Table 8: Reasons for increases in combined FMS levies 2006/07 by sector.

Fishery	% increase	Contributing factors (total sector increases in recoverable costs)
Abalone (C)	2.7%	\$10,485 (5%) increase in research
Abalone (E)	8.0%	\$14,322 (11%) increase in research
Abalone (W)	8.5%	\$11,142 (13%) increase in research
Gippsland Lakes Mussels	12.7%	\$370 increase in compliance
Mallacotta LL (Bait)	8.6%	\$144 increase in compliance
PPB (Mussel)	13%	\$61 increase in compliance
Purse Seine (PPB)	33.1%	\$147 increase in compliance
Giant Crab	90%	\$9,466 increase in research from a low base of \$1,094 in 2005/06. Part of Rock Lobster stock assessment costs are now apportioned to Giant Crab.

Basis for Proposed Fees and Levies

Proposed Changes in Fisheries Management Services Levies

Allocating Fisheries Management Services Levies

The allocation of FMS levies to the various sectors within the industry has been based on data collected by the FACS and relates to expenditure that took place in 2006/07. The proposed levies may be greater or less than the current set of levies outline in Schedule 12 of the *Fisheries Regulations 1998* and are a reflection of expenditure patterns that occurred.

Setting Individual Licence Holder Levies

The method of setting levies for individual licence holders within a particular fishery has been done in a variety of ways. These methods have been agreed to by the FCRSC as they reflect more appropriately how the benefits are received by those participating in a fishery. These methods include the following:

- Allocating levies by dividing current licence holders in a particular fishery by the total amount to be recovered. This method has been used in the input controlled fisheries (finfish fisheries) and the two fish receivers categories.
- Allocating a standard management levy to account for the fact that all access licence holders are operating in a regulated framework and are required to contribute to its management.
- Allocating levies on a per quota unit basis. This method has been used in the abalone fisheries (three zones) and the giant crab fishery as it is considered more equitable to allocate costs according to the amount of quota held by a licence holder. The greater the quota held, the greater the benefits flowing to that licence holder due to expenditure on fisheries management, compliance and research activities, such as management plan implementation, on-board inspections and abalone stock assessment.
- Allocating compliance and research FMS levies on a per kilogram basis and the number of lobster pots. This has been used for the rock lobster fisheries (two zones). The rationale for this approach is the same as for the abalone fishery, but also includes the number of pots held by the licence holder as this increases the catching capacity of the licence holder and, therefore, a greater benefit flows to those licences with more pots. The current Rock Lobster Management Plan has decreed that two-thirds of the amount recoverable be based on quota units and one-third based on pot entitlement. Such FMS activities include management plan implementation, on-board inspections and rock lobster stock assessment.

Proposed Fisheries Research and Development Corporation (FRDC) Levy

DPI collects levies on behalf of the Federal Government for the FRDC. The proposed changes in the FRDC levy for the wild catch sector reflect the recommendation of the *Review of Fisheries Levy Administration (Department of Primary Industries, 2003)*, which stated that the levy should be linked to the gross value of product (GVP) of each fishery. The GVP has been averaged over the past 3 years 2003/04-2005/06.

The total amount of funds raised through this levy (\$204,218) is equal to approximately 0.25% of total averaged combined fisheries GVP⁶ of \$81.69 million (averaged 2003/04 – 2005/06), according to the guidelines set out in the Commonwealth *Primary Industries and Energy Research and Development Act 1989*. The total FRDC research budget is in the order of 1% of national fisheries GVP, with the Commonwealth and State governments contributing around 75% of the resources for the FRDC. The FRDC levy has increased from last year by \$12,376 or 6%.

The FCRSC has agreed to this method for all except two groups of fisheries: Ocean and Bait. Both these groups of fisheries have numerous sub-sectors; their GVPs have been combined to ascertain the group FRDC charge. This charge has been distributed amongst respective licence holders within each group on an equal basis. The Ocean category (Ocean Fishery and Purse Seine Ocean) has a general levy of \$15 per licence holder and the Bait category (Bait (general), Gippsland Lakes, Gippsland Lakes Mussel, Lake Tyers, Mallacoota Lower Lake, Snowy River and Sydenham Inlet) has a general levy of \$21 (see Table 13).

⁶ The most recent 3 years GVP data has been used as 2006/07 GVP data will not be available until November/December 2007.

In order to ensure that this total amount collected is proportionally allocated across all other fisheries, the FRDC levy for individual licence holders will be charged according to the individual fishery GVP. Those sectors that have the largest GVP (e.g. abalone and rock lobster) have a tendency to benefit more from FRDC research due to the fact that more research is done on the valuable fisheries in order to ensure sustainability into the future and to maximise the potential of the fishery to increase its value and contribution to the economy. Industry receives the benefits of this research by having access to world class fisheries knowledge.

Proposed Increase in Jellyfish Fishery Development Levy

Proposed regulation 26 (old 617C) "Levy on general permits for a developmental jellyfish fishery" specifies the amount to be paid for permits in this fishery. The levy is to increase to \$11,010 or 2.5%. (corresponding with Treasurer's approved annual rate of increase of statutory fees and charges). This is equivalent to 999 fee units.

Proposed Increase in Banded Morwong Development Levy

Proposed regulation 25 (old 617B) "Levy on general permits for the Banded Morwong fishery" specifies the amount to be paid for morwong fishing. This levy will increase to \$2,199 or 2.5%. (corresponding with Treasurer's approved annual rate of increase of statutory fees and charges). This is equivalent to 199.5 fee units.

Proposed New Urchin Fishery Development Levy

Proposed regulation 27 (old 617D) "Levy on general permits for the urchin developing fishery" specifies the amount to be paid for either a one year or three year permit in this fishery. This levy will increase for a one year permit levy to \$991 or a three year permit levy to \$1,651 or 2.5%. (corresponding with Treasurer's approved annual rate of increase of statutory fees and charges). This is equivalent to 89.1 fee units and 149.8 fee units respectively.

Proposed Increase in the Peak Body Levy

The proposed increase of 2.5% in the peak body (Seafood Industry Victoria) levy corresponds with the Treasurer's approved annual rate of increase of statutory fees and charges (i.e. an adjustment for inflation).

This adjustment for inflation is necessary to ensure that the peak body can continue to provide the same level of services to licence holders; it is not an increase in budget in real terms. The peak body has an important role to play in representing industry interests and participating in the fisheries co-management framework

Impact of Proposed Fees and Levy Changes

Changes to the FMS levies reflect full recovery of attributable costs associated with each licence category. Changes to the FRDC levy reflect changes to the 3 year average (2003/04 - 2005/06) GVP data. Further, the peak body levy has been increased in line with inflation for all Access Licences.

The peak body levy applicable to abalone licence holders will also increase in line with the amounts set out in table 9 which are in accordance with the recommendations from industry representatives on the FCRSC.

The proposed changes to the FMS levies are expected to have a number of effects on key elements of each sector which are discussed in table 9.

Table 9: Potential Impacts on Key Sectoral Aspects

Sectoral Aspect	Effect
Number of fishing enterprises remaining in fishery	No active licence holder is expected to leave industry (based on previous years experience). Fall in number of licence holders in the past has been due to industry restructuring. Six categories of licence have levy increases greater than 20%. A vast majority have increases of less than \$1,000.
Catch rates and resource management	Catch rates depend on the long term sustainability of the stock which are managed through input or output controls.
Profit margins	Buyers market created through wholesalers and provedores and exchange rates movements. These influence beach prices received by fishers. The average burden of levies is around 5% of gross revenue. The tax deductibility of fishery levies would decrease the real effect on margins.
Turnover	Dependent on catch.
Levies as % of industry turnover	Levies as a proportion of GVP are reasonably stable ranging from 9% to 10%. This range has been experienced over the last 3 years.
Investment in capital stock	The process of FMS levy and other levy imposition is well known in industry and, hence, proposed investment and forward budgeting would take this into account.
Employment	Possible short-term loss of part-time employment (deck hands) if margins (after the payment of levies) are decreased significantly. Long term stability in employment given the underlying biological sustainability of the fisheries.

In terms of the burden on individual fisheries, the impact of the proposed FMS levies as a percentage of GVP (3 year average) range from 1.1% to 76.1% with an average of 2.7% across all the fisheries (see Table 10). This has decreased slightly from last year when the average was 3.2% (see Table 11). Fifteen sectors (60% of all sectors) have a gross burden of less than 5%. Those burdens above 10% have extremely low GVPs revealing very little fishing activity in the sector for the past 3 years.

Table 10: Total FMS Levies as a Percentage of average GVP

Fishery	Total FMS Levies	GVP (3 year average)*	% of GVP
Abalone (WZ)	\$227,229	\$13,211,441	1.7%
Abalone (CZ)	\$637,140	\$24,082,658	2.6%
Abalone (EZ)	\$588,122	\$19,168,785	3.1%
Bait	\$4,178	\$35,826	11.7%
Corner Inlet	\$27,719	\$1,890,697	1.5%
Eel (type A)	\$8,758	\$807,378	1.1%
Giant Crab	\$8,673	\$557,052	1.6%
Gippsland Lakes	\$15,376	\$918,201	1.7%
Gippsland Lakes (Bait)	\$3,184	\$262,323	1.2%
Gippsland Lakes (Mussel)	\$496	\$652	76.1% ⁷
Lake Tyers (Bait)	\$628	\$2,071	30.3% ⁷
Mallacoota LL (Bait)	\$537	\$3,311	16.2% ⁷
Ocean (incl. Purse Seine (Ocean))	\$65,525	\$1,673,724	3.9%
PPB (Mussel Bait)	\$271	\$1,099	24.6% ⁷
Purse Seine (PPB)	\$394	\$0	n/a
Rock Lobster (WZ)	\$366,309	\$12,643,887	2.9%
Rock Lobster (EZ)	\$96,081	\$1,722,591	5.5%
Scallop	\$51,605	\$623,286	8.2%
Snowy River (Bait)	\$491	\$36,031	1.2%
Sydenham Inlet (Bait)	\$499	\$40,061	1.2%
Trawl (Inshore)	\$14,407	\$592,167	2.4%
PPB/WP	\$75,934	\$2,987,824	2.5%
Wrasse (Ocean)	\$7,141	\$425,952	1.7%
Fish Receivers (Abalone)	\$2,003	n/a	n/a
Fish Receivers (Scallop)	\$7,853	n/a	n/a
Average			2.7%

* 3 year average 2003/04-2005/06.

Table 11 below summarises this impact to show groupings of fisheries. Several bait fisheries (Bait General, Gippsland Lakes Mussels, Lake Tyers Bait, Mallacotta LL Bait) and Port Phillip Mussel have high proportions due to very low values of GVP. The Scallop fishery also reveals a higher than average impact of due to reduced levels of production in 2006/07.

Table 11: Fisheries Management Services Levies (at full cost recovery – 2002/03 – 2006/07) as a Percentage of Fishery GVP 2002/3 to 2006/7

Levies Collected	2004	2005	2006	2007	2008
Fishery	2002/ 03	2003/ 04	2004/05	2005/06	2006/07
Abalone	3.4%	4.1%	3.0%	4.5%	2.5%
Rock Lobster	3.1%	4.1%	3.9%	4.0%	4.4%
Ocean	2.1%	6.2%	7.8%	3.5%	3.8%
Corner Inlet	1.1%	1.0%	0.9%	2.3%	2.1%
PPB/WP	2.2%	2.2%	2.3%	3.6%	3.4%
Gippsland Lakes	1.2%	1.2%	2.8%	2.7%	2.3%
Bait	6.6%	74.8%	18.0%	3.4%	12.0%
Giant Crab	3.2%	3.5%	1.3%	1.4%	1.5%
Trawl	4.2%	5.0%	9.3%	8.9%	2.4%
Scallop	9.1%	30.5%	30.1%	12.5%	8.8%
Eel	5.7%	5.4%	28.2%	4.4%	1.1%
Wrasse (Ocean)	0.4%	3.3%	0.5%	5.8%	1.6%
Average	3.3%	4.1%	3.4%	3.2%	2.7%

Note: 2006/07 has used a floating 3 year average (2003/04 – 2005/06)

⁷ Very little production was carried out

Table 12 shows the proposed FMS levies compared to those collected in 2007 (for the 2005/06 expenditure period).

Table 12: Proposed FMS Levies compared to those collected in 2007

Category of Licence (FAL/AL)	Management FMS Levy		Compliance FMS Levy		Research FMS Levy		TOTALS	
	2007	2008	2007	2008	2007	2008	2007	2008
Abalone (WZ) Quota Unit	\$302	\$173	\$289	\$178	\$283	\$321	\$874	\$672
Abalone (WZ) Fishery Access Licence	\$2,054	\$2,105					\$2,054	\$2,105
Abalone (CZ) Quota Unit	\$304	\$229	\$319	\$266	\$283	\$298	\$906	\$793
Abalone (CZ) Fishery Access Licence	\$2,054	\$2,105					\$2,054	\$2,105
Abalone (EZ) Quota Unit	\$456	\$444	\$494	\$415	\$283	\$314	\$1,233	1,173
Abalone (EZ) Fishery Access Licence	\$2,054	\$2,105					\$2,054	\$2,105
Bait	\$208	\$208	\$2	\$20	\$39	\$4	\$249	\$232
Corner Inlet	\$192	\$208	\$143	\$34	\$1,592	\$1,298	\$1,927	\$1,540
Eel (type A)	\$303	\$208	\$556	\$186	\$69	\$93	\$928	\$487
Giant Crab	\$231	\$208	\$3.45 per quota unit	\$22.00 per quota unit			\$231 plus variable	\$208 plus variable
Gippsland Lakes	\$318	\$208	\$177	\$195	\$1,503	\$1,135	\$1,998	\$1,538
Gippsland Lakes (Bait)	\$262	\$208	\$19	\$56	\$39	\$54	\$320	\$318
Gippsland Lakes (Mussel)	\$217	\$208	\$2	\$39	\$1	\$1	\$220	\$248
Lake Tyers (Bait)	\$208	\$208	\$0	\$0	\$39	\$1	\$247	\$209
Mallacoota LL (Bait)	\$208	\$208	\$0	\$57	\$39	\$3	\$247	\$268
Ocean	\$210	\$208	\$8	\$7	\$7	\$12	\$225	\$227
PPB (Mussel Bait)	\$208	\$208	\$0	\$61	\$39	\$2	\$247	\$271
Purse Seine (Ocean)	\$413	\$208	\$191	\$47	\$7	\$12	\$611	\$267
Purse Seine (PPB)	\$250	\$208	\$39	\$186	\$7	\$0	\$296	\$394
Rock Lobster (WZ)	\$909	\$844	\$47.90 per quota unit	\$51.81 per quota unit	\$18.28 per pot	\$19.77 per pot	\$909 plus variable	\$844 plus variable
Rock Lobster (EZ)	\$422	\$470	\$21.89 per quota unit	\$28.60 per quota unit	\$5.20 per pot	\$6.72 per pot	\$422 plus variable	\$470 plus variable
Scallop	\$388	\$208	\$488	\$325	\$7	\$80	\$883	\$613
Snowy River (Bait)	\$208	\$208	\$0	\$0	\$39	\$37	\$247	\$245
Sydenham Inlet (Bait)	\$208	\$208	\$0	\$0	\$39	\$41	\$247	\$249
Trawl (Inshore)	\$214	\$208	\$40	\$12	\$10	\$20	\$264	\$240
PPB/WP	\$223	\$208	\$435	\$75	\$1,376	\$1,299	\$2,034	\$1,582
Wrasse (Ocean)	\$253	\$208	\$8	\$10	\$19	\$30	\$280	\$248
Fish Receivers (Abalone)	\$198	\$208	\$125	\$15	\$0	\$0	\$323	\$223
Fish Receivers (Scallop)	\$225	\$319	\$249	\$143	\$0	\$0	\$474	\$462

Note: small \$ amounts are due to some research being distributed by GVP.

Table 13: Proposed Changes in Other Levies Compared to 2007 Levies

Category of Licence (FAL/AL)	FRDC Levy		Peak Body Levy		FMS Levies		TOTALS	
	Licensing Year	2007	2008	2007	2008	2007	2008	2007
Abalone (WZ)	\$85 per QU	\$96 per QU	\$51 plus \$338 per QU ¹	\$52 plus \$346 per QU ¹	\$2,054 plus \$874 per QU	\$2,105 plus \$672 per QU	\$2105 per FAL plus variable amount based on Abalone quota units held	\$2157 per FAL plus variable amount based on Abalone quota units held
Abalone (CZ)	\$85 per QU	\$96 per QU	\$51 plus \$315 per QU	\$52 plus \$368 per QU	\$2,054 plus \$906 per QU	\$2,105 plus \$793 per QU	\$2105 per FAL plus variable amount based on Abalone quota units held	\$2157 per FAL plus variable amount based on Abalone quota units held
Abalone (EZ)	\$85 per QU	\$96 per QU	\$51 plus \$51 per QU	\$52 plus \$52 per QU	\$2,054 plus \$1,233 per QU	\$2,105 plus \$1173 per QU	\$2105 per FAL plus variable amount based on Abalone quota units held	\$2157 per FAL plus variable amount based on Abalone quota units held
Bait	\$19	\$21	\$345	\$354	\$249	\$232	\$613	\$607
Corner Inlet	\$235	\$263	\$345	\$354	\$1,927	\$1,540	\$2,507	\$2,157
Eel (type A)	\$77	\$112	\$345	\$354	\$928	\$487	\$1,350	\$953
Giant Crab	\$50	\$41	\$345	\$354	\$231 plus \$3.45 per QU	\$208 plus \$22 per QU	\$626 plus \$3.45 per QU	\$603 plus \$22 per QU
Gippsland Lakes	\$232	\$230	\$345	\$354	\$1,998	\$1,538	\$2,575	\$2,122
Gippsland Lakes (Bait)	\$19	\$21	\$258	\$264	\$320	\$318	\$597	\$603
Gippsland Lakes (Mussel)	\$19	\$21	\$345	\$354	\$220	\$248	\$584	\$623
Lake Tyers (Bait)	\$19	\$21	\$258	\$264	\$247	\$209	\$524	\$494
Mallacoota LL (Bait)	\$19	\$21	\$258	\$264	\$247	\$268	\$524	\$553
Ocean	\$17	\$15	\$345	\$354	\$225	\$227	\$587	\$596
PPB (Mussel Bait)	\$19	\$21	\$258	\$264	\$247	\$271	\$524	\$556
Purse Seine (Ocean)	\$17	\$15	\$345	\$354	\$611	\$267	\$973	\$636
Purse Seine (PPB)	\$0	\$0	\$345	\$354	\$296	\$394	\$641	\$748

Table 13: Proposed Changes in other Levies Compared to 2007 Levies (Continued)

Category of Licence (FAL/AL)	FRDC Levy		Peak Body Levy		FMS Levies		TOTALS	
	Licensing Year	2007	2008	2007	2008	2007	2008	2007
Rock Lobster (WZ)	\$372	\$372	\$345	\$354	\$909 \$47.90 per quota unit \$18.28 per pot	\$844 \$51.81 per quota unit \$19.77 per pot	\$1,626 plus variable amount	\$1,570 plus variable amount
Rock Lobster (EZ)	\$97	\$92	\$345	\$354	\$422 \$21.89 per quota unit \$5.20 per pot	\$470 \$28.60 per quota unit \$6.72 per pot	\$864 plus variable amount	\$916 plus variable amount
Scallop	\$25	\$17	\$345	\$354	\$883	\$613	\$1,253	\$984
Snowy River (Bait)	\$19	\$21	\$258	\$264	\$247	\$245	\$524	\$530
Sydenham Inlet (Bait)	\$19	\$21	\$258	\$264	\$247	\$249	\$524	\$534
Trawl (Inshore)	\$18	\$25	\$345	\$354	\$264	\$240	\$627	\$619
PPB/WP	\$147	\$156	\$345	\$354	\$2,034	\$1,582	\$2,526	\$2,092
Wrasse (Ocean)	\$17	\$15	\$345	\$354	\$280	\$248	\$642	\$617
Fish Receivers (Abalone)	n.a	na	\$3,759	\$3,853	\$323	\$223	\$4,082	\$4,076
Fish Receivers (Scallop)	n.a	na	\$677	\$694	\$474	\$462	\$1,151	\$1,156

¹. QU = Abalone Quota Unit (Blacklip and greenlip)

Table 14 below compares total levies (FMS levies, FRDC and peak body) paid for each industry licence category compared to average GVP (2003/04 – 2005/06) and average gross revenue (average GVP). Those fisheries that have had generated average incomes of \$20,000 or more have a gross burden of under 7%. Where the gross burden is over 10% (three fisheries have burdens over 40%) the sector GVPs have been extraordinarily low with average GVP per licence holder being less than \$7,000. While the burden is high the absolute level of the FMS levies are low (taking into account the \$200 base rate charge).

Table 14: Comparison of total Levy Burden on average gross revenue

Category of Licence	No. of Licences	Average GVP	Levies % of GVP	Av GVP Per Licence
Abalone FAL (WZ)	14	\$13,211,441	2.8%	\$943,674
Abalone FAL(CZ)	34	\$24,082,658	4.0%	\$708,313
Abalone FAL(EZ)	23	\$19,168,785	3.5%	\$833,425
Bait	18	\$35,826	29.3%	\$1,990 ^s
Corner Inlet	18	\$1,890,697	2.7%	\$105,039
Eel FAL (type A)	18	\$807,378	2.1%	\$44,854
Giant Crab	34	\$557,052	3.9%	\$16,384
Gippsland Lakes	10	\$918,201	3.0%	\$91,820
Gippsland Lakes (Bait)	10	\$262,323	2.4%	\$26,232
Gippsland Lakes (Mussel Dive)	2	\$652	182.5%	\$326 ^s
Lake Tyers (Bait)	3	\$2,071	67.7%	\$690 ^s
Mallacoota Lower Lake (Bait)	2	\$3,311	31.9%	\$1,656 ^s
Ocean (including Purse Seine-Ocean)	288	\$1,673,724	10.1%	\$5,812
Port Phillip Bay (Mussel Bait)	1	\$1,099	48.2%	\$1,099 ^s
Purse Seine (PPB)	1	\$0	n/a	\$0
Rock Lobster (WZ)	85	\$12,643,887	3.5%	\$148,752
Rock Lobster (EZ)	47	\$1,722,591	7.0%	\$36,651
Scallop FAC	91	\$623,286	14.2%	\$6,849 ^s
Snowy River (Bait)	2	\$36,031	3.5%	\$18,016
Sydenham Inlet (Bait)	2	\$40,061	2.8%	\$20,031
Trawl (Inshore)	60	\$592,167	5.3%	\$9,869
PPB/WP	48	\$2,987,824	4.2%	\$62,246
Wrasse (Ocean)	29	\$425,952	4.3%	\$14,688

There are several fisheries that have only generated an average income of less than \$5,000 due to low fishing activity or the degree of non-performing licences. In these cases the levies represent a higher proportion of GVP.

^s Very low individual average gross revenue due to extremely low production and / or latent effort (non-performing licences)

Cost Benefit Analysis

Economic Benefits and Costs of the Proposed Regulation

The measure of benefits and costs of the proposed regulation will be compared to the base case in which FMS levies remain at their current levels, based on expenditure carried out in 2005/06. The discrepancies in the amount of applicable levies would therefore be paid for by general taxation leading to subsidisation and inefficiencies.

The potential economic benefits associated with the proposed changes in the FMS levies (to recover full attributable costs) can be summarised as:

- increased economic efficiency through the recognition of the true costs associated with harvesting fisheries resources;
- increased industry participation in determining FMS delivery to industry; and
- increased efficiency in delivering and monitoring FMS.

The incorporation of costs associated with delivering FMS to various beneficiaries, who carry out commercial fishing activities, will ensure that there are no artificial (subsidised) cost structures imbedded in fishing enterprise accounts. Direct subsidies may lead to over-investment and/or the inefficient use of capital.

This process has been gradually introduced since the beginning in 2004. The industry has had this time to incorporate full recovery of attributable costs into its forward budgeting and ensure that efficiency gains are encouraged. The industry has not been substantially altered due to these extra costs; however, some licence holders (mainly latent or non-performing licence holders) have decided not to renew (such as with ocean fishery access licences, which are non-transferable). Many of these licence holders hold other licences which are productively fished and, therefore, have not left the industry.

The FCRSC is composed of an industry-appointed expert and representatives from the main wild fishery sectors (abalone, rock lobster and finfish) and DPI.

The FCRSC has a key role to play in facilitating the efficient delivery of fisheries management, compliance and research activities carried out by DPI. The FCRSC has been examining costs associated with these services and assisting DPI in identifying areas that need attention in order to achieve best practice fisheries administration.

As a consequence of the facilitative role played by the FCRSC, the process of implementing cost recovery has been transparent and accountable to licence holders. The FCRSC has contributed to the development of a more robust process whereby FMS costs within each sector are analysed and the reasons for changes articulated. The FCRSC has arranged industry briefings whereby licence holders are presented with an overview of the cost recovery process.

The economic costs associated with changes in fisheries management levies could be a short-term increase in enterprise costs and decreased margins. These short-term changes occur as an industry adjustment process takes place to internalise the new costs and as enterprises strive for greater efficiency.

As cost structures change for the licensed producer (fish harvester), affected parties downstream of the fishing industry, such as seafood consumers, may also experience an increase in the cost of seafood products. The final price for seafood is usually determined by the wholesaler (i.e. it is a buyers market) and final costs to consumers would not be overly influenced by harvesters licensing fees.

Social Benefits and Costs of the Proposed Regulation

The social costs associated with any increases in fisheries management levies may be in the form of a loss in short-term and part-time regional employment opportunities as the industry adjusts to the new enterprise cost structures in terms of licence fees.

Environmental Benefits and Costs of the Proposed Regulation

The environmental benefits and costs associated with increased levies imposed on commercial licence holders stems from the increased financial contribution towards fisheries management costs by industry. Potential benefits and costs include:

- Greater industry-wide understanding of other competing policy considerations under the objectives provision of Part 6 (Co – Management) of the Fisheries Act in terms of ecological sustainability versus increases in production;
- Adverse impact on the eco-system due to increased fishing intensity (possible increases in by-catch and/or other ecological disturbance) required for operators to cover increased costs;
- Continuing and increased co-investment by industry (via a dedicated fund from Seafood Industry Victoria) in abalone research and resource sustainability initiatives; and
- Greater engagement by industry in setting fisheries eco-system research priorities (due to the imposition of a research levy) and in greater adoption of research outcomes that contribute towards long term environmental sustainability.

Administrative Costs of the Proposed Regulation

The administrative costs associated with the proposed Regulations are similar to those associated with the existing Regulations. It is therefore considered that the proposed **Fisheries (Fees, Levies and Royalties) Regulations 2008** will not lead to a material change in the administrative burden. The process of achieving full recovery of attributable cost has been in place for the last three years, and administrative structures are in place to facilitate these regulations. Albeit, setting levies on a 3-year rather than a 1-year cycle would reduce administrative costs to Government.

Compliance Costs of Proposed Regulation

No significant compliance costs are associated with the proposed changes to the Regulations. Annual itemised licence renewal notices are sent to licence holders via a computerised invoicing system. The licence renewal period commences on 1 April each year and extends for 12 months. A licence holder must pay the prescribed levies to get a renewal of the fishing licence (re-issue of a permit) and cannot partake in commercial fishing activity until all fees and levies have been paid.

Comparison of Costs and Benefits

A summary of the costs and benefits associated with the proposed Regulations is presented in Table 15.

Table 15: Costs and Benefits of the Proposed Regulations

Proposed Regulation	Costs	Benefits
Change in the amount paid for particular classes of levy by licence holders.	<p>Each FMS levy (management, compliance and research) will vary to reflect the change in expenditure patterns for 2006/07.</p> <p>Expenditure patterns on various sectors of the industry vary from year to year as special projects or regulatory requirements are met and, hence, levies will rise or fall accordingly.</p> <p>The FRDC levy will increase/decrease depending on the change in GVP from 2005/06.</p> <p>The peak body levy will change in line with annual CPI increases.</p>	<p>Increased efficiency of fishing enterprise by the acknowledgment of the true costs associated with harvesting activity.</p> <p>Moderate to substantial long-term social benefit through the recovery of public expenditure that is expended for the benefit of private beneficiaries.</p> <p>A greater involvement by industry through the FCRSC to ensure that the delivery of FMS is efficient and timely and achieving fisheries management best practice.</p> <p>Industry identifying priorities for research and management for their benefit.</p> <p>Delivers transparency and accountability in the delivery of cost effective fisheries management services by government.</p>

The benefits associated with the proposed changes in FMS levies outweigh the costs due to the more transparent indication of the true cost of doing business. Greater internal enterprise efficiencies will be motivated by a desire to stabilise profit margins. Failure to reflect true costs in FMS levies would lead to a distortion in the allocation of public funds away from areas that are more productive, or have a greater importance in terms of public policy.

A proportion of access licence holders are regionally based, small fishing business enterprises (especially those involved in the bays and inlet, eel and bait fisheries). The financial impact of the changes in FMS levies has been ameliorated due to the inclusion of a base rate of \$200 for all licence holders. This spreads the costs of fisheries management more equitably across all licence holders.

Identification of Practical Alternatives and Their Costs and Benefits

The application of full recovery of attributable costs is an agreed national approach under the NCP. Each fishery jurisdiction in Australia has either moved, or is in the process of moving, to this approach. This process is also happening around the world as the issues of cross-subsidisation and ecological sustainability become more critical.

The use of a cost recovery framework, rather than a resource rental framework, to achieve these aims is preferred as it more clearly links the beneficiary with a specific service levy, which can be analysed in terms of direct activities carried out by the fishery agency. Since the resource rental framework is not a cost recovery mechanism, but a royalty mechanism associated with the access to public resources, it is more appropriate to recover costs through explicit levies.

There are two alternatives to raising the levies to the proposed levels. These include:

- Alternative A: Reducing the delivery of non-regulated FMS and recoverable costs.
- Alternative B: Levies based on a sliding scale based on categories of production level.

Alternative A presents the capacity to reduce the delivery of non-regulated FMS, such as non-regulatory fisheries research, that directly benefit private beneficiaries. Currently, fisheries research allocated to specific sectors of the industry is recovered at 50% and levies are linked to licence categories which define these sectors. Industry will have the capacity to assist in research priority setting and forward budgets. Research areas will be agreed prior to setting appropriate levies to recover the attributed costs associated with carrying out that research. Research that is undertaken that has a total public good element (public stewardship research) is deemed non-recoverable and is paid for by the taxpayer.

In 2006/07, publicly funded fisheries research associated with the wild catch sectors amounted to \$2.68 million of which \$969,422 (36% of full cost) will be recovered through the proposed research levy. That is, 64% of fisheries research is deemed to be a public good.

The delivery of regulated FMS, on the other hand, such as fisheries management and compliance, is an essential part of the objectives of the *Fisheries Act 1995* and must be delivered to ensure the long term sustainability of the public resource and supporting ecosystems. The capacity to reduce these costs (through efficiency measures) is reviewed by the FCRSC as part of its duties in advising the Minister for Agriculture on implementing an efficient cost recovery process.

Alternative B would collect the same amount of revenue but would impose differential levies based on production and income categories within a particular sector of industry. This would require the collection and classification of production categories within each sector and applying these categories to a sliding scale of levy payment. This would increase the administrative cost burden on the cost recovery process and could skew the levy burden against the benefits received, as management services outputs affect licence holders equally, irrespective of how much they produce.

Summary of Benefits/Costs of Regulation and Alternatives

In summary, the proposed Regulations are preferable to the alternatives put forward in this RIS. The implementation of a phased cost recovery program has a net benefit in that it has allowed industry to adjust to the real costs of carrying out commercial activity and will lead to greater efficiencies. The FMS levies proposed in these regulations are set at full cost recovery levels.

Table 16 is a summary of the alternatives to the proposed approach.

Table 16: Summary of Benefits and Costs Associated with the Proposed Regulations

Proposed Regulation	Alternative A: Reducing non-regulated FMS cost by reducing the delivery of FMS	Alternative B: A sliding scale based on categories of production levels
COSTS		
<ul style="list-style-type: none"> Changes costs (increase/decrease) in FMS levy, changes to FRDC levy and increases in the peak body levy. 	<ul style="list-style-type: none"> Less research in vital areas of production and processing techniques could lead to a less efficient industry. 	<ul style="list-style-type: none"> Administrative and costs burdens on the cost recovery process. Skewing of levy payment and management services benefit received.
BENEFITS		
<ul style="list-style-type: none"> FMS levies collect the recoverable portion of FMS expenditure and reflect the costs of doing business. The FCRSC has increased the awareness of industry to the costs associated with delivering complex fisheries management services. 	<ul style="list-style-type: none"> Recoverable costs reduced by reducing the services delivered. 	<ul style="list-style-type: none"> None.

A set of criteria and weights have been developed, as shown in Table 17, to evaluate the net benefit of the changes to FMS levies against the alternatives mentioned above in relation to the objectives of the proposed regulations.

The criteria (and weights) used to assess the net benefit are:

- (i) Appropriateness of level of cost recovery achieved (weight of 40% due to importance of achieving the correct level of recovery as guided by the method of attributing costs and recovery rates);
- (ii) Efficiency of resource management achieved (weight of 40% due to equal importance of achieving efficient resource management); and
- (iii) Administrative simplicity (weight of 20% due to lesser importance than the previous two criteria).

(i) Appropriateness of the level of cost recovery achieved

The level of cost recovery achieved is dictated by the level of expenditure and associated FMS activities as revealed by the FACS (management and compliance), industry/government agreed research projects and levels of recovery. The level of recovery will change from year to year depending on expenditure patterns of the preceding financial year. The level of attributable recoverable costs calculated each year ensures that there is no cross subsidy and that the total amount recovered is equitable. The amount recovered represents 29% of total expenditure on FMS delivered to the industry.

Each of the alternatives score 1 for this criterion as FCR would be achieved. In the case of Alternative A, the actual amount recovered would be less as there would be less FMS delivered.

(ii) *Efficiency of resource management*

The costs associated with the management of fisheries (currently around 9% of GVP) are regularly reviewed to ensure that FMS are delivered in an efficient and effective manner. The outputs and outcomes of these FMS are also monitored to encourage the development of clear linkages between the services provided and the achievement of desired results. Alternative A has received a lower score than the proposal and Alternative B in that ad hoc reductions in the delivery of FMS simply to lower costs lead to sub-optimal resource management, especially via a diminished knowledge base achieved by less fisheries research. Such research includes long term fisheries habitat research and other sustainability research.

(iii) *Administrative simplicity*

The administration of the cost recovery process and the methods used for allocation of various costs are based on clear and transparent accounting principles and beneficiary allocation rules. The linkage of each activity to a recovery rate (based on the degree of embedded private benefit) ensures that the calculation of FMS levies each year are easily interrogated to reveal their micro foundations. Alternative B has received a lower score than the proposal or Alternative A in that the linkage of levies to individual licence production statistics would be administratively more complex and costly.

The proposed levies are based on costs that include the provision of discretionary non-regulatory services, such as fisheries research projects. These costs have been reviewed and agreed by the FCRSC. The proposed schedules of FMS levies is the preferred regulatory option.

Table 17: Evaluation of the Proposed Regulations versus Alternatives

EVALUATION CRITERIA		PROPOSED REGULATIONS		ALTERNATIVE A: REDUCE NON-REGULATED FMS		ALTERNATIVE B: SLIDING SCALE	
Criteria	Weight %	Assigned Score	Weighted Score	Assigned Score	Weighted Score	Assigned Score	Weighted Score
Level of cost recovery achieved	40	1	40	1	40	1	40
Resource management	40	1	40	0.5	20	1	40
Administration of levy collection	20	1	20	1	20	-1	-20
TOTAL (%)	100		100		80		60

Consultation with Industry

Industry has been consulted throughout the year as to the costs associated with delivering FMS and on how these costs should be allocated and recovered. The principal vehicle for this consultation has been through the FCRSC, which was established under a Memorandum of Understanding between Seafood Industry Victoria (the industry peak body) and the Victorian Government to facilitate the cost recovery process. The industry representatives on the FCRSC cover the three main sectors including: abalone; rock lobster; bays and inlets; and aquaculture.

Issues raised at FCRSC meetings are available to all industry licence holders by way of an FCRSC meeting summary prepared by the independent Chairperson. The FCRSC has met several times throughout 2006/7 to review the output of the FACS and FMS expenditure patterns and the associated impacts on industry sectors.

Industry representatives on the FCRSC emphasised their role in monitoring the efficacy and allocation processes of attributing the FACS recoverable costs to various sectors. The FCRSC also instigated a comprehensive independent audit of the FACS system in 2005/06 which resulted in key improvements in the cost accounting process in 2006/07.

The FCRSC support the proposed FMS levies set out in this RIS and other levies (CPI indexed) and the changes to the royalty regulations.

The FCRSC will continue to review the provision of non-regulated services (e.g. research), impacts on the wild-catch industry and the level of other fisheries management services. The FCRSC will advise the Minister for Agriculture on matters pertaining to industry costs associated with the partial recovery of FMS delivered by DPI. The process of cost recovery has made the costs associated with FMS activities more transparent and will achieve greater efficiencies in the delivery of fisheries management outcomes.

The FCRSC has assisted the DPI in preparing the proposed FMS levies for 2008, which are included in this RIS. A 4-week period of public consultation via the publication of this RIS is deemed appropriate given the broad level of industry agreement. The FCRSC will meet in late 2007 to examine responses to the RIS and advise the Minister for Agriculture on the most appropriate response. The proposed Regulations will be implemented in early 2008 for proclamation prior to 1 February 2008.

Aquaculture Sector

Summary

Victorian aquaculture is a small, but diverse industry with significant growth prospects. In 2005/06, Victoria's aquaculture industry produced 3,034 tonnes of product, valued at over \$21 million. The aquaculture sector provides direct employment for some 469 people (licence holders farm staff) and indirect employment for 1,400 people.

Under Section 43 of the *Fisheries Act 1995*, a holder of an aquaculture licence... "may do one or more of the following:

- use, form or create a habitat (whether natural, artificial or partly natural or artificial) in a specified area for hatching, rearing, breeding, displaying or growing specified fish or fishing bait for sale or other commercial purpose;
- hatch, rear, breed, display or grow specified fish or fishing bait for sale or other commercial purposes; and
- use specified commercial aquaculture equipment or use commercial aquaculture equipment generally."

The Victorian industry features seven key sectors: salmonid (trout and salmon); ornamental (aquarium fish); mussel; abalone; freshwater eel; warmwater finfish; and freshwater crayfish. In Victoria, fifteen different aquaculture species (not including ornamental fish) are produced in public waters (marine and fresh), private ponds and land-based tanks and raceways.

Schedule 12 (Table B) of Victoria's *Fisheries Regulations 1998* requires updating to reflect changes to the three FMS levies (management, compliance and research), the FRDC levy and other assorted fees and charges that are to apply from 1 April 2008 for the aquaculture industry. These changes are in line with the implementation of the full recovery of attributable costs, which has been phased from the 2004/05 licensing period.

The objectives of the proposed regulatory changes are to adjust FMS levies in accordance with cost recovery principles that ensure, as far as practicable, there is no cross subsidisation between sectors of industry, and that the allocation of attributable recoverable costs is clear and transparent.

Management, compliance and research FMS have been delivered by DPI. Those FMS that benefit the aquaculture industry are described and the costs associated with their delivery are recovered from licence holders.

Total recoverable FMS costs associated with these proposed levy changes amount to \$59,764 or 2.7% of total aquaculture program expenditure of \$2.2 million, which is associated with the delivery of fisheries management services to the various sectors of the aquaculture industry.

The fees and levies are being collected in accordance with Sections 150, 141 and 153 of the *Fisheries Act 1995*. The fees and levies will be applicable from 1 April 2008. Licences are renewed only on receipt of the licence renewal fee, FMS levies and the FRDC levy and, hence, compliance with the new regulations is expected to be high.

Objectives of Proposed Regulations

Part of the objective of the proposed *Fisheries (Fees, Royalties and Levies) Regulations 2008* (the proposed Regulations) is to amend the amount paid for each of the proposed FMS levies (management, compliance and research) applied under *Schedule 12* of the *Fisheries Regulations 1998*.

The purpose of amending the levies is to efficiently recover an appropriate proportion of costs of the costs of administering fisheries and aquaculture licences and undertaking FMS activities associated with the regulation of the sectors.

The rationale for the changes in FMS levies is to continue the phased introduction (stage three of a three-stage process for aquaculture) of the recovery of the attributable costs associated with the delivery of FMS and to link each beneficiary to these costs.

The apportionment of attributable aquaculture FMS costs to those who benefit from them is important in the development of an efficient commercial aquaculture sector and for the more appropriate allocation of public expenditure. Attributable aquaculture FMS costs are defined as the costs associated with the delivery of FMS that benefits private beneficiaries belonging to a particular aquaculture sector or sectors.

These costs have been identified and attributed through the use of the FACS, which has been implemented throughout Fisheries Victoria. The change in the total FMS levies (increase or decrease) for the licensing period beginning 1 April 2008 will fully recover attributable costs associated with the delivery of FMS in 2006/07.

Proposed New Regulations

Authorising Power and Groups Affected by Proposed Regulations

Authorising Power

The proposed Regulations will be made under section 151 and 153 of the Fisheries Act. The proposed Regulations apply to each prescribed class of licence or permit, and encompass prescribed levies at prescribed rates.

Affected Groups

Persons and groups who will be directly affected by the proposed Regulations are licence holders in the following prescribed class of licence as defined in *Schedule 12* of the *Fisheries Regulations 1998*.

- On Shore Abalone (Private Land)
- Eels (Private Land)
- Marine (Private Land)
- Ornamental (Private Land)
- Other (Private Land)
- Salmonids (Private Land)
- Warmwater finfish (Private Land)
- Yabby (Private Land)
- Yabby - Multiwaters (Private Land)
- Tourism (Private Land)
- Indoor Intensive (Private land)
- Other (Crown Land)
- Abalone (Crown Land)
- Eels (Crown Land)
- Offshore (Crown Land)
- Bivalve Shellfish (Crown Land)

Costs of Aquaculture Management Services

Total FMS Expenditure

DPI expended \$2.46 million on the aquaculture program in 2006/07, which represents approximately 8% of total expenditure on fisheries management services (FMS) (see Table 18 for a breakdown of expenditure). Of the amount spent on the aquaculture program, \$1.73 million (59%) was spent on management and compliance services and \$729,000 (31%) on research and other professional services.

Of the total aquaculture program budget, \$1.16 million (47%) was identified as industry development initiative funding (VRADP II funding) and was deemed to be non-recoverable. A further \$679,000 was deemed non-recoverable recurrent funding which was mainly expended on the Aquaculture Fisheries Reserves implementation process.

The remainder of the budget (\$621,000) was allocated in the following way:

- \$418,000 was expended on Management and Compliance FMS dedicated to the 16 aquaculture sectors
- \$15,000 on research (production bulletin); and
- \$188,000 was expended on the VSQAP⁹.

The percentage relationship between public recoverable recurrent expenditure (excludes expenditure on Aquaculture Fisheries Reserve implementation and special initiative funding which is not on-going) and the aquaculture industry average GVP (23.46 million) is around 2.6%. Recent Organisation for Economic Cooperation and Development (OECD) data suggests that this is consistent world best practice.¹⁰

⁹ Victorian Shellfish Quality Assurance Program (VSQAP) is managed by Fisheries Victoria under **Fisheries Regulations 1998** (617A). The program alerts producers of mussels about possible contamination of product following critical levels of rainfall (contaminants flushed into Port Phillip bay from stormwater)

¹⁰ Schrank, W.E., et al *The Cost of Fisheries Management*. Ashgate Publishers, 2003.

Table 18: Aquaculture Program Expenditure 2006/07

FMS Activity Fisheries Management Services	Recurrent Partially Recoverable	Recurrent Non- Recoverable	VRADP (2) ³ Industry Development Non - Recoverable	TOTAL
Management & Compliance				
Aquaculture Advisory Group			\$87,561	\$87,561
VSQAP ¹	\$188,293			\$188,293
Regional Development Officers ²			\$209,049	\$209,049
Aquaculture Management, Policy & Business	\$386,963	\$239,022	\$553,289	\$1,179,274
Catch & Effort Redevelopment	\$30,861			\$30,861
Co-management		\$37,716		\$37,716
SUB TOTAL	\$606,117	\$276,738	\$849,899	\$1,732,754
Fisheries Research				
1. PIRVic (M&FS)				
(a) Translocation Protocols			\$40,826	\$40,826
(b) Murray Darling Finfish			\$75,000	\$75,000
(c) Goulburn River Environment Capacity			\$50,000	\$50,000
(d) Integrated Aquaculture			\$21,674	\$21,674
(e) Production Statistics	\$15,375			\$15,375
Research Sub Total	\$15,375	-	\$187,500	\$202,875
2. Other Professional Services				
(f) Abalone Health Surveillance program			\$10,188	\$10,188
(g) Point Lillias & Avalon Project			\$32,010	\$32,010
(h) Abalone Health			\$9,262	\$9,262
(i) AFR related services		\$401,838	\$69,683	\$471,521
(j) Other Services			\$2,929	\$2,929
Other Professional Services Sub Total		\$401,838	\$124,072	\$525,910
SUB TOTAL	\$15,375	\$401,838	\$311,572	\$728,785
TOTALS	\$621,492	\$678,576	\$1,161,471	\$2,461,539

1. \$62,000 collected Reg 617A @ 33%
2. Service Agreement with Regions
3. VRADP (II)= Victorian Regional Aquaculture Development Program (Stage 2)

Costs associated with Management and Compliance FMS

The costs of delivering management and compliance FMS to the aquaculture industry (by licence category) in 2006/07 was in the order of \$1.1 million. These costs are shown in table 19 below. FACS identified total management and compliance costs of \$854,497 (table 19), which is more than DPI accounted expenditure of \$606,117 (table 18). The higher DPI recorded expenditure is due to the inclusion of the wages and salaries components of various non-recoverable projects and VRADP (II) (Victorian Regional Aquaculture Development Program: Stage 2).

Table 19: Total Expenditure by Aquaculture Beneficiary 2006/07

Aquaculture Sector	Management & Administration	Compliance	Aquaculture Research (Projects in brackets - refer Table 18)	TOTAL
Private Land				
1. Abalone (On Shore)	\$7,546	\$841	\$41,735 (f, g, h)	\$50,122
2. Eels	\$0	\$0	\$0	\$0
3. Marine	\$976	\$39	\$0	\$1,015
4. Ornamentals	\$12,720	\$2,325	\$0	\$15,045
5. Other	\$35,034	\$4,059	\$0	\$39,093
6. Salmonids	\$70,321	\$4,795	\$50,000 (c)	\$125,116
7. Warmwater finfish	\$28,534	\$2,223	\$96,674 (b, d)	\$127,431
8. Yabby	\$7,072	\$701	\$0	\$7,773
9. Yabby-multiwaters	\$0	\$0	\$0	\$0
10. Tourism	\$0	\$0	\$0	\$0
11. Indoor Intensive	\$0	\$0	\$40,826 (a)	\$40,826
Crown Land				
12. Other	\$0	\$0	\$0	\$0
13. Abalone	\$13,415	\$2,032	\$9,725 (f, i)	\$15,447
14. Eels	\$21,543	\$3,970	\$0	\$25,513
15. Offshore	\$100,879	\$5,412	\$0	\$106,291
16. Bivalve Shellfish	\$507,658	\$22,401	\$0	\$530,059
TOTAL	\$805,699	\$48,798	\$238,960	\$1,093,457

Costs associated with Aquaculture Research

Public fisheries research expenditure and externally supplied services for 2006/07 carried out on projects for the aquaculture industry was \$728,785. A vast majority of this expenditure (allocated to specific sectors) was non-recoverable due to the application of special initiative funding or the purpose of the research was for the establishment of Aquaculture Fisheries Reserves (AFR).

The only research project that was deemed recoverable was for the compilation of production and GVP statistics input into DPI's annual *Fisheries Production Bulletin*, at a cost of \$15,375. This research benefits the industry by providing an annual breakdown of production volumes and economic values.

Recoverable Costs associated with the Provision of FMS

The allocation of expenditure to various cost items can be achieved by linking direct (Fisheries Victoria) staff time allocation and contracted services (e.g. various research and management programs) to a list of fisheries management activities. This list of activities is linked to specific aquaculture and/or stakeholder groups.

Management and Compliance Services

Management and compliance FMS activities are delivered across all aquaculture sectors represented by licence categories. These activities have ranged from the development and implementation of fisheries management plans to the execution of compliance related programs.

Aquaculture Research

Specific aquaculture research, or research undertaken for a specific sector, is apportioned to the aquaculture sector and recovered at a standard rate of 50%. In other words, 50% of research carried out with public funds is deemed to contribute to the public good. Research funded through specific Initiative Funding Programs such as VRADP II is non-recoverable.

Fisheries research undertaken that benefits more than one private beneficiary is also collected at a rate of 50%. In 2006/07, this amounted to \$7,689 and related to the collection of industry-wide production and employment data.

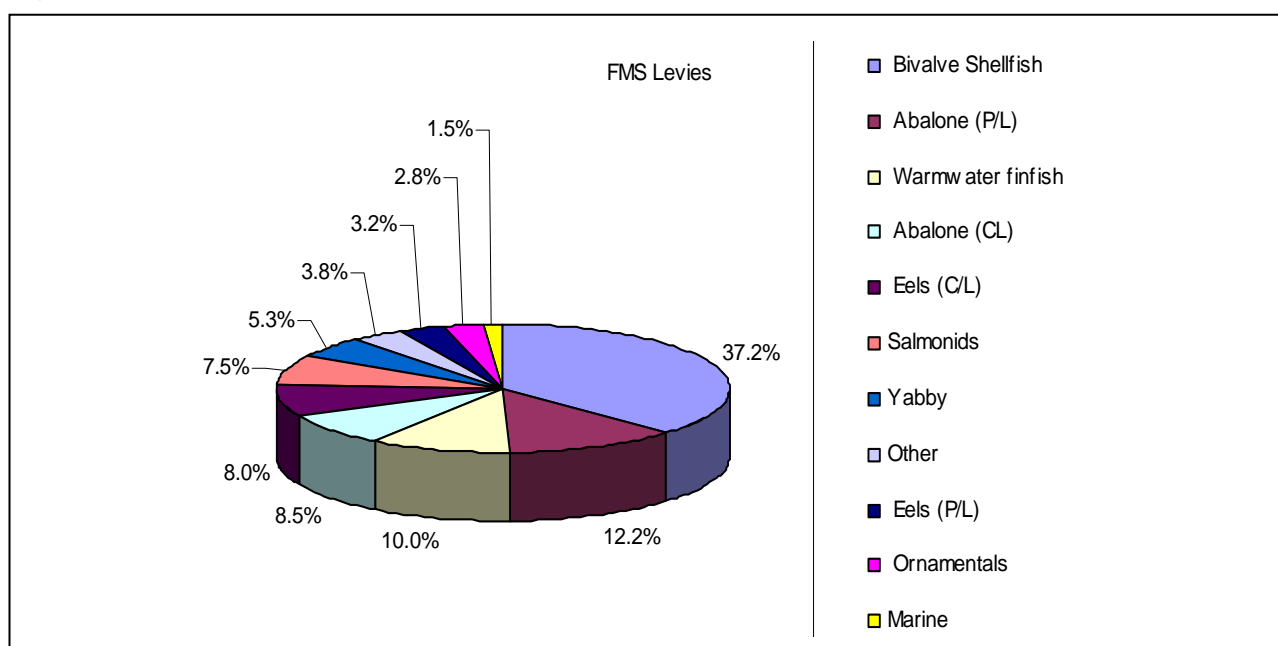
A breakdown of recoverable costs of each of the FMS categories is detailed below in table 20.

Table 20: Breakdown of Full - Attributable Recoverable Aquaculture Costs 2006/07

Aquaculture Sector	Management & Administration	Compliance	Public Research	TOTAL
Private Land				
1. On – Shore Abalone	\$241	\$307	\$313	\$861
2. Eels	\$0	\$0	\$268	\$268
3. Marine	\$132	\$16	\$134	\$282
4. Ornamentals	\$710	\$1,016	\$358	\$2,084
5. Other	\$318	\$232	\$89	\$639
6. Salmonids	\$1,074	\$751	\$1,028	\$2,853
7. Warmwater finfish	\$1,019	\$551	\$1,430	\$3,000
8. Yabby	\$404	\$255	\$939	\$1,598
9. Yabby-multiwaters	\$0	\$0	\$45	\$45
10. Tourism	\$0	\$0	\$0	\$0
11. Indoor Intensive	\$0	\$0	\$0	\$0
Crown Land				
10. Other	\$0	\$0	\$45	\$45
11. Abalone	\$619	\$558	\$492	\$1,669
12. Eels	\$1,901	\$1,822	\$492	\$4,215
13. Offshore	\$8,147	\$2,057	\$983	\$11,187
13. Bivalve Shellfish	\$6,552	\$1,515	\$1,073	\$9,140
TOTAL	\$21,117	\$9,080	\$7,689	\$37,886

Figure 2 shows the breakdown of full attributable recoverable cost for each of the eleven major aquaculture sectors as a percentage of the combined total costs of those 11 sectors.

Figure 2 Total Recoverable Costs Breakdown (2006/07) (main sectors ordered in rank)



Fisheries Research and Development Corporation (FRDC) Levy

The FRDC levy which is forwarded to Commonwealth Fisheries Research and Development Corporation to support national aquaculture research, and will remain the same as last year at \$154 per licence holder. The total amount collected will be \$24,024.

Increases in Combined FMS Levies

Three of the sixteen aquaculture licence categories will experience increases over 10% in combined FMS levies compared to 2007 levies. These increases have been caused by a drop in the number of licences held in some sectors, a CPI increase, and a shift in the delivery of FMS and research to various sectors. Table 21 details those aquaculture sectors and the reasons for the increases.

Table 21: Reasons for increases in combined FMS levies 2006/07 by sector

Aquaculture Sector	% increase	Contributing factors (total sector increase in recoverable cost)	
Ornamentals (Private land)	27%	\$440	increase in management and compliance
Offshore (Crown Land)	271%	\$8,184	increase in management and compliance
Other (Private land)	556%	\$544	increase in management and compliance from \$0 in 2005/06 (only a research levy was collected).

Basis for Proposed Fees and Levies Changes

Proposed Changes in Fisheries Management Services Levies

Allocating Fisheries Management Services Levies

The allocation of FMS levies to the various sectors within the industry has been based on data collected by the FACS and relates to expenditure that took place in 2006/07. The proposed levies may be greater or less than the current set of levies outlined in Schedule 12 of the *Fisheries Regulations 1998* and are a reflection of the actual expenditure patterns that occurred. Expenditure patterns (allocated to FMS activities and beneficiaries) will necessarily change from year to year as the level of services delivered each year vary.

Setting Individual Licence Holder Levies

The method of setting levies can be done in a variety of ways: from a simple division equally amongst current licence holders, to a mix of variable (based on area under cultivation) and fixed amounts for each licence holder. In the case of the aquaculture industry, levies will generally be set according to the number of licence holders in a particular licence category (relating to a particular sector). In this way, each licence holder pays the same amount, irrespective of his or her individual production and income. The exception to this is the proposed marine aquaculture fisheries reserves maintenance levy, which will include a variable for area licensed.

Proposed Fisheries Research and Development Corporation (FRDC) Levy

According to the Commonwealth *Primary Industries and Energy Research and Development Act 1989*, up to a maximum of 0.25% of industry GVP can be collected and contributed to the FRDC research budget. The Commonwealth Government contributes 0.5% of industry GVP automatically and then matches industry contribution. The maximum amount of FRDC funding, therefore, is equivalent to 1% of industry GVP. In other words, for every dollar an industry contributes, the Commonwealth contributes three dollars.

Industry was unable to reach consensus on whether to allocate levies on a sectoral basis or across the whole industry. As a consequence, the FRDC levy will remain the same as last year in real terms (i.e. it will increase with inflation to \$158 per licence).

This will mean that industry's contribution (0.1%) is less than the maximum allowable contribution of 0.25%. This could lead to a reduction in FRDC funding for aquaculture projects related to the Victorian industry in the future.

Impact of Proposed Fees and Levy Changes

Changes to the FMS levies reflect full recovery of attributable costs associated with each licence category.

The proposed increase to the FMS levies are expected to have the following effects on key elements of each sector as outlined in table 22.

Table 22: Potential Impacts on Key Sectoral Aspects

Sectoral Aspect	Effect
Number of aquaculture enterprises remaining in industry	It is not expected that any licence holder will leave the industry as it has undergone a restructuring in recent years as non-performing or latent licences have left the industry. While some sectors will experience relatively large increases in levies, they are increasing from a very low base. Most combined levies are less than \$1,000 and the impact on operators' costs (given the tax deductibility nature) is expected to be manageable.
Prices	A buyers' market has been created through wholesalers and provedores and exchange rate movements. These influences dictate prices received by aquaculturalists.
Turnover	Dependent on production.
Fees as % of turnover	Levies as a proportion of GVP range from 0.1% to 12.5%.
Investment in capital stock	Process of FMS levy introduction over a 3-year phase in period is well known in industry and, hence, proposed investment would take this into account.
Employment	Possible short-term loss of part-time employment if profit margins (after the payment of levies) are decreased significantly. Long term growth predicted for the industry as aquaculture takes a larger market segment for fish products.

Tables 23 outlines the total FMS levies proposed to be applicable in 2008. Table 24 documents average GVP (2003/04 – 2005/06) per sector, FMS levies as a percentage of GVP, and average GVP per licence. Total FMS levies as a percentage of sector GVP ranges from 0.1% to 12.5 %.

Table 23: Total FMS Levies Paid in 2007 and Proposed for 2008

Category of Aquaculture Licence	Management FMS Levy		Compliance FMS Levy		Research FMS Levy		TOTALS		
	Licensing Year	2007	2008	2007	2008	2007	2008	2007	2008
Aquaculture Private Land									
On-Shore Abalone	\$935	\$34	\$466	\$44	\$48	\$45	\$1,449	\$123	
Eels	\$421	\$0	\$162	\$0	\$48	\$45	\$631	\$45	
Marine	\$194	\$44	\$59	\$5	\$48	\$45	\$301	\$94	
Ornamentals	\$71	\$89	\$87	\$127	\$48	\$45	\$206	\$261	
Other	\$0	\$159	\$0	\$116	\$48	\$45	\$48	\$320	
Salmonids	\$98	\$47	\$19	\$33	\$48	\$45	\$165	\$125	
Warmwater finfish	\$113	\$32	\$44	\$17	\$48	\$45	\$205	\$94	
Yabby	\$49	\$19	\$15	\$12	\$48	\$45	\$112	\$76	
Yabby-multiwaters	\$79	\$0	\$16	\$0	\$48	\$45	\$143	\$45	
Tourism	\$98	\$0	\$19	\$0	\$48	\$45	\$165	\$45	
Indoor Intensive	\$113	\$0	\$44	\$0	\$48	\$45	\$205	\$45	
Aquaculture Crown Land									
Other	\$49	\$0	\$40	\$0	\$48	\$45	\$137	\$45	
Abalone	\$241	\$56	\$134	\$51	\$48	\$45	\$423	\$152	
Eels	\$168	\$173	\$314	\$166	\$48	\$45	\$530	\$384	
Offshore	\$49	\$370	\$40	\$93	\$48	\$45	\$137	\$508	
Bivalve Shellfish	\$578	\$273	\$86	\$63	\$48	\$45	\$712	\$381	

Table 24: Total FMS Levies as Percentage of GVP & Average GVP

Category of Licence	No. of Licences	Average GVP (\$'000)	Levies % of GVP	Av GVP Per Licence (\$'000)
Private Land				
1. On – Shore Abalone	7	\$4,537	2.2%	\$252.07
2. Eels	6	\$1,051	12.5%	\$61.82
3. Marine	3	\$0	n/a	\$0
4. Ornamentals	8	\$2,610	0.1%	\$326.25
5. Other	2	\$0	n/a	\$0
6. Salmonids	23	\$10,491	0.1%	\$456.13
7. Warmwater finfish	32	\$1,769	0.5%	\$55.28
8. Yabby	21	\$78	6.6%	\$3.55
9. Yabby-multiwaters	1	Included in 8.	6.6%	\$3.55
10. Tourism	0	\$0	n/a	\$0
11. Indoor Intensive	0	\$0	n/a	\$0
Crown Land				
12. Other	1	\$0	n/a	\$0
13. Abalone	11	Included in 1.	2.2%	\$252.07
14. Eels	11	Included in 2.	12.5%	\$61.82
15. Offshore	22	\$0	n/a	\$0
16. Bivalve Shellfish	24	\$1,853	0.6%	\$104.25

Tables 25 outlines total levies applicable for 2008 and the total levies collected for each sector compared to 2007.

Table 25: Proposed Changes in Other Levies Compared to 2007 Levies

Category of Aquaculture Licence	FRDC Levy		Peak Body Levy		FMS Levies		TOTALS	
	2007	2008	2007	2008	2007	2008	2007	2008
Aquaculture Private Land								
On-Shore Abalone	\$154	\$158	\$0	\$0	\$1,449	\$123	\$1,603	\$281
Eels	\$154	\$158	\$0	\$0	\$631	\$45	\$785	\$203
Marine	\$154	\$158	\$0	\$0	\$301	\$94	\$455	\$252
Ornamentals	\$154	\$158	\$0	\$0	\$206	\$261	\$360	\$419
Other	\$154	\$158	\$0	\$0	\$48	\$320	\$202	\$478
Salmonids	\$154	\$158	\$0	\$0	\$165	\$125	\$319	\$283
Warmwater finfish	\$154	\$158	\$0	\$0	\$205	\$94	\$359	\$252
Tourism	\$154	\$158	\$0	\$0	\$165	\$45	\$319	\$203
Indoor Intensive	\$154	\$158	\$0	\$0	\$205	\$45	\$359	\$203
Yabby	\$154	\$158	\$0	\$0	\$112	\$76	\$266	\$234
Yabby-multiwaters	\$154	\$158	\$0	\$0	\$143	\$45	\$297	\$203
Aquaculture Crown Land								
Other	\$154	\$158	\$0	\$0	\$137	\$45	\$295	\$203
Abalone	\$154	\$158	\$0	\$0	\$423	\$152	\$577	\$310
Eels	\$154	\$158	\$0	\$0	\$530	\$384	\$1,348	\$542
Offshore	\$154	\$158	\$0	\$0	\$137	\$508	\$291	\$666
Bivalve Shellfish	\$154	\$158	\$0	\$0	\$712	\$381	\$866	\$539

Cost Benefit Analysis

Economic Benefits and Costs of the Proposed Regulation

The measure of benefits and costs of the proposed regulation will be compared to the base case in which FMS levies remain at their current levels based on expenditure carried out in 2005/06. The discrepancies in the amount of applicable levies would therefore be paid for by general taxation leading to subsidisation and associated inefficiencies.

The potential economic benefits associated with the proposed changes in the FMS levies (to recover full attributable costs) can be summarised as:

- increased economic efficiency through the recognition of the true costs associated with carrying out aquaculture activities;
- increased industry participation in determining FMS delivery to industry; and
- increased efficiency in delivering and monitoring FMS.

The incorporation of costs associated with delivering FMS to various beneficiaries, who carry out aquaculture activities, will ensure that there are no artificial (subsidised) cost structures imbedded in enterprise accounts. Direct subsidies may lead to over-investment and/or the inefficient use of capital.

With the phase in of cost recovery over the last 4 years the industry has had this time to incorporate the full recovery of attributable costs into its forward budgeting and ensure that efficiency gains are encouraged. The industry has changed since the introduction of cost recovery, and this has mainly been due to the rationalisation of licences held (due the creation of new licence categories in 2004 and 2007) or to licence holders exiting the industry due to low production. Productive licence holders (who contributed over 90% of productive capacity in the industry) have remained and continued to supply farmed fish and shellfish.

As a consequence of the facilitative role played by the FCRSC, the process of implementing cost recovery has been transparent and accountable to licence holders. The FCRSC has contributed to the development of a more robust process whereby FMS costs within each sector are analysed and the reasons for changes articulated.

The economic costs associated with changes in fisheries management levies could be a short-term increase in enterprise costs and decreased margins. These short-term changes occur as an industry adjustment process takes place to internalise the new costs, and as enterprises strive for greater efficiency.

As cost structures change for the licensed producer (fish farmer), the affected parties downstream of the fishing industry, such as seafood consumers, may also experience an increase in the cost of seafood products. As the final price for seafood is usually determined by the wholesaler (i.e. it is a buyers' market), the final costs to consumers would not be significantly influenced by aquaculture licensing fees.

Social Benefits and Costs of the Proposed Regulation

The social costs associated with any increases in fisheries management levies may be in the form of a loss in short-term and part-time regional employment opportunities as the industry adjusts to the new, more efficient, enterprise cost structures in terms of licence fees.

Environmental Benefits and Costs of the Proposed Regulation

The environmental benefits and costs associated with increased levies imposed upon aquaculture licence holders stems from the increased financial contribution towards fisheries management costs by industry. Potential benefits and costs include:

- Greater industry-wide understanding of other competing policy considerations under the objectives of Part 6 (Co-management) of the **Fisheries Act 1995** in terms of the environmental impacts of increased production;
- Greater engagement by industry in setting aquaculture research priorities that lead to innovative applications of knowledge to ensure industries environmental sustainable credentials.

Administrative Costs of the Proposed Regulation

The administrative costs associated with these proposed Regulations are similar to those associated with the existing Regulations. It is therefore considered that the proposed **Fisheries (Fees, Levies and Royalties) Regulations 2008** will not lead to a material change in the administrative burden. The process of achieving full recovery of attributable cost has been in place for the last three years and administrative structures are in place to facilitate these regulations. Albeit, setting levies on a 3-year rather than a 1-year cycle would reduce administrative costs to Government.

Compliance Costs of Proposed Regulation

No significant compliance costs are associated with the proposed changes to the Regulations. Annual itemised licence renewal notices are sent to licence holders via a computerised invoicing system. Licence renewal occurs on 1 April each year. A licence holder must pay the prescribed levies to get a renewal of the aquaculture licence and cannot partake in aquaculture activity until all licence fees and levies have been paid.

Comparison of Costs and Benefits

Table 26 is a summary of the costs and benefits associated with the proposed Regulations.

Table 26: Costs and Benefits of the Proposed Regulations

Proposed Regulation	Costs	Benefits
Change in the amount paid for particular classes of FMS levy by licence holders.	Each FMS levy (management, compliance and research) will change, reflecting the expenditure patterns for 2006/07.	<p>Increased efficiency of aquaculture enterprises by the acknowledgment of the true costs associated with carrying out business in a regulated environment.</p> <p>Moderate long-term social benefit through the recovery of public expenditure that is expended for the benefit of private beneficiaries.</p> <p>A greater involvement by industry to ensure that the delivery of FMS is efficient and timely and achieving fisheries management best practice.</p> <p>Delivers transparency and accountability in the delivery of cost effective fisheries management services by government.</p>

The net benefits associated with the proposed changes in FMS levies outweigh the costs due to the more transparent indication of the true cost of doing business. Greater internal enterprise efficiencies will be motivated by a desire to stabilise profit margins. Failure to reflect true costs in FMS levies would lead to a distortion in the allocation of public funds away from areas that are more productive, or have a greater importance in terms of public policy.

A majority of aquaculture licence holders is comprised of regionally based small businesses. The impact of cost recovery has been minimal, with over 90% of production being covered by licences remaining in the industry. The proposed levies are in line with projected full recovery of attributable costs as outlined in the levies applicable in 2008 for the 2006/07 period.

Identification of Practical Alternatives and Their Costs and Benefits

The application of full recovery of attributable costs is an agreed national approach under the NCP. Each fishery jurisdiction in Australia has either moved, or is in the process of moving, to this approach. This process is also happening around the world as the issues of cross-subsidisation and ecological sustainability becomes more critical.

There are two alternatives to raising the levies to the proposed levels. These include:

- Alternative A: Reducing the delivery of non-regulated FMS and recoverable costs.
- Alternative B: Levies based on a sliding scale based on categories of production level.

Alternative A presents the capacity to reduce the delivery of non-regulated FMS, such as non-regulatory aquaculture research, that directly benefits private beneficiaries. Non-initiative funded aquaculture research allocated to specific sectors of the industry is recovered at 50%; levies are linked to licence categories which define these sectors. In the future industry will have the capacity to assist in research priority setting and forward budgets, and research areas will be agreed to prior to setting appropriate levies to partially recover the costs associated with carrying out that research. Research that is carried out that has a total public good element (public stewardship research) or special industry initiative funding, such as the Victorian Regional Aquaculture Development Program, is deemed non-recoverable and is paid for by the taxpayer.

In 2006/07, publicly funded (contracted out) fisheries research and project related services associated with the aquaculture sectors amounted to \$728,785 (table 18) of which \$7,688 will be recovered through the proposed research levy (only 1.1% of total costs). The remainder of the research is carried out under publicly funded (non-recoverable) initiatives.

The delivery of regulated FMS, on the other hand, such as aquaculture management and compliance, is an essential part of the objectives of the *Fisheries Act 1995* and must be delivered to ensure the long term viability of the industry. The capacity to reduce these costs (through efficiency measures) are reviewed by the FCRSC as part of its duties in advising the Minister for Agriculture on implementing an efficient cost recovery process.

Alternative B would collect the same amount of revenue, representing full recovery of attributable costs but would impose differential levies based on production and income categories within a particular sector of industry. This would require the collection and classification of production categories within each sector and applying these categories to a sliding scale of levy payment. This would incur an administrative and cost burden on the cost recovery process and may skew the levy burden against the benefits received as management services outputs affect licence holders equally, irrespective of how much they produce.

Summary of Benefits/Costs of Regulation and Alternatives

In summary, the proposed Regulations are preferable to the alternatives put forward in this RIS. The implementation of the phased cost recovery program has a net benefit in that it allows industry to adjust to the real costs of carrying out commercial activity; and will lead to greater efficiencies. The attainment of full recovery of attributable cost through this third and final stage finalises this process.

Table 27 is a summary of the costs and the benefits of the proposal and alternatives.

Table 27 Summary of Benefits and Costs Associated with the Proposed Regulations

Proposed Regulation	Alternative A: Reducing non-regulated FMS cost by reducing the delivery of FMS	Alternative B: A sliding scale based on categories of production levels
COSTS		
<ul style="list-style-type: none"> Changes (increase /decrease) in FMS levy. 	<ul style="list-style-type: none"> Less research in vital areas of production and processing techniques could lead to a less efficient industry. 	<ul style="list-style-type: none"> Administrative and costs burdens on the cost recovery process. Skewing of levy payment and management services benefit received.
BENEFITS		
<ul style="list-style-type: none"> FMS levies collect the recoverable portion of FMS expenditure and reflect the costs of doing business. The FCRSC has increased the awareness of industry to the costs associated with delivering complex aquaculture management services. 	<ul style="list-style-type: none"> Recoverable costs reduced by reducing the services delivered. 	<ul style="list-style-type: none"> None

A set of criteria and weights have been developed, as shown in table 28 to evaluate the net benefit of the changes to FMS levies against the alternatives mentioned above in relation to the objectives of the proposed regulations, which are, in part, to link full recovery of attributable cost to licence holders. The criteria used to assess the net benefit are:

- (i) Appropriateness of level of cost recovery achieved (weight of 40% due to importance of achieving the correct level of recovery);
- (iii) Efficiency of resource management achieved (weight of 40% due to equal importance of achieving efficient resource management); and
- (iii) Administrative simplicity (weight of 20% due to lesser importance than the previous two criteria).

(i) *Appropriateness of level of cost recovery achieved*

The level of cost recovery achieved is dictated by the level of expenditure and associated FMS activities as revealed by the FACS (management and compliance) and industry/government agreed research projects and levels of recovery. The level of recovery will vary depending on expenditure patterns. The level of attributable recoverable costs calculated each year ensures that there is no cross subsidy and that the total amount recovered is fair and equitable. The amount recovered represents 6% of total expenditure on FMS delivered to the industry.

Each of the alternatives score 1 for this criteria as full recovery of attributable cost would be achieved in both instances. In the case of Alternative A, the actual amount recovered would be less as there would be less FMS delivered.

(ii) *Efficiency of resource management*

The costs associated with the management of the aquaculture industry (currently around 3% of GDP) are regularly reviewed to ensure that FMS are delivered in an efficient and effective manner. The outputs and outcomes of these FMS are also monitored to encourage the development of clear linkages between the services provided and the achievement of desired results. Alternative A has received a lower score than the proposal and Alternative B, as *ad hoc* reductions in the delivery of FMS (especially research) simply to lower costs may lead to sub-optimal resource management. Such research includes fish husbandry, feed and post production techniques such as processing and packaging.

(iii) *Administrative simplicity*

The administration of the cost recovery process and the methods used for allocating various costs are based on clear and transparent accounting principles and beneficiary allocation rules. The linkage of each activity to a recovery rate (based on the degree of embedded private benefit) ensures that the calculation of FMS levies each year are understood. Alternative B has received a lower score than the proposal or Alternative A in that the linkage of levies to individual production statistics would be administratively more complex and costly.

The proposed levies are based on costs that include the provision of discretionary non-regulatory services such as fisheries research projects. These costs have been reviewed and agreed by the ACRSC. Therefore, the proposed schedules of FMS levies is the preferred regulatory option.

The assumptions behind Alternative A (reduction in non-regulated FMS) were reviewed by the ACRSC to ensure that costs are kept to a minimum and that essential FMS is carried out. Any proposed reductions in non-regulatory FMS have therefore been reviewed and dealt with under the proposed regulations. Any *ad hoc* reduction in services may lead to a less efficient resource management regime. There is therefore a reduced weighting placed against resource management regarding this alternative approach.

Table 28: Evaluation of the Proposed Regulations versus Alternatives

EVALUATION CRITERIA		PROPOSED REGULATIONS		ALTERNATIVE A: REDUCE NON-REGULATED FMS		ALTERNATIVE B: SLIDING SCALE	
Criteria	Weight %	Assigned Score	Weighted Score	Assigned Score	Weighted Score	Assigned Score	Weighted Score
Level of cost recovery achieved	40	1	40	1	40	1	40
Resource management	40	1	40	0.5	20	1	40
Administration of levy collection	20	1	20	1	20	-1	-20
TOTAL (%)	100		100		80		60

Consultation with Industry

The principal vehicle for this consultation has been through the FCRSC, which was established under a Memorandum of Understanding between industry and the Victorian Government to facilitate the cost recovery process.

The process of cost recovery has made the costs associated with FMS activities more transparent and will achieve greater efficiencies in the delivery of fisheries management outcomes.

The FCRSC has assisted DPI in preparing the proposed FMS levies for 2008 which are included in this RIS. A 4-week period of public consultation via the publication of this RIS is deemed appropriate given the broad level of industry agreement.

Other Fees, Levies, Royalties and Charges

Summary

The **Fisheries Regulations 1998** will sunset in 2008. In order to ensure that all other fees, levies, royalties and charges in the 1998 Regulations that are not subject to change, they will be perpetuated by inclusion in the proposed new **Fisheries (Fees, Royalties and Levies) Regulations 2008**.

The quantum of these fees, levies, royalties and charges will not change from last year and are outlined in this RIS in order to highlight the totality of all the charges that relate to the proposed **Fisheries Regulations 2008**.

Proposed New Regulations

Authorising Power and Groups Affected by Proposed Regulations

Authorising Power

These Regulations are made under sections 150, 151, 151A and 153 of the Fisheries Act 1995.

Affected Groups

Persons and groups who will be directly affected by the proposed new **Fisheries (Fees, Royalties and Levies) Regulations 2008** are applicants for and holders of:

- Commercial fisheries licences
- Fishing permits
- Recreational fishing licences
- Boat registrations
- Protected aquatic biota permits.

Fees, Levies, Royalties and Charges

Commercial Fishing and Aquaculture

Regulatory History

The levels and types of the charges are documented in the proposed new **Fisheries (Fees, Royalties and Levies) Regulations 2008** (Appendix 2). All of the “other” fees, levies and charges except for the recreational fishing licence fees have been unitised; their original amount was brought over from the Fisheries Regulations 1998. The rationale for the calculation of these fees is contained in the Regulatory Impact Statement for the **Fisheries Regulations 1998** (November 1997). Most of these fees have been unitised since 2005, and, as a consequence, have remained constant in real terms.

Some fees and levies have been introduced into the Regulations since 1998. These comprise the charges for Developing Fishery Permits (Jellyfish 2001, Banded Morwong 2000 and Sea Urchin – fees revised in 2006).

Further, other levies and fees were created by Regulations and supporting Regulatory Impact Statements as follows:

- The aquaculture “Marine Reserve Maintenance Levy”; Regulatory Impact Statement *Fisheries (Aquaculture Licences, Levies and Royalties) Regulations* (January 2007).
- The abalone royalty mechanism was outlined in the Regulatory Impact Statement *Fisheries (Aquaculture Licences, Levies and Royalties) Regulations* (January 2006).

The recreational fishing licence fees were updated for inflation in 2003 by the **Fisheries (Recreational Fees & Levies) Regulations 2003**. These regulations did not require a Regulatory Impact Statement as the fees were not increased in real terms.

Other Regulations described in this chapter are related to the process for administering the licensing function by the Department and have not been altered.

Other Fees and Charges

The following fees and charges and other administrative regulations are to remain the same as they were in April 2007. The total amount collected from these in 2006/07 was \$87,227. Table 29 outlines the charges.

Table 29: Other Levies, Fees and Charges

Description	Fee Units	Charge (@ \$10.75 per unit)	Amount Collected	% of TOTAL
Transfer of quota units				
• Abalone	27.8	\$298.85	\$2,391	2.7%
• Giant Crab, Rock Lobster & Scallop	3.6	\$38.70	\$6,849	7.9%
General Permit	10.5	\$112.88	\$11,513	13.2%
Urchin Permit	89.9	\$966.43	\$16,426	18.8%
Boat Registration	3.6	\$38.70	\$24,535	28.1%
Rock Lobster Transfer	18.5	\$198.88	\$1,193	1.4%
Other	variable	variable	\$24,320	27.9%
TOTAL			\$87,227	100%

Schedule of Other Fees, Charges and Royalties

The following outlines each of the other fees and charges etc. that will be rolled over from **the Fisheries Regulations 1998**.

- Application fees—commercial fishery licences (old 613 i.e. carried over from r.613 in the Fisheries Regulations 1998)
- Licence fees for commercial fishery licences (old 614)
- Manner and period in respect of which fees must be paid (old 615)
- Transfer fees for commercial fisheries licences (old 616)
- Application fee for transfer of individual quota units (old 622)
- Fee for variation of commercial fishery licence (old 624)
- Fee to obtain abalone quota unit holding statement (old 624A)
- Fee for a notification by holder of Abalone Fishery Access Licence (old 624B)
- Royalty for individual abalone quota units (old 620)
- Manner and period in respect of which royalty must be paid (old 621)
- Levies on Giant Crab Fishery Access Licence and Rock Lobster Fishery Access Licence (old 617(1))
- Levies on other access licences (old 617(2))
- Levies on fish receivers' licences (part old 617(2))
- Levies on aquaculture licences (part old 617(2))
- Levy on individual abalone quota units (old 617E)
- Manner and period in which levy must be paid (old 619)
- Levy for aquaculture licences applied on the basis of area licensed (old 617A-but replaced)

Recreational Fishing Licenses

- Fees payable for recreational fishery licences (old 406(5))
- Levies payable for recreational fishery licences (old 406)

Fishing Permits

- General permit fees (old 625)
- Manner and period in which levy must be paid (old 619)

Protected Aquatic Biota Permits

- Protected aquatic biota permit fees (new)

Boat Registration (old 605)

- Boat registration fee
- Boat registration renewal fee
- Boat registration transfer fee

Applicability of “Other” Fees and charges.

The majority of the “other” fees and charges that are going to be rolled over from the **Fisheries Regulations 1998** were made in 1998, and subsequently unitised. As a consequence, the current charges have kept pace with inflation and, hence, there have been no real increases in the cost burden to industry.

The charges still reflect the administrative cost that is incurred in carrying out each of the required functions. For example:

- **Boat registrations:** represent 28% of total collections in 2006/07 (see table 29 above), and were charged at 3.6 fee units. This represents 27 minutes (on average) of required activity at a rate of \$88.66 per hour¹¹. Tasks undertaken include regulatory compliance checks (10 minutes), finance management (5 minutes), data recording and the creation of registration certificate (12 minutes).

Boat registration	Cost to process ¹²	2006-07 (fee units) ¹³	2007-08 (fee units)
	\$39.90	3.6 (\$38.70)	3.6 (\$39.70)

- **General permit applications:** represent 13% of total collections (see table 29 above), and were charged at 10.5 fee units in 2006/07. This represents 80 minutes (on average) of required activity at a rate of \$88.66 per hour. Tasks undertaken include checking application for accuracy and applicability (10 minutes), application acknowledgement (5 minutes), regional DPI input into applicability (45 minutes), security checks and approval process documentation (20 minutes).

General permit	Cost to process	2006-07 (fee units)	2007-08 (fee units)
	\$118.20	10.5 (\$112.90)	10.5 (\$115.70)

From these two key examples, it can be concluded that the fee rates set in 1998 (and later) have been accurately inflated and still represent the real cost of undertaking licensing, registration and permitting activities required under the Act despite some of these activities increasing in complexity. The strategic use of electronic data processing systems and well trained staff has off-set potential cost increases. Even so, a comprehensive review of these fees and charges is proposed for 2008 using cost data from the Fisheries Activity Costing System (FACS).

¹¹ Average 2006/07 cost per hour for licensing administration staff to carry out the various functions of the licensing process. These costs are made up of mid-VPS Grade 3 employee wages and on-costs (\$42.87 per hour), operating costs (\$1.73 per hour), DPI corporate overheads (\$16.06 per hour) and Fisheries Victoria licensing management overheads (taken from Fisheries Activity Costing System : \$28 per hour).

¹² Calculated based on the amount of time taken to process multiplied by \$88.66 per hour (see footnote 11). As of 1 October 2007, VPS salary rates have increased and, so, the hourly cost is anticipated to be slightly greater than \$90 for 2007/08.

¹³ The value of a fee unit is increased annually in line with measures of inflation. In 2006-07 one fee unit was worth \$10.75, in 2007-08 one fee unit is worth \$11.02.

Appendix 1

Fisheries (Fees, Royalties and Levies) Regulations 2008 Assessment against the Guiding Legislative Principle on Competition

Background

The objectives of the proposed regulations are to change the three FMS levies (Management, Compliance and Research), and to document all other fees and charges in this new set of regulations as the *Fisheries Regulations 1998* sunset in March 2008. The Government of Victoria agreed to phase in the application of full recovery of attributable costs into the commercial wild catch and aquaculture industries. The proposed new FMS levies for 2008 represent the full recovery of attributable costs for the 2006/07 financial year for both sectors.

Tests on the Restriction on Competition

The proposed changes to FMS levies (some increases and some decreases) reflect the full recovery of attributable costs associated with the financial year 2006/07. The attainment of full recovery of attributable cost has been phased in over three licensing periods and, as a consequence, industry is fully aware of the nature of the cost recovery process. The impact of levies (including FMS, peak body and FRDC levies) on the commercial wild catch industry represents approximately 4.5% of GVP, while the impact on the aquaculture industry represents only 0.4% of GVP. The proposed changes would, therefore, not act as a barrier to entry.

While some licence holders have left the wild catch and aquaculture industries over the past 3 years as full recovery of attributable cost has been gradually phased in, these licence holders have been predominately latent. There have been non-performing licences that have remained in the industry but have not used their licences productively, some of these licences have been sold to buyback programs in the wild catch sectors or not renewed. These exits have not affected the overall productive capacity of the each of the industries.

Why the Restriction is Necessary

The introduction of a comprehensive cost recovery mechanisms is currently occurring throughout fisheries/aquaculture jurisdictions in Australia and around the world. Major distortions in the cost structures of fishing enterprises have occurred in the past and may have lead to inefficient practices and a significant diversion of public resources from priority areas.

Costs to the Community Caused by the Restriction

The cost to individual licence holders reflects a fraction of the total cost of carrying out fishing activities. This must be reflected in their internal accounts in order to make efficient decisions concerning their operations. These costs should be capable of being sufficiently incorporated into business costs as a legitimate business expense.

The changes to the FMS levies, as proposed, do not cause any barriers to entry as they reflect a reasonable cost of carrying out a commercial fishing operation in a regulated natural resource market. The true reflection of these costs will encourage a greater degree of business efficiency in the future as these costs are internalised into business planning processes.

The costs associated with particular beneficiaries have been ascribed to discrete licence categories so that there is no tendency to cross-subsidise licence holders across aquaculture sectors, locations or species.

Community Benefits

The community benefits associated with the change in FMS levies can be summarised as follows:

- The generation of more efficient and cost effective methods of developing public resources due to the imposition of the real costs of carrying out activities;
- A greater distinction between public and private benefit; and
- A redirection of public funds to areas of public benefit.

Why Benefits Outweigh the Costs

The proposed Fisheries (Fees, Royalties and Levies) Regulations 2008 impose a small cost on a certain sector of the community. The benefits to the broader community can be viewed in terms of efficient industries and the freeing up of public resources for priority areas. These benefits outweigh the costs by ensuring that the long-term interests of the industries and the community will be addressed.

Appendix 2

STATUTORY RULES 2008

Fisheries (Fees, Royalties and Levies) Regulations

Exposure Draft

TABLE OF PROPOSALS

<i>Proposal</i>	<i>Page</i>
PART 1—PRELIMINARY	1
1 Objectives	1
2 Authorising provisions	2
3 Commencement	2
4 Definitions and interpretation	2
PART 2—COMMERCIAL FISHERY LICENCES	4
Division 1—Fees	4
5 Application fees—commercial fishery licences	4
6 Time for application for renewal of renewable licence	5
7 Licence fees for commercial fishery licences	5
8 Manner in which and date by which fees are payable	5
9 Transfer fees for commercial fisheries licences	5
10 Application fee for transfer of individual quota units	6
11 Fee for variation of commercial fishery licence	6
12 Fee to obtain abalone quota unit holding statement	6
13 Fee for a notification by holder of abalone fishery access licence	6
Division 2—Royalties	7
14 Royalty for individual abalone quota unit	7
15 Manner in which and date by which royalty is payable	8
16 Royalty must be paid by due date	8
Division 3—Levies	9
17 Levies on commercial fishery access licences	9
18 Levies on fish receivers' licences	11
19 Levies on aquaculture licences	12
20 Levy on individual abalone quota units	13
21 Levy must be paid by due date	14

<i>Proposal</i>	<i>Page</i>
22 Levy for aquaculture licences applied on the basis of area specified in licence	14
23 Manner in which and date by which levy payable	16
PART 3—RECREATIONAL FISHERY LICENCES	17
24 Fees payable for recreational fishery licences	17
25 Levies payable for recreational fishery licences	17
PART 4—PERMITS	18
Division 1—General permits	18
26 General permit fees	18
27 Levies on general permits	18
Division 2—Protected aquatic biota permits	19
28 Protected aquatic biota permit fees	19
PART 5—BOAT REGISTRATION	20
29 Fishing boat registration fee	20
30 Fishing boat registration renewal fee	20
31 Fishing boat registration transfer fee	20
PART 6—AMENDMENTS TO FISHERIES REGULATIONS 1998	21
32 New regulations 242A and 242B inserted	21
242A Individual quota units not to be transferred if levy has not been paid	21
242B Individual abalone quota units not to be transferred if levy not paid	21
33 New commercial licence condition requiring fees, levies and royalties to be paid by due date	21
34 Division 5 of Part 4 revoked—Recreational fees	22
35 References to fees for boat registration removed	22
36 Revocation of fee, levy and royalty provisions	22
—————	
SCHEDULES	23
SCHEDULE 1—Application and Transfer Fees for Commercial Fishery Licences	23
SCHEDULE 2—Levies for Commercial Fishery Access Licences	27
SCHEDULE 3—Levies for Fish Receivers' Licences	31

<i>Proposal</i>	<i>Page</i>
SCHEDULE 4—Levies for Aquaculture Licences	32
SCHEDULE 5—Levies for Individual Abalone Quota Units	34
ENDNOTES	35



Victoria

Fisheries (Fees, Royalties and Levies) Regulations

Exposure Draft

The Governor in Council makes the following Regulations:

Dated:

Responsible Minister:

JOE HELPER
Minister for Agriculture

Clerk of the Executive Council

PART 1—PRELIMINARY

1 Objectives

The objectives of these Regulations are to prescribe the fees, royalties and levies payable in respect of commercial fishery licences, individual quota units, recreational fishery licences, permits and boat registrations under the **Fisheries Act 1995** and other provisions relating to those fees, royalties and levies.

2 Authorising provisions

These Regulations are made under sections 150, 151A and 153 of the **Fisheries Act 1995**.

3 Commencement

These Regulations come into operation on 1 February 2008.

4 Definitions and interpretation

(1) In these Regulations—

abalone fishery access licence means any of the following classes of access licence—

- (a) Abalone Fishery (Western Zone) Access Licence;
- (b) Abalone Fishery (Central Zone) Access Licence;
- (c) Abalone Fishery (Eastern Zone) Access Licence;

boat means a boat used for any one or more of the following activities—

- (a) the taking of fish for sale;
 - (b) the setting or using of commercial fishing equipment;
 - (c) the use of commercial abalone equipment;
 - (d) the landing of fish for sale or marketing;
 - (e) the setting or using of commercial aquaculture equipment on Crown land or in or on the waters covering that land;
 - (f) the moving of an aquaculture crop;
-

commercial fishery licence means any of the following licences—

- (a) an access licence;
- (b) a fish receivers' licence;
- (c) an aquaculture licence;

Fisheries Research and Development

Corporation (FRDC) means the Fisheries Research and Development Corporation established under section 8 of the Primary Industries and Energy Research Development Act 1989 of the Commonwealth;

renewable licence means an access licence, a fish receiver's licence or any class of licence prescribed for the purposes of section 57(1) of the Act;

protected aquatic biota permit means a permit issued under section 72 of the Act;

the Act means the **Fisheries Act 1995**.

- (2) A reference in these Regulations to a particular class of commercial fishery licence is a reference to that class of commercial fishery licence within the meaning of the Fisheries Regulations 1998¹.

PART 2—COMMERCIAL FISHERY LICENCES

Division 1—Fees

5 Application fees—commercial fishery licences

- (1) The application fee for the issue of a commercial fishery licence of a class specified in column 2 of the Table in Schedule 1 is the fee specified in column 3 of that Table corresponding to that class of licence.
 - (2) Despite subregulation (1)—
 - (a) a person who applies for more than one aquaculture licence to conduct aquaculture activities at the same specified area is liable to pay for one application fee only in discharge of the application fees which would otherwise be individually payable for the licences;
 - (b) a person who applies for an Aquaculture (Private Land—Yabbies) Licence is not liable to pay the application fee which would otherwise be individually payable if that person holds a current Aquaculture (Private Land—Yabbies) Licence which specifies the same specified area on the application;
 - (c) a person who applies for an Aquaculture (Private Land—Yabbies) Licence is not liable to pay the application fee which would otherwise be individually payable if that person holds a current Aquaculture (Private Land—Yabbies Multiwaters) Licence which specifies the same specified area on the application.
-

- (3) For the purposes of subregulation (2)(a), the application fee payable is the fee which is the highest of each of the application fees which otherwise would be individually payable in respect of the licences under the application.

6 Time for application for renewal of renewable licence

- (1) An application for renewal of a renewable licence must be made by the date specified by the Secretary.
- (2) The Secretary must give each licence holder to whom subregulation (1) applies notice of the specified date in writing not later than 14 days before the specified date.

7 Licence fees for commercial fishery licences

The fee for the issue or renewal of any commercial fishery licence is 3.6 fee units.

8 Manner in which and date by which fees are payable

- (1) The fee payable under regulation 7 for the renewal of a commercial fishery licence is payable to the Secretary annually by the date specified by the Secretary.
- (2) The Secretary must give each licence holder to whom subregulation (1) applies notice of the specified date in writing not later than 14 days before the specified date.

9 Transfer fees for commercial fisheries licences

The fee for the transfer of a commercial fishery licence of a class specified in column 2 of the Table in Schedule 1 is the fee specified in column 4 of that Table that corresponds to that class of licence.

10 Application fee for transfer of individual quota units

- (1) The application fee for the transfer of an individual quota unit is—
 - (a) 27·8 fee units for an individual quota unit in respect of an abalone fishery; and
 - (b) 3·6 fee units for an individual quota unit in respect of a Giant Crab fishery; and
 - (c) 3·6 fee units for an individual quota unit in respect of a rock lobster fishery; and
 - (d) 3·6 fee units for an individual quota unit in respect of the Scallop (Ocean) fishery.
- (2) In this regulation, Giant Crab fishery and Scallop (Ocean) fishery have the same meaning as they have in the regulation 107 of the Fisheries Regulations 1998.

11 Fee for variation of commercial fishery licence

The application fee for the variation of a commercial fishery licence is 3·6 fee units.

12 Fee to obtain abalone quota unit holding statement

For the purposes of section 66H(2) of the Act, the application fee to obtain an abalone quota unit holding statement is 3·6 fee units.

13 Fee for a notification by holder of abalone fishery access licence

For the purposes of section 66J(1) of the Act, the fee for notification to the Secretary of the nomination of the holder of an abalone fishery access licence is 3·6 fee units.

Division 2—Royalties

14 Royalty for individual abalone quota unit

For the purposes of section 150 of the Act, the royalty payable in respect of each individual abalone quota unit is the amount calculated in accordance with the following formula—

$$(0.072 \times \text{GVP}) - (\text{FMS} + \text{FRDC})$$

where—

GVP is the average weighted beach price per kilogram of abalone for the financial year preceding the year to which the royalty relates multiplied by the weight of abalone in kilograms allocated to the individual abalone quota unit in the quota period to which the royalty relates;

FMS is comprised of—

- (a) the amounts of the levies set out in Columns 3, 4 and 5 of the Table in Schedule 5 corresponding to that class of individual abalone quota unit; and
- (b) an amount determined in accordance with the formula—

$$\frac{A \times B}{C}$$

where—

A is the amount of levy set out in Column 3 of the Table in Schedule 2 corresponding to the class of abalone fishery access licence in respect of which the quota unit is allocated;

B is the number of abalone fishery access licences of the class described in "A" in force in respect of the abalone zone in respect of which the individual abalone quota unit is held;

C is the number of individual abalone quota units issued in respect of the abalone zone referred to in "B";

FRDC is the amount of levy for the Fisheries Research Development Corporation set out in Column 6 of the Table in Schedule 5 corresponding to the class of abalone fishery access licence in respect of which the quota unit is allocated.

15 Manner in which and date by which royalty is payable

- (1) The royalty specified in regulation 14 is payable to the Secretary annually by the date specified by the Secretary.

Note

Under section 66Q of the Act, failure to pay the royalty specified in regulation 14 within 14 days of the date that the royalty was due, may result in suspension of the entitlement under the individual abalone quota unit until the royalty is paid. Failure to pay the royalty within 12 months will result in cancellation of the individual abalone quota unit on the day after the end of that period.

- (2) The Secretary must give each individual quota unit holder to whom subregulation (1) applies notice of the specified date in writing not later than 14 days before the specified date.

16 Royalty must be paid by due date

The holder of an individual abalone quota unit who is not the holder of an abalone fishery access licence relating to that quota unit must pay to the Secretary the royalty calculated in accordance

with regulation 14 in respect of that quota unit by the date specified by the Secretary under regulation 15(2).

Penalty: 20 Penalty units

Division 3—Levies

17 Levies on commercial fishery access licences

(1) For the purposes of section 151(1) of the Act the following classes of access licence are prescribed classes of licence—

- (a) Giant Crab Fishery (Western Zone) Access Licence;
 - (b) Rock Lobster Fishery (Western Zone) Access Licence;
 - (c) Rock Lobster Fishery (Eastern Zone) Access Licence;
 - (d) Abalone Fishery (Western Zone) Access Licence;
 - (e) Abalone Fishery (Central Zone) Access Licence;
 - (f) Abalone Fishery (Eastern Zone) Access Licence;
 - (g) Bait (General) Fishery Access Licence;
 - (h) Corner Inlet Fishery Access Licence;
 - (i) Eel Fishery Access Licence;
 - (j) Gippsland Lakes Fishery Access Licence;
 - (k) Gippsland Lakes Fishery (Bait) Access Licence;
 - (l) Gippsland Lakes (Mussel Dive) Fishery Access Licence;
 - (m) Lake Tyers Fishery (Bait) Access Licence;
-

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

Part 2—Commercial Fishery Licences

- (n) Mallacoota Lower Lake Fishery (Bait) Access Licence;
 - (o) Port Phillip Bay (Mussel Bait) Fishery Access Licence;
 - (p) Purse Seine (Ocean) Fishery Access Licence;
 - (q) Purse Seine (Port Phillip Bay) Fishery Access Licence;
 - (r) Ocean Fishery Access Licence;
 - (s) Scallop (Ocean Fishery) Access Licence;
 - (t) Snowy River Fishery (Bait) Access Licence;
 - (u) Sydenham Inlet Fishery (Bait) Access Licence;
 - (v) Trawl (Inshore) Fishery Access Licence;
 - (w) Western Port/Port Phillip Bay Fishery Access Licence;
 - (x) Wrasse (Ocean) Fishery Access Licence.
- (2) For the purposes of section 151(1) of the Act, the following levies are prescribed for each class of access licence set out in column 2 of the Table in Schedule 2—
- (a) the levy for management (if any) set out in Column 3 of that Table corresponding to that class of access licence;
 - (b) the levy for compliance (if any) set out in Column 4 of that Table corresponding to that class of access licence;
 - (c) the levy for research (if any) set out in Column 5 of that Table corresponding to that class of access licence;
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- (d) the levy for the Fisheries Research Development Corporation (if any) set out in Column 6 of that Table corresponding to that class of access licence;
- (e) the levy for funding peak bodies (if any) set out in Column 7 of that Table corresponding to that class of access licence.

18 Levies on fish receivers' licences

- (1) For the purposes of section 151(1) of the Act, the following classes of fish receiver's licence are prescribed classes of licence—
 - (a) a Fish Receivers' (Abalone) Licence;
 - (b) a Fish Receivers' (Scallop) Licence.
 - (2) For the purposes of section 151(1) of the Act the following levies are prescribed for each class of fish receiver's licence specified in Column 2 of the Table in Schedule 3—
 - (a) the levy for management (if any) set out in Column 3 of that Table corresponding to that class of licence;
 - (b) the levy for compliance (if any) set out in Column 4 of that Table corresponding to that class of licence;
 - (c) the levy for research (if any) set out in Column 5 of that Table corresponding to that class of licence;
 - (d) the levy for the Fisheries Research Development Corporation (if any) set out in Column 6 of that Table corresponding to that class of licence;
 - (e) the levy for funding peak bodies (if any) set out in Column 7 of that Table corresponding to that class of licence.
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19 Levies on aquaculture licences

- (1) For the purposes of section 151(1) of the Act, the following classes of aquaculture licence are prescribed classes of licence—
- (a) an Aquaculture (Crown Land—Abalone) Licence;
 - (b) an Aquaculture (Crown Land—Bivalve Shellfish) Licence;
 - (c) an Aquaculture (Crown Land—Eels) Licence;
 - (d) an Aquaculture (Crown Land—Offshore) Licence;
 - (e) an Aquaculture (Crown Land—Other) Licence;
 - (f) an Aquaculture (On-shore Abalone) Licence;
 - (g) an Aquaculture (Private Land—Eels) Licence;
 - (h) an Aquaculture (Private Land—Indoor Intensive) Licence;
 - (i) an Aquaculture (Private Land—Marine) Licence;
 - (j) an Aquaculture (Private Land—Ornamentals) Licence;
 - (k) an Aquaculture (Private Land—Other) Licence;
 - (l) an Aquaculture (Private Land—Salmonids) Licence;
 - (m) an Aquaculture (Private Land—Tourism) Licence;
 - (n) an Aquaculture (Private Land—Warm Water Finfish) Licence;
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- (o) an Aquaculture (Private Land—Yabbies) Licence;
 - (p) an Aquaculture (Private Land—Yabbies Multi-waters) Licence.
- (2) For the purposes of section 151(1) of the Act the following levies are prescribed for each class of aquaculture licence specified in Column 2 of the Table in Schedule 4—
- (a) the levy for management (if any) set out in Column 3 of that Table corresponding to that class of licence;
 - (b) the levy for compliance (if any) set out in Column 4 of that Table corresponding to that class of licence;
 - (c) the levy for research (if any) set out in Column 5 of that Table corresponding to that class of licence;
 - (d) the levy for the Fisheries Research Development Corporation (if any) set out in Column 6 of that Table corresponding to that class of licence;
 - (e) the levy for funding peak bodies (if any) set out in Column 7 of that Table corresponding to that class of licence.

20 Levy on individual abalone quota units

For the purposes of section 151(1A) of the Act, the following levies are prescribed in respect of a class of individual abalone quota unit set out in Column 2 of the Table in Schedule 5—

- (a) the levy for management (if any) set out in Column 3 of that Table corresponding to that class of quota unit;
-

- (b) the levy for compliance (if any) set out in Column 4 of that Table corresponding to that class of quota unit;
- (c) the levy for research (if any) set out in Column 5 of that Table corresponding to that class of quota unit;
- (d) the levy for the Fisheries Research Development Corporation (if any) set out in Column 6 of that Table corresponding to that class of quota unit;
- (e) the levy for funding peak bodies (if any) set out in Column 7 of that Table corresponding to that class of quota unit.

21 Levy must be paid by due date

The holder of an individual abalone quota unit who is not the holder of an abalone fishery access licence relating to that quota unit must pay to the Secretary the levies under regulation 20 in respect of that quota unit by the date specified by the Secretary under regulation 23(2).

Penalty: 20 penalty units.

22 Levy for aquaculture licences applied on the basis of area specified in licence

- (1) For the purposes of section 151(1) of the Act the Secretary may, by notice published in the Government Gazette, declare that a class or classes of aquaculture licence is or are subject to a levy calculated in accordance with subregulation (3).
 - (2) The Secretary must specify in any declaration made under subregulation (1) the following—
 - (a) the purpose of the levy;
 - (b) each class of aquaculture licence to which the levy applies;
-

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

Part 2—Commercial Fishery Licences

- (c) each area in respect of which the levy applies (*levy area*);
 - (d) the period in respect of which the levy is to be paid;
 - (e) the estimated total fixed costs of the Secretary for the purpose of the levy (*ETFC*);
 - (f) the total area in hectares in which the holders of each class of aquaculture licence specified in the declaration may operate at the time the declaration is made (*TA*);
 - (g) the estimated total variable costs of the Secretary for the purposes of the levy in each levy area (*ETVC*);
 - (h) the total area in hectares in which holders of aquaculture licences of a class or classes specified in the declaration may operate that comprises each levy area at the time the declaration is made (*TLA*);
 - (i) the proportion to be applied for the purposes of the formula in subregulation (3) (*P*).
- (3) The prescribed levy in respect of an aquaculture licence of a class specified in a declaration under subregulation (1) is the total of the amounts for each levy area, each amount being calculated in accordance with the following formula—

$$\left(\frac{ETFC}{TA} + \frac{ETVC}{TLA} \right) \times NHA \times P$$

where **NHA** is the number of hectares of the area specified in the aquaculture licence that comprises the levy area in which the holder of the licence may operate at the time the declaration is made.

- (4) The Secretary must give a copy of any declaration made under subregulation (1) to each holder of an aquaculture licence of a class specified in the declaration within 14 days after publication of the declaration in the Government Gazette.

23 Manner in which and date by which levy payable

- (1) A levy payable under regulation 17, 18, 19, 20 or 22 is payable to the Secretary annually by the date specified by the Secretary.
- (2) The Secretary must give each licence holder or individual abalone quota unit holder to whom subregulation (1) applies notice of the specified date in writing not later than 14 days before the specified date.
-

PART 3—RECREATIONAL FISHERY LICENCES

24 Fees payable for recreational fishery licences

- (1) The application fee for a group recreational fishery licence issued under section 46 of the Act is \$22.00.
- (2) The Minister may, in writing, waive the fee prescribed under subregulation (1) if he or she is satisfied that special circumstances apply.

25 Levies payable for recreational fishery licences

- (1) For the purposes of section 151(1) of the Act, a recreational fishery licence is a prescribed class of licence.
 - (2) For the purposes of section 151(1) of the Act, the following levies in respect of a recreational fishery are prescribed—
 - (a) for a 3 year recreational fishing licence, \$60.00;
 - (b) for a 1 year recreational fishing licence, \$22.00;
 - (c) for a 28 day recreational fishing licence, \$11.00;
 - (d) for a 2 day recreational fishing licence, \$5.50.
 - (3) A person must pay the relevant levy under subregulation (2) before a recreational fishery licence is issued to that person.
 - (4) For the purposes of section 151(6) of the Act the Minister may exempt a person or class of persons from the payment of a levy under subregulation (2) if he or she is satisfied that special circumstances apply.
-

PART 4—PERMITS

Division 1—General permits

26 General permit fees

- (1) Subject to subregulation (2), the application fee for the issue of a general permit is 10·5 fee units.
- (2) The application fee for the issue of a general permit in respect of a developing fishery is 27·8 fee units.
- (3) The application fee for the variation by the Secretary of a general permit to vary or revoke a condition imposed on the permit or to impose a new condition on the permit is 10·5 fee units.
- (4) The Secretary may, in writing, waive the fee prescribed under subregulation (1) or (3) if he or she is satisfied that special circumstances apply.

27 Levies on general permits

- (1) For the purposes of section 151(1) of the Act, the following classes of general permit are prescribed—
 - (a) a general permit to take fish from the banded morwong developing fishery;
 - (b) a general permit to take fish from the jellyfish developing fishery;
 - (c) a general permit to take fish from the urchin developing fishery.
 - (2) For the purposes of section 151(1) of the Act, the following levies are prescribed—
 - (a) for a general permit to take fish from the banded morwong developing fishery, 199·5 fee units;
-

- (b) for a general permit to take fish from the jellyfish developing fishery, 999 fee units;
- (c) for a general permit to take fish from the urchin developing fishery—
 - (i) for a period of 1 year, 89·9 fee units;
 - (ii) for a period of 3 years, 149·8 fee units.

Division 2—Protected aquatic biota permits

28 Protected aquatic biota permit fees

- (1) The application fee for the issue of a protected aquatic biota permit is 10·5 fee units.
 - (2) The application fee for the variation by the Secretary of a protected aquatic biota permit to vary or revoke a condition imposed on the permit or to impose a new condition on the permit is 10·5 fee units.
 - (3) The Secretary may, in writing, waive the fee prescribed under subregulation (1) or (2) if he or she is satisfied that special circumstances apply.
-

PART 5—BOAT REGISTRATION

29 Fishing boat registration fee

The application fee for the registration of a boat is 3·6 fee units.

30 Fishing boat registration renewal fee

The application fee for renewal of the registration of a boat is 3·6 fee units.

31 Fishing boat registration transfer fee

The application fee for the transfer of the registration of a boat is 3·6 fee units.

**PART 6—AMENDMENTS TO FISHERIES
REGULATIONS 1998**

32 New regulations 242A and 242B inserted

After regulation 242 of the Fisheries Regulations 1998 **insert—**

"242A Individual quota units not to be transferred if levy has not been paid

The Secretary must not transfer any individual quota unit if the licence holder who applies to transfer the quota unit has not paid any levy due in respect of the quota unit.

242B Individual abalone quota units not to be transferred if levy not paid

The Secretary must not transfer any individual abalone quota unit if the quota unit holder who applies to transfer the quota unit has not paid any levy due in respect of the quota unit."

33 New commercial licence condition requiring fees, levies and royalties to be paid by due date

In regulation 301(2) of the Fisheries Regulations 1998—

(a) in paragraph (i), for "attached.", **substitute** "attached; and";

(b) after paragraph (i), **insert—**

"(j) must ensure that any fee, levy or royalty due in respect of the licence and any levy or royalty due in respect of an individual abalone quota unit allocated to the licence, which is held by the licence holder, is paid to the Secretary by the date specified by the Secretary."

34 Division 5 of Part 4 revoked—Recreational fees

Division 5 of Part 4 of the Fisheries Regulations 1998 is **revoked**.

35 References to fees for boat registration removed

- (1) In regulation 605(2) of the Fisheries Regulations 1998, for "a fee of 3·6 fee units" **substitute** "the fee prescribed for the registration of the boat".
- (2) In regulation 605(3) of the Fisheries Regulations 1998, for "a fee of 3·6 fee units" **substitute** "the fee prescribed for the renewal of the registration of the boat".
- (3) In regulation 611(2) of the Fisheries Regulations 1998, for "a transfer fee of 3·6 fee units" **substitute** "the fee prescribed for the transfer of the registration of the boat".

36 Revocation of fee, levy and royalty provisions

Division 3 of Part 6 of, and Schedule 12 to, the Fisheries Regulations 1998 are **revoked**.

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

SCHEDULES

SCHEDULE 1

Regulations 5 and 9

**APPLICATION AND TRANSFER FEES FOR COMMERCIAL
FISHERY LICENCES**

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
<i>Item</i>	<i>Category of Licence</i>	<i>Application Fee</i>	<i>Transfer Fee</i>
1	Abalone Fishery (Western Zone) Access Licence	27.8 fee units	27.8 fee units
2	Abalone Fishery (Central Zone) Access Licence	27.8 fee units	27.8 fee units
3	Abalone Fishery (Eastern Zone) Access Licence	27.8 fee units	27.8 fee units
4	Bait (General) Fishery Access Licence	18.5 fee units	Not applicable
5	Corner Inlet Fishery Access Licence	18.5 fee units	18.5 fee units
6	Eel Fishery Access Licence Type A	18.5 fee units	18.5 fee units
7	Giant Crab Fishery (Western Zone) Access Licence	18.5 fee units	18.5 fee units
8	Gippsland Lakes Fishery Access Licence	18.5 fee units	18.5 fee units
9	Gippsland Lakes Fishery (Bait) Access Licence	18.5 fee units	18.5 fee units
10	Gippsland Lakes Fishery (Mussel Dive) Access Licence	18.5 fee units	Not applicable
11	Lake Tyers (Bait) Access Licence	18.5 fee units	Not applicable
12	Mallacoota Lower Lake Fishery (Bait) Access Licence	18.5 fee units	18.5 fee units

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
<i>Item</i>	<i>Category of Licence</i>	<i>Application Fee</i>	<i>Transfer Fee</i>
13	Ocean Fishery Access Licence	18.5 fee units	Not applicable
14	Port Phillip Bay (Mussel Bait) Access Licence	18.5 fee units	Not applicable
15	Purse Seine (Ocean) Access Licence	18.5 fee units	Not applicable
16	Purse Seine (Port Phillip Bay) Fishery Access Licence	18.5 fee units	Not applicable
17	Rock Lobster Fishery (Western Zone) Access Licence	18.5 fee units	18.5 fee units
18	Rock Lobster Fishery (Eastern Zone) Access Licence	18.5 fee units	18.5 fee units
19	Scallop (Ocean) Fishery Access Licence	18.5 fee units	18.5 fee units
20	Snowy River Fishery (Bait) Access Licence	18.5 fee units	18.5 fee units
21	Sydenham Inlet Fishery (Bait) Access Licence	18.5 fee units	18.5 fee units
22	Trawl (Inshore) Fishery Access Licence	18.5 fee units	18.5 fee units
23	Western Port/Port Phillip Bay Fishery Access Licence	18.5 fee units	18.5 fee units
24	Wrasse (Ocean) Fishery Access Licence	18.5 fee units	Not applicable
	Fish Receivers'		
25	Fish Receivers' (Abalone) Licence	27.8 fee units	Not applicable
26	Fish Receivers' (Scallop) Licence	18.9 fee units	Not applicable

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
<i>Item</i>	<i>Category of Licence</i>	<i>Application Fee</i>	<i>Transfer Fee</i>
	Aquaculture (Private Land)		
27	Aquaculture (Private Land—Eels) Licence	27.8 fee units	18.9 fee units
28	Aquaculture (Private Land—Marine) Licence	27.8 fee units	18.9 fee units
29	Aquaculture (Private Land—Ornamentals) Licence	27.8 fee units	18.9 fee units
30	Aquaculture (Private Land—Other) Licence	27.8 fee units	18.9 fee units
31	Aquaculture (Private Land—Salmonids) Licence	27.8 fee units	18.9 fee units
32	Aquaculture (Private Land—Warm Water Finfish) Licence	27.8 fee units	18.9 fee units
33	Aquaculture (Private Land—Yabbies) Licence	27.8 fee units	18.9 fee units
34	Aquaculture (Private Land—Yabbies Multi-waters) Licence	27.8 fee units	18.9 fee units
35	Aquaculture (Private Land—Indoor Intensive) Licence	27.8 fee units	18.9 fee units
36	Aquaculture (Private Land—Tourism) Licence	27.8 fee units	18.9 fee units
37	Aquaculture (Crown Land—Bivalve Shellfish) Licence	120.6 fee units	18.9 fee units
38	Aquaculture (Crown Land—Other) Licence	120.6 fee units	18.9 fee units
39	Aquaculture (Crown Land—Abalone) Licence	120.6 fee units	18.9 fee units
40	Aquaculture (Crown Land—Eels) Licence	120.6 fee units	18.9 fee units

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
<i>Item</i>	<i>Category of Licence</i>	<i>Application Fee</i>	<i>Transfer Fee</i>
41	Aquaculture (Crown Land— Offshore) Licence	120.6 fee units	18.9 fee units
42	Aquaculture (On-shore Abalone) Licence	120.6 fee units	18.9 fee units

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

SCHEDULE 2

Regulations 14, 17

LEVIES FOR COMMERCIAL FISHERY ACCESS LICENCES

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS¹ Levy</i>	<i>Compliance FMS¹ Levy</i>	<i>Research FMS¹ Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
1	Abalone Fishery Access Licence (Western Zone)	\$2105	\$0	\$0	\$0	\$52	\$2157
2	Abalone Fishery Access Licence (Central Zone)	\$2105	\$0	\$0	\$0	\$52	\$2157
3	Abalone Fishery Access Licence (Eastern Zone)	\$2105	\$0	\$0	\$0	\$52	\$2157
4	Bait (General) Fishery Access Licence	\$208	\$20	\$4	\$21	\$354	\$607
5	Corner Inlet Fishery Access Licence	\$208	\$34	\$1298	\$263	\$354	\$2157
6	Eel Fishery Access Licence	\$208	\$186	\$93	\$112	\$354	\$841

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS^d Levy</i>	<i>Compliance FMS^d Levy</i>	<i>Research FMS^d Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
7	Giant Crab Fishery Access Licence	\$208	Variable amount: \$22 per individual quota unit (for combined compliance and research levies)		\$41	\$354	\$603 plus variable amount calculated as set out in combined Columns 4 and 5
8	Gippsland Lakes Fishery Access Licence	\$208	\$195	\$1135	\$230	\$354	\$2122
9	Gippsland Lakes Fishery (Bait) Access Licence	\$208	\$56	\$54	\$21	\$264	\$603
10	Gippsland Lakes Fishery (Mussel Dive) Access Licence	\$208	\$39	\$1	\$21	\$354	\$623
11	Lake Tyers (Bait) Access Licence	\$208	\$0	\$1	\$21	\$264	\$494
12	Mallacoota Lower Lake Fishery (Bait) Access Licence	\$208	\$57	\$3	\$21	\$264	\$553
13	Ocean Fishery Access Licence	\$208	\$7	\$12	\$15	\$354	\$596

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS^d Levy</i>	<i>Compliance FMS^d Levy</i>	<i>Research FMS^d Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
14	Port Phillip Bay (Mussel Bait) Access Licence	\$208	\$61	\$2	\$21	\$264	\$556
15	Purse Seine (Ocean) Access Licence	\$208	\$47	\$12	\$15	\$354	\$636
16	Purse Seine (Port Phillip Bay) Fishery Access Licence	\$208	\$186	\$0	\$0	\$354	\$748
17	Rock Lobster Fishery (Western Zone) Access Licence	\$844	Variable amount: \$51.81 per individual quota unit, plus \$19.77 for each rock lobster pot specified in the licence (for combined compliance and research levies)		\$372	\$354	\$1570 plus variable amount calculated as set out in combined Columns 4 and 5
18	Rock Lobster Fishery (Eastern Zone) Access Licence	\$470	Variable amount: \$28.60 per individual quota unit, plus \$6.72 for each rock lobster pot specified in the licence (for combined compliance and research levies)		\$92	\$354	\$916 plus variable amount calculated as set out in combined Columns 4 and 5

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS¹ Levy</i>	<i>Compliance FMS¹ Levy</i>	<i>Research FMS¹ Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
19	Scallop (Ocean) Fishery Access Licence	\$208	\$325	\$80	\$17	\$354	\$984
20	Snowy River Fishery (Bait) Access Licence	\$208	\$0	\$37	\$21	\$264	\$530
21	Sydenham Inlet Fishery (Bait) Access Licence	\$208	\$0	\$41	\$21	\$264	\$534
22	Trawl (Inshore) Fishery Access Licence	\$208	\$12	\$20	\$25	\$354	\$619
23	Western Port/Port Phillip Bay Fishery Access Licence	\$208	\$75	\$1299	\$156	\$354	\$2092
24	Wrasse (Ocean) Fishery Access Licence	\$208	\$10	\$30	\$15	\$354	\$617

Note 1: FMS means the fisheries management services provided by the Department.

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

SCHEDULE 3

Regulation 18

LEVIES FOR FISH RECEIVERS' LICENCES

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS¹ Levy</i>	<i>Compliance FMS¹ Levy</i>	<i>Research FMS¹ Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
1	Fish Receivers' (Abalone) Licence	\$208	\$15	\$0	\$0	\$3853	\$4076
2	Fish Receivers' (Scallop) Licence	\$319	\$143	\$0	\$0	\$694	\$1156

Note 1: FMS means the fisheries management services provided by the Department.

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

SCHEDULE 4

Regulation 19

LEVIES FOR AQUACULTURE LICENCES

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS¹ Levy</i>	<i>Compliance FMS¹ Levy</i>	<i>Research FMS¹ Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
1	Aquaculture (Crown Land—Abalone) Licence	\$56	\$51	\$45	\$158	\$0	\$310
2	Aquaculture (Crown Land—Bivalve Shellfish) Licence	\$273	\$63	\$45	\$158	\$0	\$539
3	Aquaculture (Crown Land—Eels) Licence	\$173	\$166	\$45	\$158	\$0	\$542
4	Aquaculture (Crown Land Offshore) Licence	\$370	\$93	\$45	\$158	\$0	\$666
5	Aquaculture (Crown Land—Other) Licence	\$0	\$0	\$45	\$158	\$0	\$203
6	Aquaculture (On-shore Abalone) Licence	\$34	\$44	\$45	\$158	\$0	\$281
7	Aquaculture (Private Land—Eels) Licence	\$0	\$0	\$45	\$158	\$0	\$203
8	Aquaculture (Private Land—Indoor Intensive) Licence	\$0	\$0	\$45	\$158	\$0	\$203

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of Licence</i>	<i>Management FMS^d Levy</i>	<i>Compliance FMS^d Levy</i>	<i>Research FMS^d Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
9	Aquaculture (Private Land—Marine) Licence	\$44	\$5	\$45	\$158	\$0	\$252
10	Aquaculture (Private Land—Ornamentals) Licence	\$89	\$127	\$45	\$158	\$0	\$419
11	Aquaculture (Private Land—Other) Licence	\$159	\$116	\$45	\$158	\$0	\$478
12	Aquaculture (Private Land—Salmonids) Licence	\$47	\$33	\$45	\$158	\$0	\$283
13	Aquaculture (Private Land—Tourism) Licence	\$0	\$0	\$45	\$158	\$0	\$203
14	Aquaculture (Private Land—Warm Water Finfish) Licence	\$32	\$17	\$45	\$158	\$0	\$252
15	Aquaculture (Private Land—Yabbies) Licence	\$19	\$12	\$45	\$158	\$0	\$234
16	Aquaculture (Private Land—YabbiesMulti-waters) Licence	\$0	\$0	\$45	\$158	\$0	\$203

Note 1: FMS means the fisheries management services provided by the Department.

Fisheries (Fees, Royalties and Levies) Regulations
Exposure Draft

SCHEDULE 5

Regulations 14, 20

LEVIES FOR INDIVIDUAL ABALONE QUOTA UNITS

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>	<i>Column 6</i>	<i>Column 7</i>	<i>Column 8</i>
<i>Item No.</i>	<i>Category of individual abalone quota unit</i>	<i>Management FMS¹ Levy</i>	<i>Compliance FMS¹ Levy</i>	<i>Research FMS¹ Levy</i>	<i>FRDC Levy</i>	<i>Peak Body Levy</i>	<i>TOTAL of Columns 3 to 7</i>
1	Individual abalone quota unit (Western Zone)	\$173	\$178	\$321	\$96	\$346	\$1114
2	Individual abalone quota unit (Central Zone)	\$229	\$266	\$298	\$96	\$368	\$1257
3	Individual abalone quota unit (Eastern Zone)	\$444	\$415	\$314	\$96	\$52	\$1321

Note 1: FMS means the fisheries management services provided by the Department.

ENDNOTES

¹ Reg. 4(2): S.R. No. 23/1998. Reprint No. 6 as at 1 April 2006.
Reprinted to S.R. No. 28/2006 and subsequently amended by
S.R. Nos 63/2006, 109/2006, 122/2006 and 12/2007.

Fee Units

These Regulations provide for fees by reference to fee units within the meaning of the **Monetary Units Act 2004**.

The amount of the fee is to be calculated, in accordance with section 7 of that Act, by multiplying the number of fee units applicable by the value of a fee unit.

The value of a fee unit for the financial year commencing 1 July 2007 is \$11.02. The amount of the calculated fee may be rounded to the nearest 10 cents.

The value of a fee unit for future financial years is to be fixed by the Treasurer under section 5 of the **Monetary Units Act 2004**. The value of a fee unit for a financial year must be published in the Government Gazette and a Victorian newspaper before 1 June in the preceding financial year.

Penalty Units

These Regulations provide for penalties by reference to penalty units within the meaning of section 110 of the **Sentencing Act 1991**. The amount of the penalty is to be calculated, in accordance with section 7 of the **Monetary Units Act 2004**, by multiplying the number of penalty units applicable by the value of a penalty unit.

The value of a penalty unit for the financial year commencing 1 July 2007 is \$110.12.

The amount of the calculated penalty may be rounded to the nearest dollar.

The value of a penalty unit for future financial years is to be fixed by the Treasurer under section 5 of the **Monetary Units Act 2004**. The value of a penalty unit for a financial year must be published in the Government Gazette and a Victorian newspaper before 1 June in the preceding financial year.