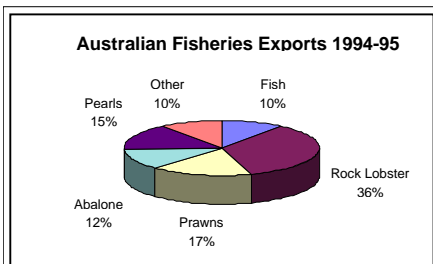


On High Seas?—Australia's Fishing Industry

Size of Industry

Fishing is a major primary industry, with a gross value of production (GVP) in 1994–95 of \$1744 million, mostly comprising high-value species such as rock lobster, prawns, abalone and scallops. Production volume is relatively small by world standards: Australia was ranked fifty-fourth in 1992–3 with 218339 tonnes.¹ About 70 percent of the industry revenue is derived from exports (\$1367 million in 1994–95). Our major markets are Japan (41% by value), Hong Kong (20%) and Taiwan (15%).²

Figure 1. Source: ABARE statistics



Strong growth in the value of seafood exports over recent years has been due to two major factors: exchange rates and growth in the value of live and other high quality fresh seafood.³ The value of live, fresh or chilled rock lobster grew from \$159 million in 1992–93 to \$246 million by 1994–95, despite a decline in total production from 13600 to 12389 tonnes.⁴ Similarly, the value of whole fresh or chilled tuna nearly doubled, from \$4 million (for 613t) in 1992–93 to \$19.6 million (1599t) in 1994–95. According to one view, potential for further growth in the 'live, fresh' trade exists, but is dependent on Australia maintaining and developing its reputation as a 'clean' producer.⁵ The Australian dollar has been weak relative to the Japanese yen, making our exports more attractive in that market. However, it

is expected that strengthening of the Australian dollar in the short term, in addition to relatively weak demand and high availability on the Japanese market, will reduce returns for producers in 1995–96.⁶

Australia also imports a significant volume of fish products, mainly in the form of canned fish, frozen fillets and prawns (either fresh, chilled or frozen). The value of imports in 1994–95 was almost \$666 million.⁷ The value of imports has risen by 25 percent since 1992–93 (\$529 million).

Future directions

While the value of catch has increased, production tonnage has been declining over the last few years (see Figure 2, below. See also Research Note No. 57, *How Many Fish in the Sea?*).⁸ How much of the reduced production is due to decline in fish stocks or other factors is unknown. Part of the decline is due to quotas introduced in some of the Commonwealth fisheries to reduce fishing to sustainable levels: twenty-two of the around one hundred commercially fished species (in all fisheries) are considered to be in the category 'heavily to fully exploited' and nine are 'overexploited'.⁹ Although some fisheries have been identified as 'underexploited' there is little expectation that there will be much increase in the total landed catch.¹⁰ This means that the industry must continue to

focus on improving the marketing, handling, processing and packaging of products for higher returns.

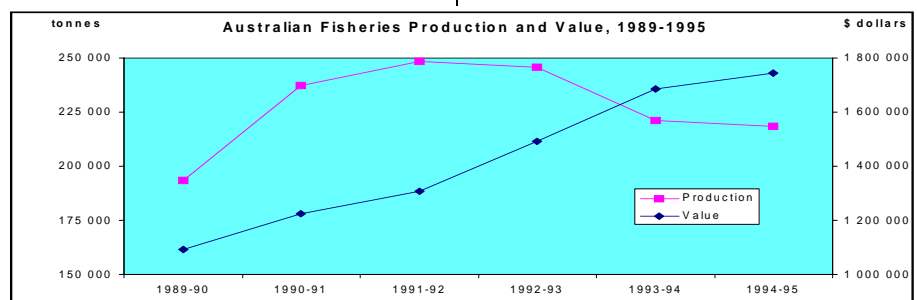
Key issues

At the present time the fishing industry is facing the major challenge of maintaining or increasing profitability when there is little likelihood of increase in production tonnage and possibly a decline. Restructuring to reduce excess capacity and overcapitalisation is one option. Overcapitalisation and the concomitant overcapacity is a feature of the fishing industry generally. Global attention is currently being focussed on the question of how to restructure.

Initially a result of open access (unrestricted entry) and then of fisheries management measures aimed solely at conservation of fish stocks, fleet overcapacity has forced fisheries managers to consider tools aimed at the twin objectives of stock conservation and maximising economic efficiency.¹¹

Conservation measures in isolation, such as limited entry to a fishery and restricted seasons, can encourage economic inefficiency by providing an incentive for investment in boats and equipment for competitive advantage, which then lay idle for long periods after season closure or which have capacity in excess of

Figure 2. Source: ABARE statistics



that required for sustainable fishing. One tool which has been increasingly used in fisheries management to conserve stocks and encourage economic efficiency is the 'individual transferable quota', or ITQ.

Individual transferable quotas

The ITQ is allocated to a licensee as either a portion of the total allowable catch (TAC) or as a set number of tonnes. Rational capital expenditure on boats and equipment in accordance with income expectations is encouraged in this way. Necessary to effective quota management, however, is the determination of the correct quota limit, which requires considerable knowledge.

Limitations of ITQs

Smooth adjustment of fleet capacity is dependent on efficient, unrestricted markets. Since overcapacity is a feature of nearly all fisheries

opportunities for those wishing to leave the industry compounds the problem.

Unresolved issues concerned with the ITQ remain—such as its applicability in a multi-species fishery, i.e., what should be done about 'by-catches' (species caught other than the targeted species); 'highgrading' (throwing back lower value species, often dead); and the high costs of monitoring, surveillance and research (vital for effective TACs). Enforcement is also an issue, when species with quota restrictions in a Commonwealth fishery can be caught in State waters where no quota restriction applies.

Fisheries management

The Commonwealth and the States have shared responsibility for management of our fisheries resources since federation. The cumbersome effect of multiple licences and laws

tralia, the Northern Territory and Queensland; have not yet been finalised with South Australia, Victoria and Tasmania; and have been delayed with New South Wales.

Foreign fishing vessels

Australia has an international obligation under the United Nations Convention on the Law of the Sea (UNCLOS), which was ratified in 1982, to allow foreign vessels to harvest resources not taken by domestic fishermen. The fishing capacity of domestic fleets and the possible impacts of foreign fishing on local industries are considered before any foreign access agreements are approved. Management and access fees for the right to fish in Australian waters are charged.

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Australian Fisheries Value in 1994-95

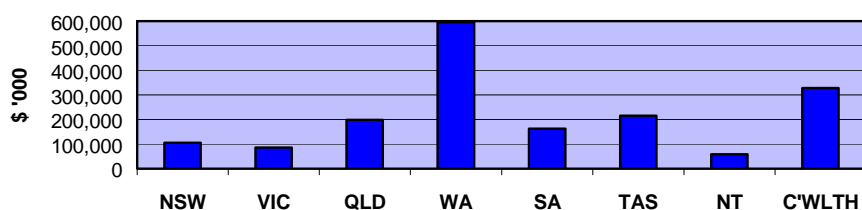


Figure 3. Source: ABARE statistics. there is hardly a market for under-utilised equipment. In addition, the small number of quota-managed fisheries implies a fledgling or non-existent market for quotas, so that even if they are transferable they are not necessarily able to be sold by the 'less efficient' fishermen. Limited alternative employment

in a fishery has led to the introduction of *Offshore Constitutional Settlement* arrangements (OCS) between the States and the Commonwealth, where a single jurisdiction, either State or Commonwealth, applies to a fishery. OCS arrangements for some fisheries have currently been negotiated between the Commonwealth and Western Aus-

- 1 FAO, *The State of World Fisheries and Aquaculture*, Rome 1995, p.52.
- 2 ABARE, *Australian Fisheries Statistics 1995*, p.31, derived from Table 22, in 1994-95. Not including live exports.
- 3 Battaglene, T., Standen, R. and Smith, P., "Fisheries Outlook" in *Outlook '96*, Canberra 1996, p.208
- 4 ABARE, *op.cit.*, Table 18, p.25.
- 5 Battaglene, T., et al., *ibid.* p.208.
- 6 Battaglene, T., et al., *ibid.* p.209.
- 7 ABARE, *ibid.* p.37.
- 8 ABARE, *ibid.* pp.8-10. In 1992-93 production was 245,777 tonnes; in 1994-95 production was 218,273 tonnes.
- 9 Kailola, P., et al., *Australian Fisheries Resources*, Canberra 1993, pp 404-7.
- 10 Kailola, P., et al., *ibid.* p.2.
- 11 For fuller explanation see DPIE, *New Directions for Commonwealth Fisheries Management in the 1990s A Government Policy Statement* December 1989, AGPS Canberra 1989 pp.16-26