



Follow-up submission by CFA to the Senate Inquiry on ITQs (covering the CFA commitments to provide further information)

Summary

In its evidence to the Inquiry, the CFA committed to provide further information, and to comment on other evidence to the Inquiry, particularly that by some staff of IMAS.

The CFA represents almost all fishers in the AFMA-managed Commonwealth fisheries. These fishers belong to the Associations which are members of CFA.

In summary:

(1) We provide following evidence:

- a. The main IMAS staff Submission (No. 37) relates to the Tasmanian Rock Lobster Industry where ITQs have been in place for over 20 years. That is a State-managed fishery and we have no experience with Tasmanian State- managed fisheries, so we have commented on the IMAS staff Supplementary Submission No. 37 (SS37) only because it covers ITQs in Commonwealth (AFMA) fisheries.
- b. We note that some of our Members have previous experience of IMAS staff on the question of ITQs. When IMAS has been challenged on the accuracy and consistency of their evidence, there has been no further detailed mention of that fishery (including in IMAS' staff's evidence to this Inquiry).
The most recent example is the evidence from IMAS staff to the 2016-2017 Productivity Commission Inquiry into Marine Fisheries and Aquaculture - <https://www.pc.gov.au/inquiries/completed/fisheries-aquaculture-report>
In that case, the Commonwealth Southern Bluefin Tuna (SBT) responded in detail (see attached) and requested a response but this was never received.
- c. Examples of the wider ecological and community benefits of ITQs – safety of fishers, incentive to invest in value-adding, no reliance on scarce community resources to constantly restructure to cope with adversity, the connection between ITQs and risk, and the reasons behind the global movement to ITQ/ITE management (including from community-based management systems).
- d. As examples of ITQ fisheries – we demonstrate from other studies, the long-term effects of ITQs in Australia's largest fishing port – Port Lincoln – and in Australia's first ITQ fishery (in 1984) in the Southern Bluefin Tuna (SBT) fishery.
- e. The example of Japan moving from a totally community based fishery management system to ITQs from 2022.

Comment on the evidence by some IMAS staff in Supplementary Submission to No. 37

Again, these comments cover only Commonwealth fisheries where CFA has expertise. We also emphasise again that ITQs, and the many variations, are more successful in some fisheries than others, and are not suitable for every fishery (for example, those with highly variable biomass availability such as the Commonwealth Northern Prawn Fishery - NPF). Even the NPF is managed by a transferability system – headline length being the Individual Transferable Effort (ITE).

Our comments cover many of the key points made in the submission by some IMAS staff in their Supplementary Submission to No 37:

- (1) The IMAS staff statement that “ITQs have little relevance” to the AMFA legislative Objective of “cost-efficient” management. There is no such Objective as “cost-efficient.” In the FMA Act it reads:

“implementing efficient and cost-effective fisheries management on behalf of the Commonwealth” (see FMA Objectives (1)).

The core role of the ITQ system in achieving lower costs and increasing the value of the fishery is emphasised in all the Fisheries Management Policy documents over the last 30 years throughout the evolution of Commonwealth fisheries management.

- (2) The IMAS staff statement that “ITQs are irrelevant” to the AFMA legislative Objective of “Ecological sustainable development including sustainability of target species and ecosystem.”

The key role of ITQs in achieving the sustainability of target species and of incidental bycatch is emphasised in all the literature and in Australian Policy documents. For example, most recently in Australia, by the Productivity Commission Inquiry in 2016-2017:

“output controls, in particular ITQs, provide greater confidence on the achievement of sustainability goals.”

Further, in the AWE (2021) submission to this Senate Inquiry:

“Commonwealth fisheries management is focused on the sustainable use of fisheries resources, maximising economic returns to the Australian community and the conservation of marine ecosystems and biodiversity.”

Put simply, ITQs stop the race to fish to fill a TAC – so that fishers can go fishing when the fishing is most sustainable, highest quality, most safe, and the prevalence of incidental catch is least. IMAS staff appear to confuse the impact of TACs (directly driving a race to fish) and economic benefits.

It is concerning that IMAS staff do not recognise the primacy of the stock and ecosystem Objectives in the implementation of the FMA 1991. AFMA and the Commonwealth have

consistently applied the Commonwealth Harvest Strategy Policy and Commonwealth Bycatch Policy.

CSIRO notes in its submission to this Inquiry that the emphasis on sustainability also reflects public opinion:

“ The study by Ogier et al. (2020) found that the general public potentially had different expectations of fisheries outcomes. While rating sustainability-relating objectives highly, economic benefits generated by fishing – even to the local community – were rated lowest.”

- (3) The IMAS staff submission states that “Many submissions (and old economic theory) say that ITQs lead to sustainable stocks because they incentivise commercial fishers to allow the minister to set responsible catch limits.” We have scanned almost all the submissions and can find no such statement or even implication that industries can tell any Minister what to do. In every Commonwealth ITQ-managed fishery, the quota is largely set by a Resource Assessment Group (RAG) implementing the Commonwealth Harvest Strategy. In Southern Bluefin Tuna (SBT), the quota is set **automatically** by a scientific formula (a Decision Rule – see www.ccsbt.org)
- (4) The IMAS staff statement that AFMA’s legislative Objective for “maximising the net economic returns to the Australian community from the management of Australian fisheries” “...was the basis for implementing ITQs in Australian fisheries.” This is incorrect – ITQs were mandated by the Commonwealth Government in December 2005 through the Ministerial Direction:

“The Australian Government considers that decisive action is needed immediately to halt overfishing and to create the conditions that will give overfished stocks a chance to recover to an acceptable level in the near future.”

- (5) Again, IMAS staff focus again on promoting a scenario that the Commonwealth fisheries quotas are owned by big corporates exploiting the Australian community. The reality, as the AWE submission says, is:

“The Australian commercial seafood industry comprises many small, often family-owned companies and a smaller number of larger businesses, a few of which are subsidiary companies of publicly listed parent/holding companies.”

IMAS staff promoted their same view for Southern Bluefin Tuna (SBT) in the 2016-2017 Productivity Commission Inquiry, and this was shown to be a complete misrepresentation. For example, Australians own the same 100% of the SBT quota that they owned when it was first allocated in 1984; it is largely owned by the same families as in 1984; and those families have invested heavily in the SA regional community (see later). They have stuck to the industry through major receiverships; through 70% cuts in the quota on the road to recovering the stock; and have never asked for one cent of community funding to restructure.

- (6) The IMAS staff states that in Commonwealth fisheries - “ITQs have been a profound failure in maximising economic returns to the Australian community.” (SS Page 1). This statement about Commonwealth fisheries and legislation is made without any data, and without any analysis. In 2016-2017, IMAS staff made a similar claim to a Productivity Commission Inquiry about the Commonwealth-managed Southern Bluefin Tuna (SBT) fishery. The SBT Association responded to each IMAS claim in detail (see attached) – and has heard nothing more since then, except one comment in the Supplementary Statement to Submission 37.
- (7) IMAS staff state to the Senate Inquiry that “The Australian government has used ITQs to minimise employment and minimise consumer benefits by reducing supply below maximum sustainable yield to force up prices.” In all the Commonwealth fisheries we know, there is no attempt to reduce the catch below the ecologically sustainable level – even though one theoretical option is to set the Total Allowable Commercial Catch (TACC) based on Maximum Economic Yield (MEY) rather than Maximum Sustainable Yield (MSY).

The real-world reasons for this situation is that some fisheries receive a share of an international TAC and targeting catches below that quota share risks losing quota; two (Antarctic and SBT) of the three largest Commonwealth Fisheries are export fisheries and can’t set international prices; the third, fourth and fifth largest Commonwealth fisheries (Northern Prawn, East Coast Tuna, and South East Scalefish and Shark Fisheries) are subject to major import competition and often export - so can’t set prices.

The confusion of IMAS staff on this issue is that, as above, they say that fishers want to reduce the supply below MSY to force up prices. Then they contradict themselves by saying that “...ITQs don’t lead to quota holders championing for conservative catch limits.” (page 1 IMAS supplementary submission).

IMAS staff submission and TACs vs ITQs

IMAS staff promote the concept (page 1 of SS37) that fisheries management can be by TACs rather than the combination of ITQs and TACs. As we note above, some fisheries are not suited to ITQs – and an example is the Commonwealth Northern Prawn Fishery.

However, as CSIRO notes in their submission to this Inquiry:

“Resource sustainability benefits can be achieved through the use of TAC on their own (i.e. without the individual transferable allocation). However, where such management systems have been implemented, the resultant competitive race to fish has compressed fishing seasons, resulting in increased incidental ecological damage, economic waste, and increased occupational hazard (Birkenbach et al. 2017). In contrast, allocating user rights through ITQs has been found to slow the race to fish and extend the fishing season, with subsequent economic and safety benefits (Birkenbach et al. 2017).”

The example of Alaska

IMAS staff often give (page 3 of SS37) the Alaskan Salmon Fishery as an example of a highly successful fishery without ITQs – relaying on seasonal closures and other input controls. On preliminary analysis, our comments are:

- (1) Of the 12 species in that Chinook fishery, under the US Endangered Species Act two are listed as Endangered, and eight are listed as Threatened.
- (2) Commercial and recreational fishing are both listed as “threats” to the fishery in the Management Plan.
- (3) The fishery includes giant factory boats with over 100 employees on each.

Points of detail

We reference these smaller points as examples of how IMAS staff submissions appear to say conflicting things.

- (1) IMAS staff say that the Toothfish fishery is the largest Commonwealth fishery – but then go on to say that “gross value of production is not available where there’s less than 5 boats,” as is the case with Toothfish.
- (2) Another example – the IMAS staff submission that the terms “fisher” and “quota holder” are often considered the same thing, and they “rarely are.”(page 2, SS37). Further, IMAS staff say that “ITQs have created large windfall gains in wealth of ITQ shareholders whereas negative financial impact on fishers are now the norm.”(page 2). This statement refers to Commonwealth fishers – without any data or any analysis. As noted, we have no expertise in Tasmanian State fisheries. We know of no Commonwealth fisheries which could possibly fit the IMAS staff description.

Relationship between AFMA’s Fishery Management Plans and the Fishery Management Act 1991

IMAS staff make the fundamental error of submitting that where the FMA Objective of “maximising the net economic returns to the Australian community” is not repeated in a Fishery Management Plan, then it does not apply. Part 3 Clause 16 of the FMA 1991 says:

“16. AFMA to pursue objectives

- (1) In performing its functions under this Part, AFMA must pursue its objectives and, in addition, act in accordance with its corporate plan and its current annual operational plan.”

Where that Objective is explicit in the Management Plan (eg SBT), the IMAS staff view is that:

“The Australian community is referenced in objectives but the criteria is only giving statutory private rights to some firms and allowing these firms to operate efficiently and without competition.”

The SBT Rights have been bought/sold 2.98 times since they were allocated on catch history/investment criteria in 1984. IMAS gives no solution to how these would now be re-allocated.

The case of Port Lincoln – a range of new fisheries, aquaculture, tourism, training.

When the Minister John Kerin introduced Australia's first ITQs into SBT in 1984 – it was opposed by many in the industry. The reality is:

- (1) ITQs saved the SBT resource and industry in Australia.
- (2) Due to Japan over-catching, the TAC was cut from 23,500t in 1983 to 14,500t in 1984 and to a low of 4,015t in 2009. Since then, the global SBT stock has doubled (www.ccsbt.org) and the Australian quota has risen to 6,200t.
- (3) Each time the quota was cut, without any government assistance, the industry was able to restructure by those who wanted to stay buying those who had to leave.

The result of ITQs in SBT has been:

- (1) A relocation of the fishery to the regions of Australia where the highest value added can be gained – in this case SA. In the shark and squid fisheries, the opposite has happened - fisheries have relocated away from SA so that operators can remain viable.
- (2) A large reduction in at-sea fatalities.
- (3) The movement from catching small fish to larger fish as the industry became more selective in fishing.
- (4) The value-adding to the basic SBT catch quota by catching the fish live and growing them out in farms, to double their weight.
- (5) SBT operators have diversified into many new seafood enterprises. For example:
 - a. A new major Yellowtail Kingfish aquaculture industry, exporting to a range of countries.
 - b. The SA sardine fishery, now Australia's largest wild fishery – and with MSC certification.
 - c. A new SA mussel industry.
 - d. New seafood/tourism venture – for example, diving with the tuna.
 - e. A new major national marine training operation – the Australian Maritime and Fisheries Academy.
 - f. A new Marina in Port Lincoln.
- (6) An important new charter/recreational fishery for SBT has developed in Victoria, NSW, Tasmania, WA and SA.

Japan's decision to adopt ITQs from 2022

Japan has the fifth largest Fishing Zone in the world – and for decades harvested the world's largest fish catch. The management system was dominated by local community ownership

through fisheries co-operatives which owned and allocated the local fish resources. Aquaculture in Japan largely developed under the same local managed systems.

About five years ago, Japan recognised that their fisheries production was in structural decline, with substantial overfishing, declining stocks and the resulting decline in the numerous fishing ports in Japan.

First, Japan went to an Individual quota (IQ) for each boat in key Distant Water fisheries such as Southern Bluefin Tuna (SBT). Then in 2017, Japan decided to introduce ITQs (starting 2022) in many of their fisheries, after detailed assessment of overseas ITQ systems, including in Australia (see MAFF 2021).

Further inaccurate statements by IMAS staff

One of the many such statements in the IMAS staff Supplementary Submission is:
The French system is “a more nuanced and sophisticated approach than the Australian system which ignores all outcomes other than rents to private shareholders.” (page 3).

Again, no analysis and no examples – just an unsubstantiated and inaccurate statement.

Claim of moth-balling quota

IMAS staff claim that Commonwealth fisheries “are not delivering their maximum economic benefit to the Australian community while quota shareholder hold quota to speculate on capital gains without catching the fish.” (SS37, page 4). We have never heard of this before – and the concept is illogical. The reasons are:

- (1) In the large majority of Commonwealth fisheries, the industry has no control over the price of fish – so why would they not catch the fish?
- (2) Non-utilisation of an asset is a significant holding cost, including paying AFMA and other levies. Using or not using a paper asset could have no effect on the continuing capital value, except to depreciate it.
- (3) It is only statutorily possible to carry over a small percentage of unused quota to the following year.

Commonwealth Fisheries Association
14 October 2021

References

ABARES 2021, Fishery status reports 2021, Research by the Australian Bureau of Agricultural and Resource Economics and Sciences, October 2021.

AWE 2021, Submission No. 29 to the Inquiry into the fisheries Quota System 2021.

Borthwick, D 2012, Review of Commonwealth Fisheries: Legislation, Policy and Management, report to the Minister of Agriculture, Fisheries and Forestry, Canberra. Agriculture 2007,

Commonwealth Fisheries Harvest Strategy Policy and Guidelines 2007, Department of Agriculture, Fisheries and Forestry, Canberra – accessed 11 October, 2021.

Commonwealth Policy on Fisheries Bycatch Review, Department of Agriculture, Fisheries and Forestry, Canberra, 2018 - accessed 11 October 2021.

Commonwealth Fisheries Harvest Strategy Policy, Department of Agriculture and Water Resources, Canberra, November, accessed 11 October, 2021.

Commonwealth (1989) New Directions for Commonwealth Fisheries Management in the 1990s

CSIRO, 2021. Submission No. 39 to the Inquiry into the fisheries Quota System 2021 – authors Pascoe S, Little R, Hoshino E, van Putten I.

MAFF Japan 2021. Japanese Government White paper of Trends in Fisheries and Future Fisheries Policy. MAFF Japan – accessed 9 October 2021.

Managing Commonwealth Fisheries: The Last Frontier (1997): House of Representatives Committees Parliament of Australia (aph.gov.au)

Productivity Commission 2017, Marine Fisheries and Aquaculture, Final Report, Canberra, accessed 11 October 2021.