

14 November 2022

The Senate Rural and Regional Affairs and Transport References Committee

Senate Inquiry into the Fisheries Quota System

SUBMISSION

The Tasmanian Abalone Council Limited (TACL) is the representative industry body for the abalone fishery in Tasmania.

It has a membership of processors, quota unit holders, divers and FLAD owners, and represents over 85% of those persons and entities associated with the industry, which in total number upwards of 700.

The TACL is aware of comments made at a recent meeting of the Committee which requires a response. In doing so, it recognises that its views are different to that of the Tasmanian Seafood Industry Council (TSIC), which has also provided an earlier submission to the Inquiry.

The following comments are pertinent to the Tasmanian abalone fishery and do not pretend to reflect the situation in any other fishery.

The TACL would suggest that the matter of ITQ's be considered from a different perspective to that which has been provided to date.

BACKGROUND

The abalone fishery in Tasmania is a state-managed fishery and is heavily regulated by the Tasmanian Government. It needs to be as demand for the product exceeds the biological capacity of the fishery to supply that demand.

The present catch is some 790 tonnes, down from a high of 2800 tonnes in 2001.

The reduction has been caused by a number of factors, both anthropogenic and environmental, and has affected all participants, including the government.

The resource is finite, and the demand for product has long outstripped the capacity of the fishery to provide the stock. In order to ensure its sustainability a quota has been placed on the fishery. The quota is called the Total Allowable Commercial Catch (TACC), and the fishery is divided into geographic zones, with each zone being allocated a percentage of the TACC.

The ongoing viability of the resource has until now been measured by CPUE (catch per unit effort) to provide an indication of abundance, and although measuring CPUE has become more sophisticated, with data loggers and satellite technology enabling accurate real-time recording of catch, the relevance of CPUE as a proxy for the state of the fishery is still being debated.

That said, the quota system has been designed to ensure the survival and sustainability of the resource and the industry that depends on it.

The FISHERY DEFINED

The Tasmanian abalone fishery is primarily an export fishery, with the market being serviced by processors. Processors buy fish from divers and pay a beach price for the fish.

A private contractual relationship exists between quota unit holders and divers. Processors obtain fish from divers – based on quota allocated to them by quota unit holders.

Once purchased, processors who export live abalone are then responsible for ensuring the fish are alive and in a healthy state at the time they reach the market, and cover all costs including processing, transport, customs, quality claims and the vagaries of the exchange rate. They also deal with all risks associated with the political dynamic in China (its major market) and other factors outside of their control. It is a high-risk business.

The beach price will reflect these market dynamics. Presently the average beach price across all harvest zones hovers around \$50 per kilo. However, the price can vary markedly. Currently the beach price in the Northern and Bass Strait zones is around \$27/kilo and around \$71/kilo in the Western and Eastern zones.

The beach price is divided among the stakeholders as follows:

1 Payment to the diver.

The market to harvest abalone is competitive, and as is typically the case in a free market, divers want to be paid more and quota holders want to pay less. Diver payments are a private negotiation between diver and quota owner, and although divers have expressed concern regarding levels of payment there has been no suggestion of any regulatory role to be played here. Divers are typically paid around the \$9-12/kg mark.

2 Royalty to the government

The current royalty rate paid by abalone quota unit owners is 7% of the beach price. It was once upwards of 9% but has been reduced to 7% over time. In 2019, it was agreed that an amount equivalent to 2% was to be channelled into the *Abalone Industry Re-investment Fund (AIRF)*, a research and development initiative under the joint oversight of government and industry, and of which the Institute for Marine and Antarctic Studies (IMAS) has been a major beneficiary.

As the cash value of 2% can vary over time, it was decided at the outset that what was regarded as an equivalent annual allocation of \$1.2 million be made available for each of 5 years. The current financial year is the last year of the inaugural AIRF program, although there is a strong desire amongst abalone industry stakeholders that the AIRF will continue into the future to underpin critically important research, including reef-based research and rehabilitation programs.

3 Payment to the ITQ unit holder.

The quota unit holder pays a diver to harvest the abalone and pays the Tasmanian Government its royalty, and retains the balance.

There are presently 3500 ITQ units in the Tasmanian abalone fishery, with each ITQ being allocated an equal proportion of the available TACC. These units are currently held by approximately 400 individuals or entities.

QUOTA UNIT HOLDERS of ITQs

Quota unit holders are like shareholders in a company. They can be big and they can be small. Most quota unit holders hold less than 10 units, and normally those units are a part of an investment portfolio, being managed for the eventual retirement of the holder.

Quota units are the same as a piece of property, with property rights attached to them. As such they have a value and are tradeable on the open market.

Quota unit holders, like shareholders in a public company, can be found throughout Australia and beyond. However, the vast majority (90%+) are held by Australians and most of those are held by Tasmanian entities.

Although industry advice is sought from time to time, quota unit holders DO NOT DIRECT the management of the fishery, which is the primary responsibility of the Department of Natural Resources and the Environment (NRE).

To quote from the Abalone Deed of Agreement:

“The Secretary acknowledges that any decision made to alter the total allowable catch of abalone will take account of the best biological advice available from the Department on the conservation of abalone in State waters (with the intent that the maximum sustainable yield of the resource will be realised within these conservation restraints) and that a reasonable level of consultation with the abalone industry will occur prior to making the decision.”

Whether there should be a cap on the number of units held by an individual entity, or whether units can be held by overseas interests, is a matter for government policy-but has nothing to do with the way the fishery is managed.

Quota unit holders are not the regulators and they have no power to influence management matters. To suggest that they do is wrong, and to suggest that they should is naïve.

RETURNS

Returns to quota unit holders, divers and processors is dependent on the size of the market, what price the market is prepared to pay and the volume of product available to it.

A low TACC and/or a low market price will adversely affect diver returns, royalty payments to the government and returns to quota unit holders. Likewise a high TACC and/or market price will have the opposite effect.

Comment has been made as to whether the industry is being subsidised. The government obtains royalties from the fishery. As stated above, many factors come into play. When times are good, government would show a strong surplus, when times are tough, then less so.

In fact, since ITQs came into existence in 1985, Tasmania's abalone quota owners have paid royalties of tens of millions of dollars **in excess** of the cost to Government of managing fishery compliance, administration and research.

Many quota unit holders also wish it known that they have been able to invest in a range of other industries because of their involvement in the abalone fishery.

However, one matter that has not been considered is the efficiency and effectiveness of the regulatory environment, and the Committee would do well to examine this matter with the relevant regulatory authorities.

CONCLUSION

The TACL is of the view that demonising quota unit holders in the fishing industry is not a preferable option to pursue.

Fisheries need to be managed because of the pressures being placed upon them by harvesting and other factors. Otherwise the fishery will fail, a situation where clearly no one benefits.

The issue of whether fisheries should or should not be efficient in the way they are run is a very odd question to be asking, particularly when the fishery is operating in a competitive market-place.

Quota unit holders, along with all other abalone industry stakeholders, rely on robust fishery science and prudent fishery management principles to ensure the long-term sustainability of the wild abalone resource. They are not of themselves managers.

The TACL respectfully requests that you take these matters into account in your deliberations.

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