

REGULATION IMPACT STATEMENT

Background

There is a single, global stock of southern bluefin tuna (SBT), which is a valuable, highly migratory species of pelagic (that is, living in the mid- to upper-water column) fish prized by the Japanese sashimi market. SBT ranges widely across the high seas regions of the southern hemisphere, also traversing the exclusive economic zones of Australia, New Zealand, Indonesia and South Africa, and is targeted by fishing fleets throughout its range (Figs. 1 & 2). SBT live for about 40 years and do not become sexually mature until around 12. There is only one known spawning ground for SBT; south of Java, Indonesia, extending into the adjacent high seas and Australian waters around Christmas and Cocos Islands.

SBT has a history of being heavily fished, with the annual catch reaching 80,000 tonnes in the early 1960s. Heavy fishing resulted in a significant decline in the numbers of mature fish and the annual catch began to fall rapidly from then on. Since 1994 SBT has been managed globally by the Commission for the Conservation of Southern Bluefin Tuna (CCSBT), of which Australia is a member together with Japan, New Zealand, the Republic of Korea and Indonesia. The Fishing Entity of Taiwan is a member of what is referred to as the Extended Commission, which provides for its participation in decision-making and to be bound by those decisions. The Philippines, South Africa and the European Union are Cooperating Non-Members of CCSBT, though South Africa has notified of its intentions to ratify the convention and become a full member of CCSBT in the near future. All States/Entities known to fish for SBT participate in CCSBT either as Members or Cooperating Non-Members.

The Convention for the Conservation of Southern Bluefin Tuna applies wherever SBT is fished; unlike most regional fisheries management arrangements, there are no spatial boundaries to the Convention. Decisions taken by CCSBT are binding on Australia in terms of our domestic management of the Southern Bluefin Tuna Fishery. CCSBT decisions are taken by consensus. Further, CCSBT's subsidiary bodies (including the Scientific Committee and Compliance Committee) report to the Commission on a consensus basis.

Australia's southern bluefin tuna (SBT) fishery is one of its most valuable fisheries. The fishery is largely based in Port Lincoln on the Eyre Peninsula, South Australia, and is regulated through catch quota limits allocated to individuals in the form of statutory fishing rights. The industry exported around \$102.2 million worth of SBT in 2009–10, and forms a significant component of the region's economy. Port Lincoln is an important hub for a number of different fisheries, with the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimating that around 950 people are directly employed in the total fishing industry in Port Lincoln (15.6 per cent of the Port Lincoln work force). The long-term prosperity of Australia's SBT industry is dependent on the long-term sustainability of the stock itself, which migrates widely throughout the southern hemisphere and is targeted by fishing fleets throughout its range.

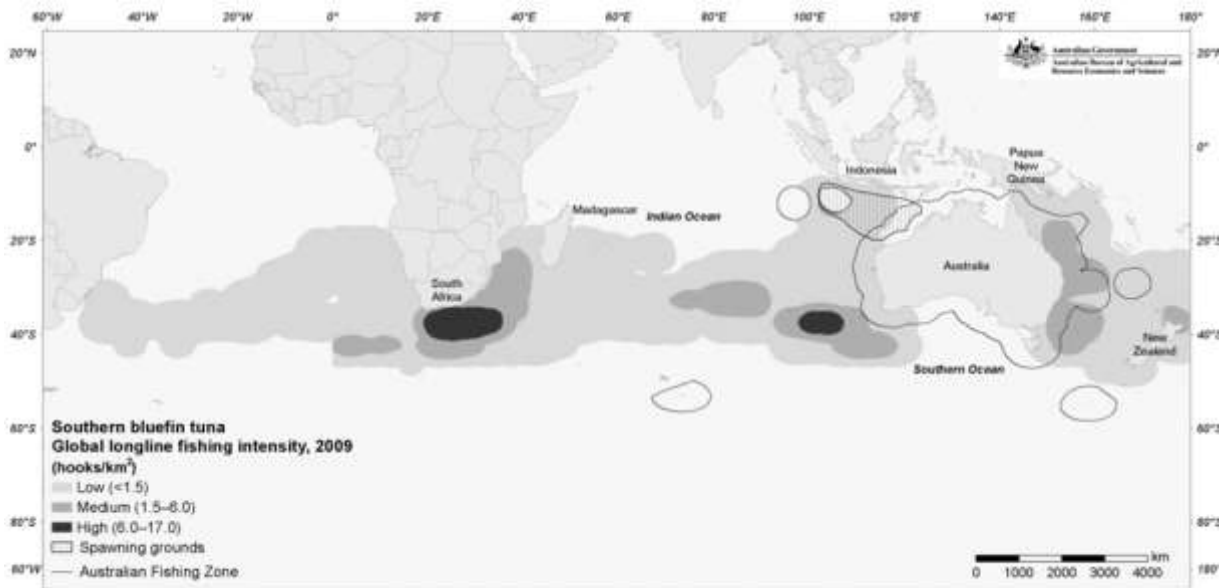


Fig. 1. Global longline fishing intensity (effort) for southern bluefin tuna in 2009 (due to lags in reporting, 2009 data are the most recent as of September 2011)

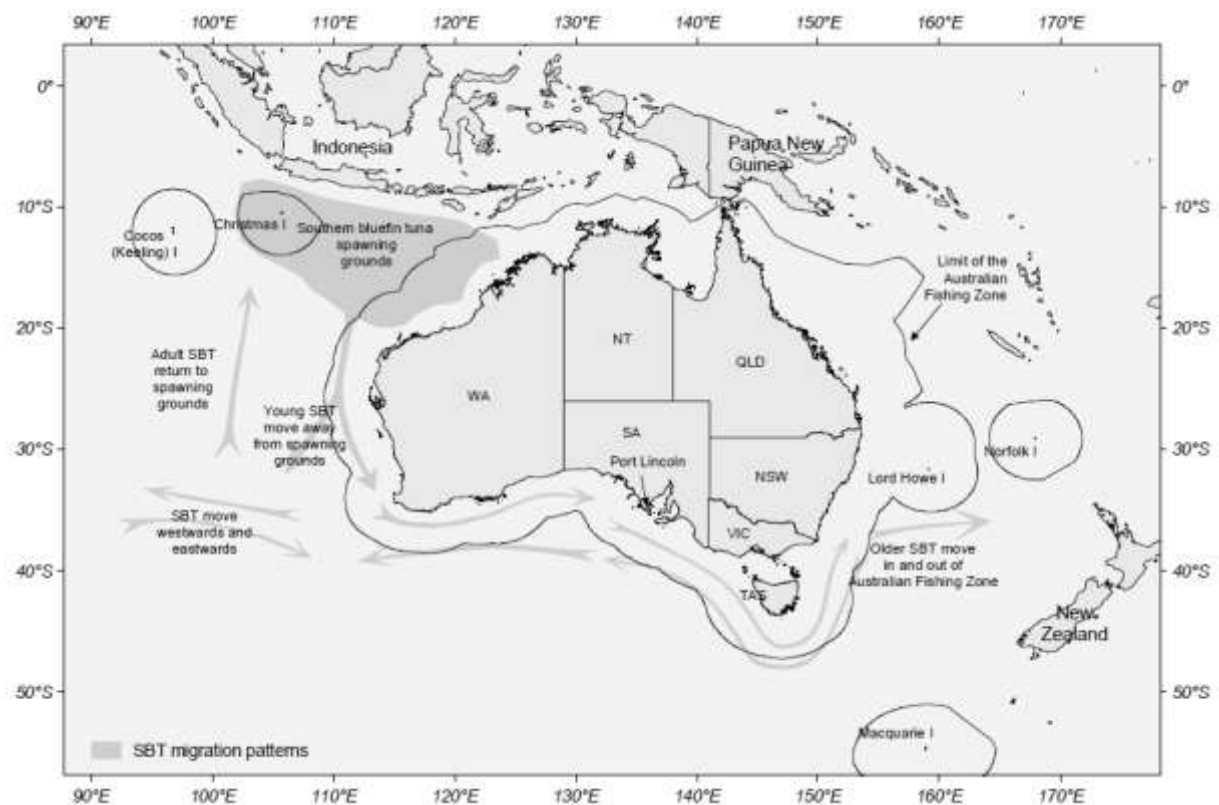


Fig. 2. Migration patterns of southern bluefin tuna through the Australian Exclusive Economic Zone and adjacent oceans

In October 2009, at its 16th annual meeting (CCSBT 16), CCSBT acted to reduce the global TAC for 2010 and 2011 in response to consensus advice from its Scientific Committee that action was required to rebuild the SBT stock from its poor state (estimated to be between 3 and 8 per cent of unfished levels). The TACs for 2010 and 2011 were reduced from the previous TAC of 11,810 tonnes

to 9449 tonnes. Average national quotas for Members and Cooperating Non-Members for each of the 2010 and 2011 fishing seasons are shown in Table 1.

Table 1. *Allocations to Members and Cooperating Non-Members in 2010 and 2011*

	Nominal Catch^a	Allocated Catch^a	Effective Catch Limit^a
Members			
Japan	5,665	2,261	2,261
Australia	5,665 ^b	4,270	4,015
Republic of Korea	1,140	859	859
Fishing Entity of Taiwan	1,140	859	859
New Zealand	1000	754	709
Indonesia	750	651	651
Cooperating Non-Members			
Philippines		45	45
South Africa		40	40
European Union		10	10

^a*Nominal catch is the nominal allocation before reductions were applied; allocated catch is the reduced allocation for 2010 and 2011; and the effective catch limit is the effective allocation after additional agreed voluntary reductions were applied.*

^b*Australia's effective catch limit was set at 5265 tonnes from 1990 to 2009. Under an existing agreement among Australia, Japan and New Zealand, Australia's nominal catch limit increased to 5665 tonnes in October 2009, moving to parity with Japan.*

In line with the global reduction, Australia's allocation was reduced from an annual quota of 5265 tonnes to a combined 8030 tonnes for 2010 and 2011, with no more than 5265 tonnes to be taken in the 2010 fishing season.

In reducing the TAC for 2010 and 2011, CCSBT 16 also recognised that sustained action would be required to rebuild the spawning stock to the interim rebuilding target of 20 per cent of unfished levels, and committed to the adoption of a formal rebuilding strategy—known as a management procedure—to guide future catch levels (Box 1). CCSBT's expectations in adopting a management procedure were outlined in the 2009 *Resolution on the Total Allowable Catch and Future Management of Southern Bluefin Tuna*, which is legally binding on all Members. A provision of this 2009 resolution states that if a management procedure could not be finalised by the 2012 fishing season, the TAC for the 2012 season will be reduced to 5,000–6,000 tonnes, unless the Extended Commission decides otherwise based on the new (July 2011) stock assessment.

CCSBT's Scientific Committee met in July 2011 to update the SBT stock assessment and finalise the scientific testing of several candidate management procedures. The Scientific Committee's consensus advice to CCSBT was that the current spawning stock biomass of SBT remains very low, at about 5 per cent of its unfished levels (ranging between 3 and 7 per cent of unfished levels).

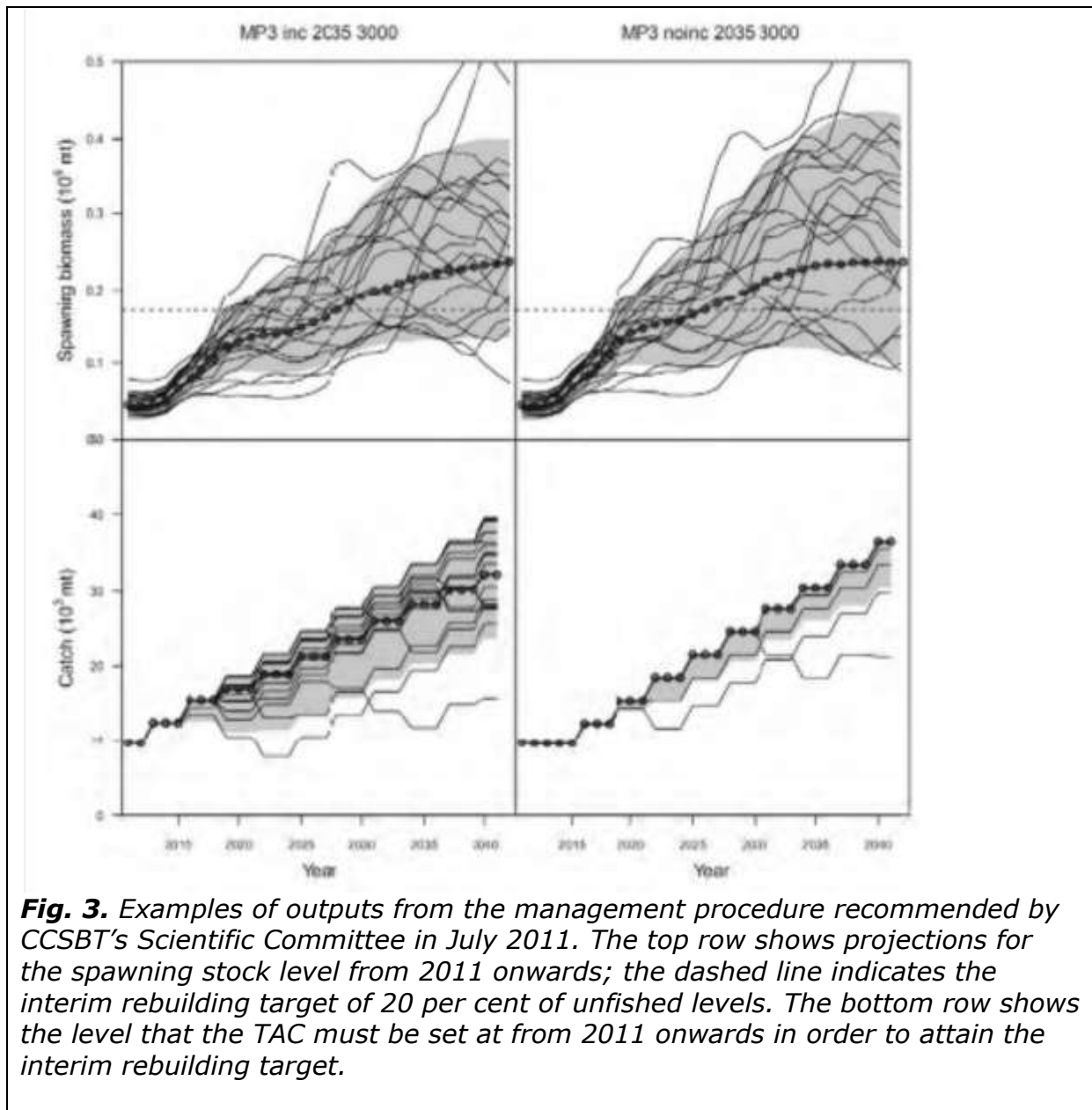
However, the Scientific Committee also advised that the outlook for the stock is positive with a more optimistic view of the future recovery rate. The Scientific Committee recommended a management procedure for consideration by CCSBT. Importantly, the Scientific Committee did not recommend that further reductions to the global TAC would be required to rebuild the spawning stock to the interim rebuilding target of 20 per cent of unfished levels. CCSBT will consider this latest scientific advice at its 18th annual meeting, scheduled for 10–13 October 2011 (CCSBT 18).

In 2009, CCSBT 16 also agreed to start discussion from 2010 onward on new quota allocation rules that may be used from 2012. To date, CCSBT has allocated the global TAC to its Members and Cooperating Non-Members in fixed tonnages (see Table 1). However, allocation rules would be required under a management procedure to distribute the global TAC among Members and Cooperating Non-Members on a proportional basis every time a change is made to the TAC (either up or down). The development of these new allocation rules would also need to take into account the review of a five-year quota penalty applied to Japan for past unreported catches; and the accession of new Members to the Convention on the Conservation of Southern Bluefin Tuna.

Box 1. What is a management procedure?

Management procedures are equivalent to the harvest strategies in place for all domestic Commonwealth fisheries through the *Commonwealth Fisheries Harvest Strategy Policy 2007*. Essentially, a management procedure is a set of decision rules setting out a rebuilding objective for a fish stock, and how the TAC must be set in order to achieve the rebuilding objective (Fig. 3). National scientists in CCSBT's Scientific Committee have developed a management procedure using two main data inputs: catch-per-unit-effort data from Japan's longline fleet, and an index developed from an Australian scientific aerial survey of juvenile SBT abundance in the Great Australian Bight. The data inputs are updated on a regular basis to allow the management procedure to react to any changes in stock status.

To date, CCSBT has agreed that a management procedure will have an interim rebuilding target of 20 per cent of the unfished biomass of the original SBT spawning stock. Given the current low level of the stock, it will take many years to attain this interim rebuilding target. CCSBT has also agreed that a management procedure will incorporate a high probability (70 per cent) of attaining the interim rebuilding target; that the TAC will be changed every three years to attain the target (either up or down); and that the minimum change to the TAC will be 100 tonnes. At its annual meeting in October 2011, CCSBT must reach agreement on the timeframe for achieving the interim rebuilding target (2030, 2035 or 2040); maximum changes to the TAC (3000 tonnes or 5000 tonnes); and whether the TAC can be increased in the first three-year period under the management procedure. If adopted in October 2011, the management procedure will be implemented to guide the TAC for the 2012 fishing season and beyond.



Government objectives

Australia's overarching objective is to maintain a profitable SBT fishery in regional Australia, while achieving international cooperation to rebuild the SBT spawning stock from its current low level. In practice, this translates into the objectives of adopting a management procedure at CCSBT's annual meeting in October 2011, alongside the setting of a global TAC that will ensure the commercial viability of Australia's fishery yet allow the stock to begin rebuilding. Australia will not seek an increase in the TAC during the initial period under a management procedure, on the grounds that this approach will allow faster rebuilding of the spawning stock and will decrease the likelihood of subsequent TAC reductions in the future. However, to achieve consensus on the adoption of the management procedure, it is likely that Australia will need to compromise with those Members seeking an increase in their national allocations. Allowing a small increase in the first three-year period under the management procedure would not compromise the interim rebuilding target and would balance the need

for precaution in the short-term with the need for longer-term action to rebuild the SBT stock.

Rebuilding the SBT stock will provide Australia's domestic SBT fishing industry with long-term security and will likely increase the amount of quota available to it in the future. Given the current depleted state of the stock, and the relatively slow growth and late maturity of SBT compared to many other fish species, rebuilding the SBT spawning stock to the interim target of 20 per cent unfished biomass will take many years.

Failure to implement the management procedure or set future TACs at a level that will allow the stock to rebuild will have a negative effect on the Australian SBT industry in the long-term. Scientific advice suggests that the SBT stock is at historically low levels and vulnerable to future episodes of recruitment failure. Should CCSBT fail to take decisive, sustained action to rebuild the stock, action is likely to be sought in other forums; for example, through a ban on international trade. Recovery of the SBT stock is crucial to ensure SBT remains a viable commercial species for the long term.

Options for the negotiating framework

In 2011, Australia will pursue the adoption of a management procedure to provide formal guidance to CCSBT on future levels of catch that will guarantee rebuilding to the interim target of 20 per cent spawning stock biomass, while also ensuring the economic viability of the SBT fishery.

Further, CCSBT will begin discussions on new allocation rules that will function under the management procedure. New allocation rules will need to accommodate:

- the review of the Japan's five-year penalty for past unreported catches. Japan will be seeking to regain its historical share of the TAC, which was lost in 2006 when its large-scale unreported catches were revealed; and
- South Africa's pending accession to the Convention for the Conservation for the Southern Bluefin Tuna.

CCSBT is a consensus forum and compromises will be needed to secure agreement to the management procedure, in addition to determining the TAC and national allocations. The most likely scenario is that CCSBT will agree to adopt the management procedure in a way that facilitates an increase in Japan's quota and the accession of new members, which is very likely to entail a TAC increase during the first three-year period under the management procedure. In this case, there will be no reductions to Australia's national allocation.

This impact statement takes account of a scenario whereby a single Member blocks consensus on adopting the management procedure in October 2011. Should CCSBT fail to reach consensus on adopting a management procedure, the global TAC for 2012 may be reduced to 5000–6000 tonnes as required under the existing 2009 *Resolution on the Total Allowable Catch and Future Management of Southern Bluefin Tuna*, unless the Extended Commission agrees otherwise. This would lead to a ~50 per cent reduction to Australia's current effective catch limit. Such a scenario is extremely unlikely, given that all Members indicated a level of comfort with a *status quo* TAC or an increase when a special meeting of the Extended Commission was held in August 2011. Such a

reduction would be further inconsistent with the latest scientific advice that the interim rebuilding target could be achieved by 2024 under the current TAC of 9449 tonnes.

Preliminary impact analysis

In July 2011, ABARES developed an input-output model in order to analyse the direct and flow-on economic impacts of SBT aquaculture production on the Port Lincoln economy.

The ABARES analysis estimated that should the Australian Government be successful in securing the adoption of the management procedure with no change to Australia's effective allocation of 4015 tonnes, the economic performance of the fishery in 2011–12 will be similar to the performance in the 2009–10 season, that is:

- The total SBT aquaculture production output value of \$102.2 million generates an additional \$37.7 million in other sectors of the Port Lincoln economy, and an additional \$7.8 million in additional consumption expenditure in the region. This gives a total contribution to the Port Lincoln economy of \$147.6 million, implying a total multiplier effect of 1.45. This was estimated to represent 31 per cent of the Port Lincoln economy
- The estimated number of people directly employed in Port Lincoln in the SBT aquaculture sector in 2009–10 was 382 people. The employment multiplier was estimated to be 1.48, resulting in total employment linked to the SBT industry in the Port Lincoln economy of 565 people
- South Australian SBT aquaculture production value in 2009–10 was around 26 per cent of the total gross value of production generated by South Australia's fishing industry in that financial year
- The SBT aquaculture industry contribution to the total South Australian state economy was small in 2009–10, at approximately 0.13 per cent.

If CCSBT fails to reach consensus in adopting a management procedure in 2011, and the 2012 global TAC is reduced to 5000–6000 tonnes consistent with the 2009 *Resolution on the Total Allowable Catch and Future Management of Southern Bluefin Tuna* (the worst-case scenario), the results from the ABARES Input-Output model estimated that:

- a 50 per cent reduction in annual quota allocation would directly reduce the value of the SBT fishing industry by 26.2 per cent, cost 154 jobs and reduce output by \$50 million. Indirectly, output would fall by a further \$18.5 million, with flow-on effects reducing employment by a further 75 jobs (predominantly unskilled). The total effect of a 50 per cent reduction in annual SBT quota with flow-on effects to the PLSLA would see an output reduction of \$68.5 million and a reduction of 229 jobs.

Another report published by Econsearch Pty Ltd in June 2011 also assessed the economic importance of aquaculture to South Australia. In the report, Econsearch estimated the economic contribution of the SBT farm sector to the South Australian economy and the Eyre Peninsula regional area, as opposed to the ABARES report which focussed solely on Port Lincoln. As the Econsearch model is defined over a larger area, the Econsearch multipliers are larger than those estimated by ABARES. Econsearch's analysis found that:

- implying a multiplier of 2.15 for every dollar in SBT farm turnover, SBT farms contributed \$248 million to industry turnover in the Eyre Statistical Division area
- implying a multiplier of 5.19, SBT farms contributed \$100 million to gross regional product in the Eyre Statistical Division area
- implying a multiplier of 2.34, SBT farms contributed 1005 jobs to employment in the Eyre Statistical Division area.

A reduction to Australia's allocation of the global TAC would likely result in down-sizing of SBT farming activities and, potentially, a shift towards lower cost, less intensive pole-and-line or longline methods, and fewer SBT industry activities based in South Australia.

A negative impact on the SBT industry would also have flow-on effects to the Port Lincoln economy. A reduction to Australia's allocation would primarily impact fisheries businesses, the majority of which are small to medium enterprises, and other service industries that are directly dependent on the SBT fishing sector.

Consultation and communication

The departments of Prime Minister and Cabinet; Finance and Deregulation; Foreign Affairs and Trade; Sustainability, Environment, Water, Population and Communities; Regional Australia, Regional Development and Local Government; the Attorney-General's Department; the Treasury; the Australian Fisheries Management Authority and the Office of Best Practice Regulation were consulted during the development of Australia's negotiating framework for CCSBT 18. All agencies were in broad agreement with the proposed position.

The views of stakeholders in the SBT fishery were also canvassed in August and early September 2011, while Australia's negotiating framework was being developed. These stakeholders included representatives from Australian SBT industry, five conservation non-government organisations and the governments of Victoria and South Australia.

Conservation non-government organisations remain concerned that the SBT stock continues to be at extremely low levels and wish to see catch limits imposed that allow for the stock to rebuild as soon as biologically possible. By contrast, Australian industry believes that the SBT stock is in a healthier state than current scientific advice suggests.

Expectation Management

The Australian Government consults with the Australian Southern Bluefin Tuna Industry Association (ASBTIA) and Department of Primary Industries and Resource South Australia (PIRSA) frequently, during regular stakeholder meetings and also on an ad-hoc basis. Representatives from ASBTIA attend all CCSBT meetings—including all meetings of CCSBT's subsidiary bodies—as part of the Australian delegation, and are provided with government briefs at these meetings. In recent years, PIRSA representatives have also attended meetings of the Commission. ASBTIA and PIRSA are provided with a very high level of access to the Australian negotiating position throughout its development.