

The Tuna Industry: Globalisation of Fishing Access Rights and Insurance Levels

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President,
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Professional Qualifications:

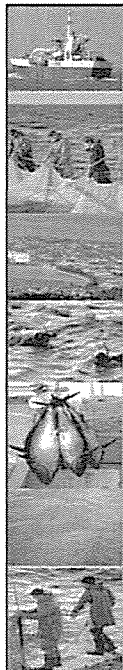
1966-1969	Department of Trade & Industry (largely commodity policy)
1970-1971	Industry Commission (Canberra)
1972-1976	OECD (Paris)
1977-1982	Mitsubishi Motors (Sydney/Adelaide)
1982-1985	Chief of Staff to Minister for Industry & Commerce (Canberra) Chief Adviser, Leader of the Opposition
1986–Onwards	See below.

Industry Appointments:

1986-1988	Executive Director, SA Fishing Industry Council (Adelaide)
1988-1996	Elected Chair of the Australian Seafood Industry Council (formerly National Fishing Industry Council)
1997-1998	Deputy Chair of Australian Seafood Industry Council
1989-current	President and CEO of the Australian Tuna Boat Owners Association
1998-current	Member of the Board of the Cooperative Research Centre for Aquaculture
1997-current	Director of the Australian Fisheries Academy

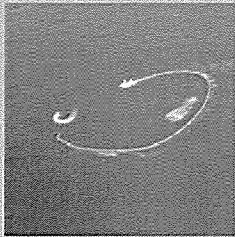
Government Appointments:

2000-2002	Chair of the National Action Agenda Group for Aquaculture
2000-2002	Member of the Commonwealth Fisheries Review Group
2001-current	Deputy Chair of the Australian Fisheries Management Authority (AFMA)
1998-2003	Industry Member of the CSIRO National Steering Committee Oceanographic Research Vessel Franklin
1998-current	Member of the SA Aquaculture Advisory Committee
1997-current	Member of the Advisory Council of the Australian Quarantine and Inspection Service (QEAC)
1997-current	Member of the National Fish Health Committee
1992-current	Member of the Eastern Tuna Management Advisory Committee
2004-current	Member of the National Residue Survey Advisory Group
1996-2002	Chair of the Northern Prawn Management Advisory Committee
1996-1999	Fishing Member of the Marine Science & Technology Plan Working Group
1995-1998	Fishing Member of the Australian Marine Industries & Science Council
2002-current	Member of the SA Aquaculture Advisory Committee
1998-current	Member of the AQIS Seafood Export Consultative Committee (SECC)




The Tuna Industry

Globalisation of Fishing Access Rights and Insurance Levels




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by
Brian Jeffriess
President, Tuna Boat Owners Association of Australia



Summary

- Global tuna industry major insurer
 - Historically hull insurance
 - Now farming added
- Traditionally, “roller coaster ride” industry of individuals, pioneers with haphazard approach to insurance, and the law
 - More secure access rights, the insurance shake-up of this decade, producing greater accountability
- Tuna farming good example where coordinated approach
 - Produces better insurance and maritime law outcomes
- The insurance challenge to Australia is relatively small premium pool
 - Often hostage to overseas events
- Globalisation of access rights testing maritime law



Background to Tuna

- Total fish the largest traded commodity in the Pacific Rim
 - Fish the highest value product air freighted out of Australia (except for blood and gold)
- Within fish, the Pacific tuna industry is the largest sector
 - Just skipjack (canned) tuna catch in Western Pacific, over one million tonnes p.a.
- As with all fish, Australia focuses on high value exports
 - eg. 80% of Australia's Gross Value of Production (GVP) is exported
 - Yet 80% of fish consumption in Australia is imported
- NZ has much more productive fisheries
 - NZ exports much more tonnes than Australia, but much lower value



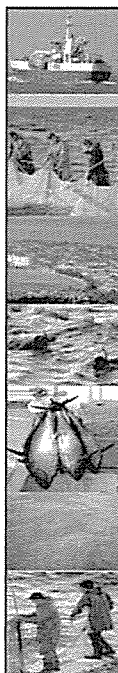
Background to Tuna

- Australian tuna
 - around 150 boats (15-40m.) longline wild fishing on East and West Coasts of Australia for yellowfin/bigeye/swordfish (GVP \$90m.)
 - Catching and farming of Southern Bluefin Tuna (SBT) in Port Lincoln SA (GVP/exports - \$260m.), and (John West) cannery.
- SA tuna owners also operate in other countries (eg. Croatia, Greece, Mexico) and other Australian fisheries
- Access right is major issue for globally competitive industry




Access Rights and the Law

- Sustained trend in Australia/NZ to stronger fisheries access rights
 - Global trend led by Iceland, NZ, and Australian Tuna
- Based on view that stronger access rights lead to more responsible utilisation of resource
 - Accompanied by full cost recovery from industry for management costs
- Strongest rights-based management is Individual Transferable Quotas (ITQ's)
 - Companies/individuals allocated a share of the fishery
 - Share fully saleable/leasable
 - Annual dividend is share of the catch quota set
- Rights in statute (Statutory Fishing Rights)
 - Generally recognised by Courts as "property rights" (see Bannister Quest in Federal Court)




Australian Impact of Access Rights

- In Australia, access rights led to industry culture change
 - From "cowboys" to "co-investors" in the fishery, and the associated environment
- ITQ's also provide vehicle for rationalising industry
 - Tuna went from 250 boats/permits (1984) to 50 significant operators in 2004
- The outcome is more responsible business-oriented industry
 - With much reduced insurance claims
- However, the short-term legal impact is the large number of Court/Tribunal legal challenges to the rights allocation system used in each fishery
 - Will take another decade to resolve
 - Partially solved by forcing claims to Federal Court



Global Impact of Access Rights

- The NZ/Australia/Iceland success with rights-based management now spreading globally
 - Coinciding with more regional and global agreements to share/discipline fishing operations (eg. IOTC, WCPO, CCSBT, FSA)
- Leading to largely untested maritime law
 - Utilisation of resource
 - Pursuit of boat into another EEZ
 - Application of "precautionary principle"
- Rights-based industries pushing governments into regional/global agreements to protect national shares of migratory species
- Conflicts of RFMO's with LOS
 - RFMO's want to protect Members (eg. Indonesia and CCSBT)
 - LOS still allows free access to High Seas resources
- In tuna (SBT), Australia/NZ took Japan to ITLOS 1997-1999 for breach of CCSBT
 - Only "tip of iceberg"
- Future Issues
 - Market exclusion (and WTO implications)
 - Accountability for flags and nationals



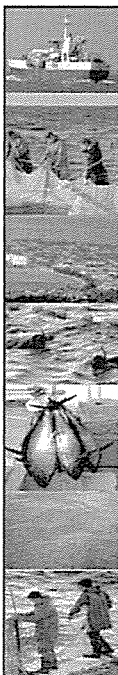
Tuna Farming

- New global technology first developed Port Lincoln in 1991
 - Now transferred to Mediterranean, Africa, Japan and North America
- Traditionally, SBT netted or hooked in Great Australian Bight (GAB)
 - Sent to cannery (\$1/kg), or Japan (for sashimi) \$4/kg
- Global SBT fishery shared between Australia, Japan, NZ, Taiwan, Korea and Indonesia
 - Under international agreement which sets catch quotas, enforcement, research
- Quota rights in Australian SBT are the dominant collateral with banks
 - When catch quotas cut in late 1990's industry in official or de facto receivership
- Only recovery path for industry was value adding
 - Led to new tuna farm technology
 - Led growth other aquaculture (eg. kingfish)



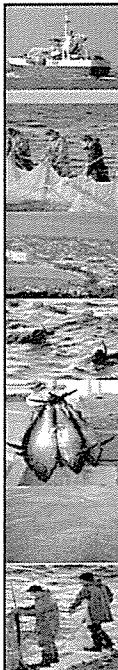
Insurance Issues - Australia

- Tuna catching/farming process
 - Live tuna (20kg) each captured 300km into GAB
 - Towed (6,000 fish, 40m diameter pontoon) 14 days to Port Lincoln
 - Transferred to growout nets (1,800 fish/40m pontoon), fed twice/day
 - Grown out (double weight) in 4 months, harvested, exported
 - Each growout pontoon - \$2 million fish at harvest
- The Storm
 - 1992/1996 farming in Port Lincoln gradually expanded
 - But expansion still inside sheltered shallow Boston Bay (12m. depth)
 - In 1996, storm caused 70% stock loss (claim settled 12m.)
 - Those in deeper water outside Bay, or who towed pontoons away, lost 2% of fish



Insurance Structure – 1997-2001

- Post-1996, industry moved to deeper water, different net structures, installed early warning programs, etc.
- No "weather" claims post-1996
- No significant claim since 1999
 - Industry grown up
 - Excess clauses in Policies
- Insurance market remained robust/competitive
- Policy structure 1997/2001
 - Cover most perils (eg. storm), including algal blooms
 - Cover escapements
 - All cover was subject to excess (eg. 20% loss in single event/single pontoon)
 - Normal hull/PI cover for boats/crews (eg. 80 boats)
 - Cover was up to 80% of market value (pro-rated during the growout period)
- 2002 premium pool on aquaculture about \$7 million; hull replacement value around \$140 million)



Globalisation of Premiums

- Every industry subjected to post-2001 fall-out, in and out of Australia
- Tuna hull insurance necessarily increased
- However, is in aquaculture operation that greatest problem
 - 2004 result is no cover is the best risk management
- Even with no claims, industry expected premium increase (eg. 20%)
 - Outcome is 100% premium increase, with tighter excess provisions, and changed minimum distance between sites
- The "tuna" problem is the globalisation of aquaculture
 - The advantage is larger pool
 - The disadvantage is expansion to high risk countries and species



Globalisation

- From 1997, tuna farm technology spread to Spain, Italy, Croatia, Turkey, Libya, Greece etc.
 - With much less mature managed fisheries and enforcement
 - In Mediterranean – "wild west" mortality
- Insurance companies insured the expansion
- This tuna expansion coincided with major claims in other finfish aquaculture in 2001-2003
 - A "big chill" in Canada led to large salmon losses
 - In 2001-03, tuna farms in Mexico and Mediterranean lost 30% of stock
- Outcome is that aquaculture (especially tuna) is seen again as high risk
 - Low risk Australian tuna are unintended victim
 - High risk image led to lower cover and lower premium pool (less reinsurer) interest