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PRELIMINARY ANALYSIS OF PURSE SEINE INCREASE IN THE WCPFC AREA

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Preliminary Analysis of Purse Seine Increase in the WCPFC Area

Summary

The number of purse seine vessels operating in the WCPFC area has still been increasing. This document analyzed connections in catch transaction between vessel operators and canneries through trading companies and financial relationships between beneficiaries (investors) and fishing vessels based upon the information from industry sources The result indicates that most of the newly-built purse seiners are actually operated by so-called China Group (Chinese Taipei plus Chinese) fishing companies and that three (3) major trading companies have competed each other for increase of fish volume they handle and invited the rapid increase of purse seine vessels in the region as a result.

(This document was prepared not to criticize any CCM but to deepen understanding of the phenomenon of growing fishing capacity in the region.)

Analysis

1. Change in Purse Seine Vessels by Flag

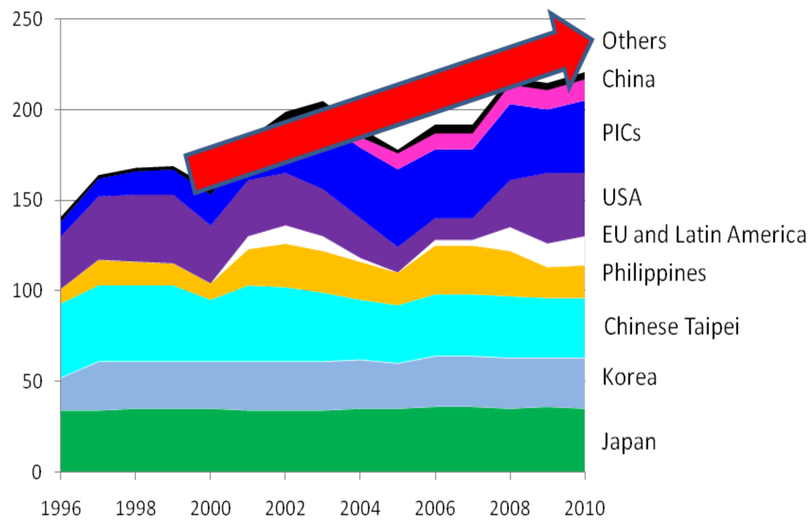
According to the FFA register, the number of purse seine vessels in the WCPFC area increased from 157 in 2000 to 221 in 2010. **Figure1** shows the change in number of purse seine vessels by Flag. The following three points are salient:

(1) The number of PICs flag vessels has increased from 17 in 2000 to 40 in 2010;

(2) China started purse seine fishing in 2002; and

(3) The number of US purse seine vessels once decreased to 12 in 2007, and then increased up to 39 in 2009.

Figure 1. Historical changes in the number of FFA-registered purse seiners by flag

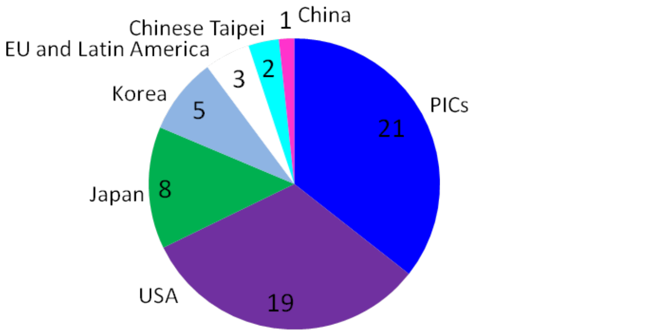


2. Newly-Built Vessels by Flag since 2000

- The increase shown in Figure 1 includes both newly-built vessels and second-handed vessels. But, to understand the phenomenon of the rapid increase, it would be wise to focus on the newly-built vessels.

- According to the FFA register, it was found that, as of 2010, fifty nine (59) vessels have been newly constructed since 2000, and **Figure 2** shows numbers of those by flag.
- Approximately two thirds (2/3) of the new vessels are of PIC and US.

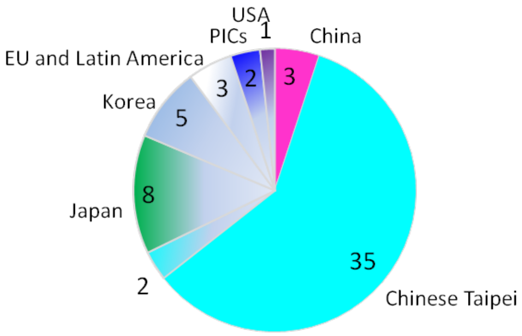
Figure 2 The number of purse seiners newly –built after 2000 by flag



3. Newly-Built Vessels by CCM whose nationals are actual beneficiaries to operate such vessels

- Since purse seine fishery requires capitals, knowledge and experience, most of vessels are operated under joint ventures. **Figure 3** shows the result of analysis of the aforementioned fifty nine (59) vessels by CCM whose nationals are actual beneficiaries to operate such vessels. Data sources are the FFA and the WCPFC vessel register together with a series of hearings from industries relating to this business.
- The number of new purse seine vessels operated by PICs is two (2) and that by US is only one (1), while those operated by China Group (Chinese Taipei plus Chinese) companies accounts for forty (40).
- Newly-built vessels operated by Japanese companies and Korean companies were for replacement of old vessels, and licenses of those old vessels were terminated.
- Under the Chinese Taipei industry's control, thirty seven (37) vessels were newly-built while two (2) of them were replacement of the existing Chinese Taipei flag vessels. Thus the newly-built vessels in addition to the existing fleets are thirty eight (35+3) and are all operated by the China Group.

Figure 3 The number of purse seiners newly-built after 2000 by capital



4. Newly-Built Vessels by Trading Company which handled with fish caught by those vessels

- In the purse seine business, trading companies play important roles in transaction of fish caught by purse seine vessels between the operators and the canneries, most of which are located outside the WCPFC areas. The transaction relationship between fishing companies and trading companies are, once established, very hard to cut; the fishing companies would hardly change the trading companies to sell their catches. Therefore, an increase of vessels of the fishing company means increase of the volume of handling for the trading company.

- **Figure 4** shows the classification of the aforementioned forty (40) China Group vessels by trading company which handles with fish caught by such vessels. It compares figures in 2010 with those in 2004 presented to the Sapporo meeting held in 2005. Primary data source was a series of hearings from industries relating to this business.
- In 2010, FCF, a China Group company handles fish from about twenty seven (27) vessels out of forty (40), followed by nine (9) of Itochu, a Japanese company, and two (2) of Tri Marine, an Italian/US company. FCF has increased their handling equivalent by fourteen (14) vessels during the six years, while Itochu has increased by five (5) vessels.
- The trading companies has been competing for larger shares and as a result inviting further increase of new purse seine vessels in the region

Figure 4 The number of newly-built purse seiners by trading company (dealing with the catch)

Discussions

- Categorization of purse seine vessels by fishing company and trading company can provide new aspects on the capacity increase in the WCPFC area.
- China Group companies and the trading companies are dominant players which have actually increased the purse sine vessels and, by such increase, have enjoyed increase of fish volume they handle, while PICs have appeared to increase their flag vessels.
- Activities of such fishing companies and trading companies have contributed to creating over-capacity in this region, while actual relationship among the two

players – which is taking initiative – are subject to further study. In addition, the role of canneries in the capacity expansion should also be studied; major of canneries are owned and operated by China Group.

- It should be recognized that, for the PICs fishery development, partnership with DWFNs are essential. However, unless those company activities are properly controlled, it seems hard to solve over capacity problems in the region and realize real fishery development of PICs.