



PARLIAMENT OF THE REPUBLIC OF FIJI

STANDING COMMITTEE ON ECONOMIC AFFAIRS

PACIFIC FISHING COMPANY LTD 2017 Annual Report



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Chair's Foreword

PAFCO was a project initiated in form of a joint venture between the Fijian Government and Japan's Ministry of Trade and Commerce and had later incorporated into a private company in 1963. The Fijian government had bought out almost full ownership from Japan and at present hold up to 99.6% of the shares with the remaining 0.4% held by private shareholders.

PAFCO plays an important part in the Fijian economy not only for the manufacture of canned tuna but as the largest employer on the Island of Levuka. It is also considered as the main economic driver of the entire Lomaiviti Province. PAFCO have a total of more than 1,000 employees, both permanent and casual. Further to this, they have indirect employment of approximately 100 people; such as canteen operators, transport and other service providers. More than 70 percent of the workforce are women. The loin process is largely a manual operation and is heavily labor intensive.

Sourcing highly-skilled individuals remains a challenge for the company due to issues such as limited accommodation and lack of social activities.

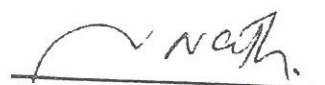
The Committee notes the importance of the three stakeholders i.e. Ministry of Fisheries, PAFCO and Bumblebee and commends the manner with which they are working hand in hand to ensure the smooth running of operations at PAFCO. It must be appreciated that PAFCO meets some of the most demanding regulatory standards both locally and internationally.

The Committee understands that the capacity used for loining (which is the main stay of the business) has ranged from 63% to 72% for the period 2012-2017. This continues to highlight that production at PAFCO is affected by the inconsistent and low supply of the required Tuna species.

The Committee also notes that management has made provisions for the regular upgrading and replacement of their aging equipment and applauds these initiatives. However, the Committee would like to express concern about PAFCO not being able to secure insurance covers for cyclone, which needs to be considered as they are exposed to high risks at present.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chair Hon. Veena Bhatnagar, Hon. George Vagnathan, Hon. Filipe Tuisawau, Hon. Inosi Kuridrani and Hon. Viliame Gavoka. I also take this opportunity to acknowledge and thank the Parliamentary Staff who have given us invaluable support.

On behalf of the Standing Committee on Economic Affairs, I commend the PAFCO 2017 Annual report to Parliament.



Hon. Vijay Nath - Chairperson

Acronyms:

| | | |
|-------|---|---------------------------------|
| PAFCO | | Pacific Fishing Company Limited |
| SO | - | Standing Orders |

1.0 Introduction

1.1 Background

Pacific Fishing Company Limited henceforth referred to as “PAFCO” has the slogan “the home of sunbell”. PAFCO's operation is managed by the Minister for Public Enterprises and it's appointees of board of directors and the senior management team.

PAFCO operates with a vision of being a competitive producer and growing exporter of quality tuna products. Their mission is to become the most efficient producer of quality tuna products, while providing a safe workplace and remaining as an equal opportunity employer in Ovalau and the Lomaiviti province. With a core business function of loining of Tuna for Bumble Bee Foods , they also engage in canning for local and international distribution as well as produce fish meals. The company has a five-year business plan to broaden their client base as well as expand their operations by increasing canning and build on their product range.

PAFCO's main processing plant is based in Levuka while their headquarters is in Suva, Fiji. Although the company engages in fish canning for local distribution through Punjas Ltd, their major client, Bumble Bee Foods LLC, is located in USA for whom they engage in loin processing of Albacore tuna. PAFCO and Bumble Bee Foods commenced their relationship in 1998 and after their initial success of the loin processing agreement; it had been extended twice with the current extension having been renewed in June, 2017 for a period of ten (10) years. PAFCO plays a vital part in the Fiji's economy, not only because of their core role as a local and international market player.

1.2 Committee Remit and Composition

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2)(a) the Standing Committee is responsible to look into matters related to economic development, finance, banking and taxation.

2.0 Recommendations

1. The Committee notes that the buying of albacore is totally reliant on the purchasing arrangements through Bumblebee with its Taiwanese and Chinese partners which meets about 70% of capacity. The Committee understands that Bumble Bee can make up the other 30% through purchases of Tuna from other vessels berthing in Suva. The Committee recommends that the Ministry of Fisheries initiate dialogue between all stakeholders to enable Bumblebee and PAFCO to buy through vessels in Suva.
2. The Committee notes that PAFCO is 54 years old which means that it has aging plant and machinery which could have serious implications on quality assurance and livelihood of people of Lomaiviti. The Committee also notes that management has made provisions for the regular upgrading and replacement of this aging equipment. The Committee applauds these initiatives by management and recommends that it is closely monitored.
3. The Committee notes that PAFCO is not able to secure insurance covers for cyclones which it feels is unacceptable as it exposes PAFCO to high risks. The Committee recommends that avenues be explored under which such cover be formulated/accommodated perhaps under the stewardship of the RBF.
4. The Committee notes that PAFCO operates in a "high cost environment", the two most dominant being the port related charges and fuel. For instance, some 240 vessels used to ship fish each year to Levuka which is now down to 69 vessels per year with the increase in port charges. The Committee recommends that Ports Fiji Limited, Ministry of Public Enterprise and Ministry of Fisheries explore ways and means to reduce cost and improve the business environment in Levuka.
5. The Committee noted that staff retention / attraction was an issue for quality technical staff such as Manager Quality Assurance and Manager Maintenance. Issues such as accommodation and social activities/facilities were highlighted. The Committee recommends that suitable employment conditions be developed to alleviate this issue.
6. The Committee notes that a heritage structure on the PAFCO site is impeding to the expansion of the company. The Committee further notes that PAFCO is willing to relocate the heritage structure in its fullness and maintain it, thus allowing for the company's expansion on the site. This being sensitive, the Committee recommends responsible agencies take ownership of this issue and determine an amicable solution between PAFCO and the Heritage foundation.

3.0 Gender Analysis

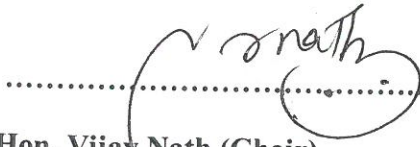
The Committee was pleased to note that out of approximately 1036 employees working at PAFCO, about 664 were women working in both production and back office. During the site visit to Levuka, it was evident that women workers dominated the production line.

During deliberations of the 2016 PAFCO Annual report, certain issues were highlighted by women workers at PAFCO regarding working issues. The Committee requested response from the management and were satisfied knowing that all the issues had been addressed with the workers through the grievance procedure put in place.

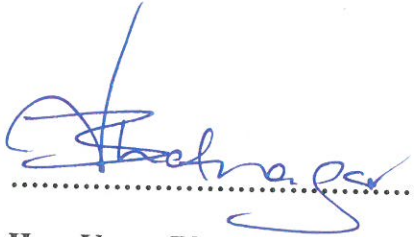
4.0 Conclusion


The potential for growth is hindered primarily by the limited supply of the albacore tuna and the committee stresses that this issue be looked into by the participation of all stakeholders. The Committee believes that the future of PAFCO is promising if we are able to address the issues highlighted.


Members Signature

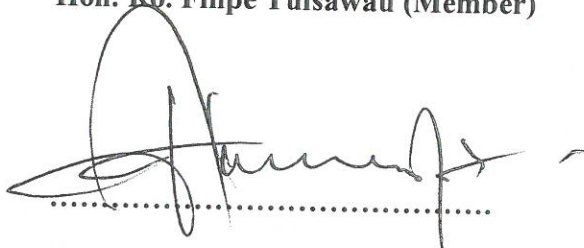

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Hon. Vijay Nath (Chair)


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Hon. Viliame Gavoka (Alternate)


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Hon. Veena Bhatnagar (Deputy Chair)


.....
Hon. George Vegnathan (Member)


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Hon. Ro. Filipe Tuisawau (Member)


.....
Hon. Inosi Kuridrani (Member)

APPENDCIES



PACIFIC FISHING COMPANY LIMITED

BRIEF HISTORY

- REGISTERED in February 1963
- 1964 – Established as a Tuna Transshipment Port.
- 1970 – Pilot Cannery processing 10MT Tuna per day.
- 1974 – New Cannery built – 15MT per day.
- 1976 – New Cannery Operational.
- 1980-1986 production increased to 35MT per day
- 1980 – John West of UK became the main buyer
- 1984 – Sainsbury became a buyer of PAFCO products.

PACIFIC FISHING COMPANY LIMITED

PRODUCTS

➤ **LOCAL MARKET:** Canned Tuna

Sunbell Products, Old Capital Special, Koro Sea, Ovalau Blue, Ovalau Blue Chillie and OCS Premium

➤ **EXPORT - LOINS**

Cooked Frozen Loins -Exported to USA (Bumble Bee Foods). Revenue derived from Processing Fee paid to PAFCO is treated as an export income

➤ **BY-PRODUCTS:** Fish Meal
Fish Oil

PACIFIC FISHING COMPANY LIMITED

CERTIFICATION – CONFORMS TO THE FOLLOWING

HACCP Certification
USFDA Certification
Kosher Certification
SQF Certification
Social Audit by SGS
MSC Certification
Ministry of Health Certification

Catch Certificates
Certificate of Origin

PACIFIC FISHING COMPANY LIMITED

SOCIO – ECONOMIC CONTRIBUTION

- LEVUKA IS THE MAIN LINK AND THE HUB OF THE NEIGHBORING ISLANDS
- THE SMALL TOWN CENTRE ALSO PROVIDES A TRADE LINK TO THE SMALLER ISLANDS
- PROVIDES ASSISTANCE TO SCHOOLS AND THE COMMUNITY .

PACIFIC FISHING COMPANY LIMITED

CHALLENGES

- Inconsistent and Low Tuna Supply
- Regulatory issues
 - Increased Port Charges
 - Demanding Compliance standards
- High transport and logistics costs
- Employee Recruitment and Retention
- Aging Plant and Machinery
- High Cost of Fuel
- Water supply during low rain periods
- Non availability of full Insurance Cover
- Competition for Raw Tuna
- Export of Tuna from Suva
 - Job opportunities Lost in Ovalau
 - Foreign Revenue Loss for PAFCO
- Seasonal Supply of Albacore Tuna
- Market Access Regulations
- High cost of operations
- Processing cost increases as a result of competition for labor, food safety requirements, and high costs of plant and machinery

Major Issues for 2017

- Increase in Port Charges introduced in 2015, Tuna vessels prefer not discharge in Levuka due to additional charges
- Fuel Supply - TOTAL was the only supplier of fuel in Levuka. They stopped their services. Its now costing PAFCO 12 cents per liter more to buy fuel delivered to Levuka.
- New Food Safety Audit requirements - aging factory requires continuous upgrades to the buildings, utilities and the services. Continuous plant improvements and upgrades required.
- Lack of Albacore Tuna - 14 days of factory closure due to low supply. Deficiencies in Supply is an annual issue, Albacore is seasonal and supply is affected during low catch. Export of Tuna from processors in Suva also affects supply.
- Fresh water for processing - effects of long spells of non rain days have an impact on fresh water supply to the factory. The process requires about a million liters of water on a daily basis.