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## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

### **Report on Ministry of Industry, Trade and Tourism 2014 Annual Report**



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
**Parliamentary Paper No. 58 of 2018**

*May 2018*

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## **Chair's Foreword**

The Committee noted that in 2014 the Ministry of Industry, Trade, and Tourism (Ministry or MITT) was responsible for the performance and monitoring of seven statutory agencies namely, Tourism Fiji, Fiji Commerce Commission, Investment Fiji, Film Fiji, Consumer Council of Fiji, Real Estate Agents Licensing Board and the National Centre for Small and Micro Enterprises Development.

Following perusal of the Ministry's Annual Report 2014, and given the time that has lapsed, the Committee put forward just a few findings and recommendations for consideration.

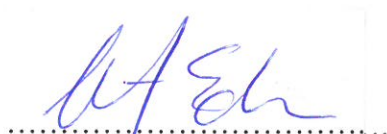
One of the highlights for the Ministry in 2014 was the continued growth of its 'Fijian Made-Buy Fijian' campaign with a total of 53 new applications and 980 products granted approval to use campaign emblems. The Ministry's assistance to exporters through the National Export Strategy continued with 12 companies receiving a total funding of around \$1.75 million.

Also of interest was the signing of an MOU between MITT and the Fiji National University whereby students are now able to obtain valuable experience through on the job training with the Ministry on various projects.

It was very pleasing to note that MITT has continued to strengthen and upgrade their policies and initiatives, in order to ensure economic growth for the country.

I thank the Hon. Members involved in the production of this Report and also the Parliamentary Staff who assisted.

On behalf of the Standing Committee on Economic Affairs, I commend this Report to Parliament.



**HON. LORNA EDEN**  
**CHAIRPERSON**



## **Introduction**

The Ministry of Industry, Trade and Tourism (Ministry or MITT) is responsible for the formulation and implementation of policies and strategies which would enhance Fiji's economic growth. The year 2014 proved to be another successful year for MITT as they continued to implement key Government policies and initiatives by strengthening industrial development, trade and investment.

There are different departments that overlook the processes, namely, the Economic Unit, Trade Unit, Department of Tourism, Department of National Trade Measurement and Standards and Department of Co-operative Business within the Ministry, including Trade Commissions in Taiwan, Los Angeles and Shanghai.



## **Findings and Recommendations**

1. The Committee notes that the financial statements of MITT were prepared on a cash accounting basis and fairly reflected the financial operations and performance of the Ministry and its financial position for the year ended 31 December 2014.
2. The Committee notes the increasing potential for film production in Fiji and every indication is that the 47% tax concession will continue to attract production companies. The Committee recommends that the range of activities with local content continue to be extended so that these concessions provide the broadest benefits to Fiji.
3. The Committee notes that the Savusavu Industrial Zone has seen very little progress over the last 20 years and would recommend that this facility be reviewed with the view to positioning it to the needs of today.
4. As a small island state, Fiji does not always qualify to export to markets with stringent biosecurity requirements such as the USA, Europe, and China. Under the National Export Strategy, grant funding is channelled to those companies that undertake such activities through exporting goods and services that Fiji is renowned for. To overcome trade barriers and meet international trade requirements, the Committee recommends that a more coordinated approach be undertaken between the Biosecurity Authority of Fiji and other relevant agencies to address packaging issues.
5. The Committee is pleased with the memorandum of understanding (MOU) between MITT and the Fiji National University whereby students are engaged in projects that offer on the job training with the Ministry. The Committee recommends that this MOU be extended to other universities as it provides valuable specialised experience to our future workforce of Fiji.



## **Gender Analysis**

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) the Committee is required to ensure full consideration to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

Taking into consideration the principle of gender equality, the Committee noted that there was satisfactory gender balance prevalent amongst the staff of MITT. The Ministry comprised of 47% males and 53% females in 2014.

## **Conclusion**

To conclude, the Committee was satisfied with the work done by MITT during 2014. The Committee notes that MITT continues to upgrade their policies and initiatives in order to ensure economic growth for the country,





**Hon. Lorna Eden (Chair)**

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**Hon. Vijay Nath (Deputy Chair)**

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**Hon. Alvick Maharaj (Member)**

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**Hon. Viliame Gavoka (Member)**

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**Hon. Prem Singh (Member)**

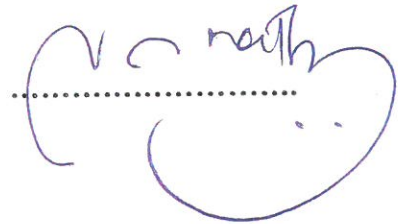
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**Hon. Lorna Eden (Chair)**

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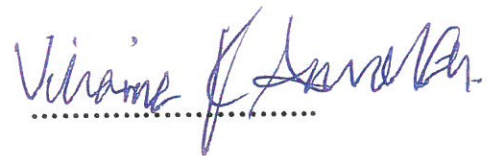
**Hon. Vijay Nath (Deputy Chair)**

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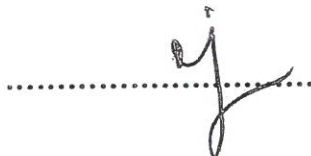
**Hon. Alvick Maharaj (Member)**

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**Hon. Viliame Gavoka (Member)**

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**Hon. Prem Singh (Member)**

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Submission to the Parliament Standing Committee on Economic Affairs: Ministry of Industry, Trade and Investment Annual Report 2014

Question 1

On page 3, the Permanent Secretary has highlighted the Inspection and Auditing of Companies from different industries. Do we observe and adhere to any International standards as benchmarks to carry out these Inspections and Audits? If yes, could you please elaborate on this?

The Ministry does observe and adhere to international standards, as specified in the Trade Standards and Quality Control Act 1992. The Fijian Product Standards are benchmarked to international standards such as ISO, IEC, Codex Alimentarius, Australian Standards and New Zealand Standards, and come as subsidiary Orders to the Act. In order to check compliance against these standards the following approaches are taken:

Question 2

With reference to Trade negotiations, we understand that the Ministry engaged in various Trade negotiations and investment promotions. Could you enlighten this Committee on the status quo of PACER Plus and MSG negotiations?

At the time of the 2014 Annual Report, the negotiations on PACER Plus and Melanesian Free Trade Agreement were at an infancy stage. Since then significant progress has been made in the subsequent years.

Question 3

Following question 2, with the Trade negotiations and investment promotion initiatives, what system do we have to track or monitor the results of these negotiations and promotions?

Trade Negotiations along with Trade and Investment Promotion are important KPI's of the Ministry. Additionally, they are also reflected in the key activities of the Trade Commissions.

The promotional events and negotiation meetings are very well reflected in Fiji's trade statistics, which is collected, compiled and analyzed by FRCS, FBOS and RBF, respectively.

Furthermore, the investment data is also collected and analyzed by Investment Fiji. The data includes registered and implemented investments together with the number of employment generated by each investment project.

The Ministry also analyses information received from the 5 Trade Commissions, namely, Australia, New Zealand, China, Papua New Guinea and North America. This enables the Ministry to track investments and creation of new trade with these markets.

#### **Question 4**

**On the Fijian Made – Buy Fijian Campaign, what would be the optimum number of products that would come under this scheme and earn the approval to use the emblems. Can you enlighten us on the success rate of this initiative?**

The licensing of Fijian Made products is on-going. Companies or individuals apply to the Ministry

to use these Industry Emblems on their products. The Fijian Made brand has become very popular and is being recognized internationally as well. These applications undergo a vigorous screening process by the Compliance Committee Members before recommendations for the use of the emblems are forwarded to the Minister for approval. The number of licensed products in 2014 was 980 and number of companies licensed 149.

The Ministry undertook a survey in 2015 to gauge the impact or success rate of the campaign since its launch in 2011. On average, a 3% increase in the level of investments per company on the production line was noted after branding, due to increasing demands. The investment value injected ranges from \$2,000 to \$5million per company.

#### **Question 5**

**Under the National Export Strategy, how does the Export Substitution work?**

The aim of the National Export Strategy is to promote Fijian exports in the global market and it is not advisable to substitute your exports. As a small island state, we don't have the luxury of large domestic markets such as USA and China that is why we depend on international markets for our products.

Under the National Export Strategy, grant funding are channelled to those companies that undertake such activities through exporting goods and services Fiji is renowned for, such as exporting tuna, fruit, vegetables and yaqona to name a few. Thus, assistance is channeled to these companies who export these products in order to promote Fiji to the world and a source of income to Fiji and the ordinary Fijians. The NES grant assists companies to overcome trade barriers and meet international trade requirements such as packaging and bio-security standards.

In 2014, 11 projects were funded with total grant of \$1,747,707.

From 2014 – 2017 a total of 47 projects were supported by NES with a total funding of \$5,112,306.89.

From 2007 to 2017 total 94 projects supports and funding of \$12,829,768.



#### Question 6

On page 10, could you give us an update as to the status of the Savusavu Industrial Zone?

MITT commenced with remedial works at SIZ and put in place all the utilities. The SIZ now has the following infrastructure in place:

- (i) A telecommunication exchange from Telecom Fiji Limited (TFL);
- (ii) Three phase electricity supply with 2 substations;
- (iii) Water and sewage facilities;
- (iv) Tar-sealed roads connecting the Zone with the main road network; and
- (v) Footpath and drainage facilities.

Following a shift in Government policy on the administration and management of Government assets, Cabinet approved the transfer of the SIZ to the Ministry of Public Enterprises (MPE) for the administration and sale of the vacant lots in 2015.

MPE has since advertised an Expression of Interest (EOI) inviting potential investors to secure vacant lots at Savusavu Industrial Zone (SIZ) on a 99-year lease basis. The EOI was periodically advertised in the newspaper from 11 November 2017, published on the Fiji Government website and distributed to relevant stakeholders. The EOI closed on 26 January 2018.

Currently, the submissions received from potential investors are being assessed.

#### Question 7

On page 11, please explain the criteria and concession rates offered to Film producers and their Agents wishing to create movies in Fiji.

I wish to highlight that there have been substantial multiplier effects in the economy due to foreign film productions. Insert 2014 figures and match against 2017 figures.

There are four main streams of audio visual tax incentives offered by the Fiji Government and administered by Film Fiji.

These are detailed in the Income Tax (Film-making and Audio-visual Incentives) Regulations 2016.

#### Question 8

On page 11, can you give us an outline of the scope when monitoring and assessing statutory organizations such as FCC, CCoF, REALB and NCSMED.

Statutory bodies, as per the Grant Agreement, are required to submit quarterly performance reports, for the purpose of assessing their performance during the quarter and monitoring its

progress in terms of its achieving its Key Performance Indicators. The report is made up of the financial statement and highlight of activities undertaken during the quarter. The Ministry assess KPI's achieved with target KPI's and provides feedback to the Statutory Body on its performance for the quarter.

Financial Assessment includes comparison of grants issued and the expenditure incurred in a particular quarter against the forecasted cash flow. Bank account reconciliation is carried out to confirm the grant received and balance available.

#### **Question 9**

Also on page 11, can we be given an indication on how we are measuring up in the Textile, Clothing and Footwear markets in Australia and New Zealand? i.e. has the volume of exports increased or decreased?

Exports to Australia were at its highest in year 2015 amounting to approximately FJD 94 million.

The New Zealand market showed slight volatility over the study period 2010 and 2017, with exports ranging between FJD 10 million and FJD 20 million and valued at almost FJD 13 million in 2017.

#### **Question 10**

On page 12, under Assessment of Micro Finance Institutions, could you explain the process of reimbursements of misuse of client's savings?

Cabinet at its meeting on 26 March 2013 directed that a comprehensive audit of all MFIs be conducted by the Office of the Auditor General and the Internal Audit and Good Governance Division of the Ministry of Finance.

The objective of the assessment was to verify the findings of the earlier two examinations conducted by the Reserve Bank of Fiji in 2011 and the Ministry of Industry and Trade in 2012.

The audit exercise was carried for five (5) MFIs and these were:

- i. MFI West (including MFI Nakoilava and Kadavu);
- ii. MFI Labasa (NDP);
- iii. MFI Tikina Vuya, (Bua);
- iv. Cooperatives Central Eastern; and
- v. Cooperatives Northern.



The MFIs in the Central Eastern Division were audited by the Office of the Auditor General (OAG), whilst the Internal Audit and Good Governance Division of the then Ministry of Finance (MoF) audited the MFIs in the Western and the Northern Division.

The process that the Ministry undertook to reimburse the MFI clients was as follows:

- (i) Ministry placed a public notice calling for savers to register at the various locations around the country.
- (ii) From the 5 government managed MFIs, list were obtained from them containing the names, locations and phone contacts of all it savers;
- (iii) Ministry officials were sent to the various locations to validate, collect their passbooks and reconcile funds in their savings and drawings account;
- (iv) Savers with balances in the accounts were consolidated and presented to management, in terms of amounts to be refunded against those who had nothing in their account;
- (v) Funds were obtained from Accounts Section through the Ministry of Finance and payout processes commenced;
- (vi) Ministry officials again re-visited the various savers and personally delivered their funds with necessary acquittal forms signed and agreed by the savers and the Ministry against the passbooks records; and
- (vii) Payout continued until all registered savers were reimbursed their funds.

#### **Question 11**

**Investment Fiji (IF) is referred to as a “one stop shop” for investors coming into the country. Once they have complied with all IF criteria, is it common that they would then be denied a permit with the Immigration Department? Can we be given an indication as to where we stand in terms of ease of doing business?**

This question is not relevant to the 2014 Annual Report and if the Standing Committee could provide us the page number on which the issue is mentioned.

The Ministry with Investment Fiji and the relevant tier one agencies in 2014 worked on developing an “online single window clearance system” that would enable foreign investors to apply for a FIRC online and also do payments for all tier one agencies. 2014 was development phase of the system, which was later launched in July 2015.

**Question 12**

**On page 28, Hotel Data Collection System, could you please give us an update?**

Since 2014 there has been significant progress on the HDCS with the engagement of Yalamanchili through ITC. The Ministry has undertaken a number of consultations with key stakeholders (from both Government and the tourism industry) and has developed a system which is voluntary and user-friendly – this is a transformative change in the system. The piloting phase of HDCS is currently underway with hotels submitting test data through the system.

A bill is also being drafted in consultation with the Office of the Solicitor General.

**Question 13**

**On page 30, can we be given an update on the MOU between the Fiji Government and FNU?**

The update is as follows:

- (i) MOU with FNU was signed on 05 November 2014 for a period of five (5) years.
- (ii) Over the period of engagement, FNU has assisted the Ministry in various key projects

**Question 14**

**On Cooperatives, can you give us an outline on the challenges you face in setting them up and or reviving them, and ensuring that they are successful?**

Like any other business ventures, Co-operatives also face challenges at each stage of its development, i.e. during set up, operations and also while reviving these entities.

Some of the key challenges during the initial stages are:

**I. Awareness on Co-operatives**

The Department has made it mandatory for all interested groups intending to register as co-operatives to go through the Co-operative awareness session.

**STANDING COMMITTEE ON**  
**ECONOMIC AFFAIRS**

*[Verbatim Report of Meeting]*

**HELD IN THE**

**COMMITTEE ROOM (WEST WING)**

**ON**

**WEDNESDAY, 2<sup>ND</sup> MAY, 2018**



**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 2<sup>ND</sup> MAY, 2018 AT 10:05 A.M.**

**Interviewee/Submittee: Ministry of Industry, Trade and Tourism (MITT)**

In Attendance:

- |    |                          |   |                      |
|----|--------------------------|---|----------------------|
| 1) | Mr. Shaheen Ali          | - | Permanent Secretary  |
| 2) | Ms. Seema Sharma         | - | Director             |
| 3) | Mr. Sekove Tamanitoakula | - | Director             |
| 4) | Ms. Nanise Masau         | - | Director             |
| 5) | Mr. Ramesh               | - | Director             |
| 6) | Ms. Joy Khan             | - | Principal Accountant |

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MADAM CHAIRPERSON.- Good morning everyone. On behalf of our Standing Committee on Economic Affairs, I would like to welcome the team from the Ministry of Industry, Trade and Tourism.

We have with us today the Permanent Secretary, Mr. Shaheen Ali; we have four Directors, Ms. Seema Sharma, Mr. Sekove Tamanitoakula, Ms. Nanise Masau and Mr. Ramesh and also the Principal Accountant, Ms. Joy Khan. Welcome everyone, and thank you for coming.

We are here today to discuss the MITT Annual Report of 2014 and on our Committee today, we have, on my left, Honourable Vijay Nath and Honourable Prem Singh. On my right, we have Honourable Viliame Gavoka and Honourable Alvick Maharaj; and my name is (Honourable) Lorna as you all know.

So, we had given you a list of 15 questions that we sent you earlier in the week, and I see that you have given us a written response to those questions for our records. So, what I would like to do, Mr. Permanent Secretary, is to give you the floor and let you go through each one with your explanatory notes.

MR. S. ALI.- Thank you, Madam Chairperson, and good morning to Honourable Members of this Committee. Thank you very much for the invitation, and as you can see I have a team with me, Madam Chairperson. You have introduced them so I will not do that, but the questions received were very comprehensive. We worked just as hard as compiling the answers as we did to the Annual Report almost, but one thing that was missed out in the questions was our Financial Performance. As you would know that from our Audited Financial Accounts, it was an unqualified report so I give the credit to firstly our Principal Accountant, Ms. Joy, who has a tight control on the budget and our Directors also that spend this money, implement the projects very wisely.

So, without much ado, Madam Chairperson, if we can go into the substantive questions now.

Question No. 1: "On page 3, the Permanent Secretary has highlighted the Inspection and Auditing of Companies from different industries. Does the Ministry observe and adhere to any international standards as benchmarks to carry out these Inspections and Audits? If yes, could you, please, elaborate on this?"

Madam Chairperson, in a nutshell, the Ministry most definitely adheres to international standards and this is embedded in our Act - the Trade Standards and Quality Control Act. The Fijian Products Standards that are embedded in the Act are benchmarked to International Standards such as the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), Codex Alimentarius, Australian Standards and New Zealand Standards. These Standards form part of the whole framework of Fijian law and they are part of the Act as subsidiary Orders to the Act.



In order to check compliance, when the officers inspect, they ensure that these standards are adhered to, so various orders, an example would be the Fireworks Standards that we do in conjunction with the Mineral Resource Department, so those standards are adhered to when we inspect in terms of labelling requirements, safety requirements.

The other would be the Bottled Water Standards. When we do an audit of bottled water companies, these standards are observed and adhered to, so companies are obligated to follow these standards in the manufacturing processes.

MADAM CHAIRPERSON.- Committee Members, will we save our questions till the end?

HON. MEMBERS.- Yes.

MADAM CHAIRPERSON.- Yes, all right, please, continue.

MR. S. ALI.- The next question is in reference to trade negotiations. Question 2: "With reference to Trade negotiations, we understand that the Ministry engaged in various Trade negotiations and investment promotions. Could you enlighten this Committee on the status quo of PACER (Pacific Agreement on Closer Economic Relations) Plus and Melanesian Spearhead Group (MSG) negotiations?"

Madam Chairperson, during 2014, these negotiations were at an infancy stage but since then significant progress has been made in these negotiations. With PACER Plus, Fiji has actively participated in PACER Plus and our objective has always been that PACER Plus should not be a traditional trade agreement but a development-oriented agreement and our negotiating positions on these have been very strong. We have expressed this time and time again in the negotiations and also bilaterally with Australia and New Zealand. We have negotiated most of the contentious issues that Fiji held dear and have reduced our outstanding issues in the goods agreement to a few issues.

Talks with Australia, New Zealand and the PACER parties are still happening and as soon as all our issues are addressed then we will be able to sign the PACER Plus Agreement.

With regards to MSG Trade Agreement or better known as the MSG Agreement or Melanesian Free Trade Agreement (MFTA), this is the third version of the MSG Trade Agreement. This is a significant breakthrough for the Melanesian Spearhead Group because this Agreement takes the Melanesian Trade Arrangement to a higher level in terms of not being a traditional trade in goods agreement but also trade in services and investment.

The Ministry again led the negotiations on behalf of the Fijian Government in this MSG, MFTA and since then we have concluded the negotiations.

The Honourable Prime Minister has signed this Agreement on 20<sup>th</sup> January, 2017 last year, and to date Fiji and the Solomon Islands are the two countries that have signed the Melanesian Free Trade Agreement. It will come into effect when the two MSG countries sign and ratify the MFTA.

Cabinet has also endorsed the MFTA and it will be presented to Parliament possibly at the next Parliamentary sitting but this is a very beneficial agreement to the Melanesian region, Madam Chairperson, because MSG Trade Agreement is perhaps the most active Agreement in the region. I mean, it is operational and working very well in terms of fostering trade between Fiji, Papua New Guinea, Solomon Islands and Vanuatu, and improving this, increasing its ambition and deepening its integration level can only benefit, not only Fiji, but also MSG countries, Madam Chairperson.

Question 3: "Following Question 2, with the Trade negotiations and investment promotion initiatives, what system do we have to track or monitor the results of these negotiations and promotions?"

Madam Chairperson, trade negotiations along with the Trade and Investment Promotion are Key Performance Indicators (KPIs) of the Ministry, so we ensure that any mission, trade negotiations we undertake, the objective is very clear, that we should have market access and Fiji should benefit or Fiji's product should be promoted. The best way to measure these KPIs are in terms of figures and these are Trade statistics, Tourism statistics, Investment statistics that are able to tell us how we are progressing with these negotiations and trade promotions.

If you look at 2014, our domestic exports grew by 5 percent compared to 2013. Re-exports grew by 12 percent compared to the 2013 figures and re-exports is also important, Madam Chairperson, because it strengthens our position as a transit hub for the Pacific.

Also we can observe in 2014 that the trade deficit was reduced by 12 percent showing stronger export growth and reduction in imports by 4 percent.

Of course, the imports is always greater than total exports because we are talking about merchandise trade but this is balanced by our services receipt and the main sector that contributes to the services is tourism, and then there are remittances also. In terms of tourism, the performance has been very strong even in 2014, the visitor numbers increased by 5 percent whilst the earnings increased by 6.55 percent. The earnings for the revenue increases at a higher rate than the visitor numbers which have always been the focus.

If you look at the 2017 statistics, the visitor numbers increased by 6.4 percent whilst the earnings or the tourism yield increased by 12.3 percent. This is what we want to aim at, Madam Chairperson; a higher yield and also consistent but sustainable growth in visitor numbers.

Question 4: "On the Fijian Made - Buy Fijian Campaign, what would be the optimum number of products that would come under this scheme and earn the approval to use the emblems? Can you enlighten us on the success rate of this initiative?"

Madam Chairperson, this is an ongoing initiative. Companies or individuals apply to the Ministry to use these Industry emblems on their products. The Fijian Made brand has gained brand equity. This helps some small companies, micro companies more so that are not able to undertake their own marketing campaign and also being associated with Fijian Made as an added dimension to the marketing of their products because Fiji invokes a brand in itself, but there are quality assurance that are also associated with this brand, there are checks and balances in place.

In terms of success rate, Madam Chairperson, the Ministry undertook a survey in 2015 to gauge the impact or the success rate of the campaign since its launch in 2011 and we have found out that on average, there is a 3 percent increase in the level of investment per company once they take on the brand or the emblem. The investment value that comes after the company becomes Fijian Made, it ranges from 2000 to small companies to 5 million per company. We found out that there is also an increase in the production up to 5 percent and they also hire new positions on average of 25 new positions once they take on this emblem.

On exports, the companies that export also increased their export. Although the promotion of the campaign is predominantly domestic but like I said, the Fijian-made brand is also recognised, especially in our region and also internationally, the exports also increased by 3 percent.



In 2014, there were 980 products that were licensed and 149 companies were also using this emblem. This has significantly increased to 422 products; in 2017, 422 companies and 1,597 products.

A Monitoring and Evaluation Unit has also been established, Madam Chairperson, in the Ministry to continuously gauge the impact of this programme and other initiatives of the Ministry.

The next question is about National Export Strategy (NES), “Question No. 5: Under the National Export Strategy, how does the Exports Substitution work?”

Madam Chairperson, you never want to substitute your exports. I think there is a mistake in the question. Perhaps it is referring to imports substitution. Exports is lifeline to countries like Fiji (Small Island States) because our domestic market is not big enough to sustain what we want to sell. We have to rely on regional markets and international markets also to ensure that our economy continues to grow.

So, the aim of National Export Strategy (NES) is to promote Fijian exports in the global market and like I said, as a Small Island State economy, our economy is heavily reliant on both trade in goods and trade in services.

Under the NES, we help companies exporting goods and services that Fiji is renowned for. So, this could include *tuna* exports, fruits and vegetables, *yagona*, to name a few. The assistance is channelled to these companies who export these products in order to promote Fiji to the world and sources of income to Fiji and ordinary Fijians.

What the NES grant does, Madam Chairperson, is to assist companies to overcome trade barriers that they may face or to meet international trade requirements such as packaging, standards, Biosecurity requirements.

In 2014, 11 projects were funded and a grant of about \$1.7 million was invested.

From 2007 (when this initiative was first started) to 2017, 94 projects have been supported and about \$12.8 million has been invested. This has been a very successful initiative, Madam Chairperson, with almost a 100 percent success rate.

Question No. 6: “On Page 10, could you give us an update as to the status of the Savusavu Industrial Zone?”

This project began in 1997 so it has been there for a while. However, in 2009, we decided to revive this project under the “Look North Policy” and what the Ministry did, when it was overseeing this project to place and establish all the utilities and infrastructure to ensure that the Zone was investment-ready. These included:

- i) Telecommunication (that was established);
- ii) Three-phase electricity supply with two substations;
- iii) Water and sewage facilities;
- iv) Tarsealed roads (connecting to the Zone); and
- v) Footpath and drainage facilities.

In 2015, this Savusavu Industrial Zone was formally handed to the Ministry of Public Enterprises for administration and the sale of the vacant lots in the Zone. Since then, the Ministry of Public Enterprises has put out an Expression of Interest (EOI) inviting potential investors to secure the vacant lots in the Savusavu Industrial Zone on a 99-year lease basis. The EOI was advertised in the newspapers from 11<sup>th</sup> November, 2017



and published on the Fijian Government website also. The EOI has closed on 26<sup>th</sup> January this year. Currently, the submissions that have been received from potential investors are being assessed by the Ministry of Public Enterprises.

Question 7: "On page 11, please, explain the criteria and concession rates offered to Film producers and their Agents wishing to create movies in Fiji." Madam Chair, we have brought along a very nice brochure from Film Fiji. That, in detail, explains all the incentives that are offered and you can see the 47 percent quite prominent because that is one of the main incentives known as the best incentive in the world that has been very successful in attracting movie producers to Fiji. There is substantial benefit, multiplier effects in the economy due to productions coming to Fiji.

In 2014, there were about 52 productions that shot their audio visual productions in Fiji. Out of this, two productions were given rebate. There was an economic activity generated of \$32.5 million. Because of the incentives offered in 2017, there have been 74 productions, 13 were eligible for rebate and economic activity of \$350 million has been generated.

In 2014, the most notable production was "Daddy, where are we going?" and this was a very popular Chinese production if you would remember, Madam Chairperson, and this also impacted on our tourism figures as the figures jumped quite significantly. There was a 42-percent increase in Chinese visitors in 2015 and majority of these visitors went to Taveuni where the production was shot.

The year, 2017, has been a very good year with productions like "Survivor", Columbia Broadcast System's (CBS), "Stranded With A Million Dollars", Music Television's (MTV) "Kicking & Screaming" a Fox Production; "Wrecked Season Two" is a Turner Broadcasting System (TBS) one; and "Fiji Pro - World Surf League" as well as Feature Films quite popular ones like "Adrift" and there are others that are on the cards that have not been announced yet.

As you can see, Madam Chairperson, that the incentives for audio visual productions are working really well.

Question No. 8: "On page 11, can you give us an outline of the scope when monitoring and assessing statutory organisations such as Fijian Competition and Consumer Commission (FCCC), the Consumer Council of Fiji (CCoF), Real Estate Agents Licensing Board of Fiji (REALB) and National Centre for Small and Micro Enterprises Development (NCSMED)?"

Madam Chair, as you are aware that statutory bodies as per the grant agreement we signed with them, have to submit regularly their quarterly performance reports for the purpose of assessing their performance during the quarter and monitoring its progress in terms of achieving its Key Performance Indicators (KPIs). When these agreements are entered into with the Permanent Secretary or the Minister of the Ministry, we have a detailed discussion on what the annual KPIs should be. Based on these KPIs, the budget is then decided, and an agreement is drawn up on the quarterly release of this budget subject to their submissions and meeting some other criteria like audited accounts and when their report is given comprising of financial statements and their KPIs, the Ministry makes a two-tiered comprehensive assessment; one is the financial assessments to look at the accounts, how much savings they have, how much money they have in terms of operations and projects; and the other is on the effectiveness of how they spend their money.

The assessment or the monitoring is not based on just quarterly reviews, Madam Chairperson, we are regularly in touch, the Permanent Secretary regularly interacts with the CEOs of these statutory bodies and the Chairpersons of these statutory bodies regularly interact with the Permanent Secretary and also the Minister.

Question 9: "Also on page 11, can we be given an indication on how we are measuring up in the Textile, Clothing and Footwear (TCF) markets in Australia and New Zealand? Has the volume of exports increased or decreased?" These are steps-related questions, Madam Chairperson, and also looking at the main markets, Australia and New Zealand, we have tried to address this.

In 2015, our exports to Australia was at the highest, with \$94 million, these are TCF exports. The New Zealand market showed slight variation over the period 2010 to 2017, with exports ranging from \$10 million to \$20 million and valued at \$13 million in 2017.

If you look at the total figures, Madam Chairperson, in 2014 the total TCF exports was \$144 million which increased to 7 percent when compared to 2013.

In 2013, this was also a good year because the garment exports increased by 15 percent so the garment industry has been showing positive growth.

Australia is an important market but the industry is diversifying its export destinations and the Ministry is assisting this industry through the TCF Grant of \$100,000 that we give every year. This money is used to market Fijian garments into markets like USA, Europe and also the Pacific Island countries which are becoming very important.

Madam Chairperson, as you would note that the industry has re-invented itself from a volume-based sector to an industry that is focussed on niche high-end and designer brand such as "Kookai", uniforms for AFL and NRL players, corporate wear, school uniforms, work wear, to name a few. The industry has also employed about 5,500 people in 2014. The employment numbers have also started to increase since the period where the multi-fibre agreement had ended. This number now is between 7,000 to 8,000 in 2016, so the industry has consolidated and furthermore, it is actively seeking new markets outside of the traditional markets of Australia and New Zealand.

Question 10: "On page 12, under Assessment of Micro Finance Institutions (MFI), could you explain the process of reimbursements of the misuse of client's savings?" This was a very comprehensive process that was employed by the Ministry. Firstly, Cabinet was informed and the Cabinet mandate was sought for a comprehensive audit of all MFIs that were under the NCSMED. This audit would be conducted in conjunction with the competent bodies of the Office of the Auditor-General and the Internal Audit and Good Governance Division of the Ministry of Economy. Their objectives were to verify findings of the two earlier examinations that were conducted by the Reserve Bank of Fiji and the Ministry of Industry and Trade.

The audit exercise was carried out for the five following listed (5) MFIs:

- i) MFI West (including MFI Nakoilava and Kadavu);
- ii) MFI Labasa (NDP);
- iii) MFI Tikina Vuya, (Bua);
- iv) Cooperatives, Central Eastern; and
- v) Cooperatives, Northern.

The key findings of the report was that the MFIs did not have proper internal control mechanisms and appropriate policies and procedures to guide their Micro-Financing operations; a number of anomalies in conducting their business transactions were picked so we were aware that the savings or the finances that belong to the public was also in danger of being abused or was being abused and this needed to be immediately halted and redressed immediately. We verified that there were a total of 9,199 savers and they had invested



approximately \$712,589. We had to recover firstly from the MFIs through their assets and whatever cash assets they had.

Secondly, where there were shortfall, we were able to seek a budget from the Fijian Government to ensure that none of the savers were out of pocket in terms of their investments in these MFIs. So, following is a significant comprehensive process that we undertook in terms of reimbursement:

- i) The Ministry placed a public notice calling for savers to register at the various locations around the country;
- ii) From the 5 Government-managed MFIs, list were obtained from them containing the names, locations and phone contacts of all its savers;
- iii) Ministry officials were sent to the various locations to validate, collect their passbooks, and reconcile funds in their savings and drawing accounts;
- iv) Savers with balances in the accounts were consolidated and presented to management, in terms of amounts to be refunded against those who had nothing in their account;
- v) Funds were obtained from Accounts Section through the Ministry of Finance and payout processes commenced;
- vi) Ministry officials again re-visited the various savers and personally delivered their funds with necessary acquittal forms signed and agreed by the savers and the Ministry against the passbooks records; and
- vii) Payout continued until all registered savers were reimbursed with their funds.

MADAM CHAIRPERSON.- Permanent Secretary, we can skip Question 11 because we got an answer yesterday from Investment Fiji when he did his presentation.

MR. S. ALI.- Yes, I heard that Mr. Godo Mueller-Tuet did a reverting presentation.

MADAM CHAIRPERSON.- Yes, he did, very comprehensive.

MR. S. ALI.- Yes, very long and comprehensive.

MADAM CHAIRPERSON.- So, we can go to Question 12.

MR. S. ALI.- Question 12: "On Page 28, Hotel Data Collection System, could you, please, give us an update?"

Since 2012, there has been significant progress made on the Hotel Data Collection System (HDCS) but Madam Chairperson, the most important development in HDCS was that, we have moved on from a system that is imposed on the hoteliers to working with the hoteliers so the focus of the Ministry has been consultations, consultations and further consultations.

The objective of HDCS is to make the life of property owners easier rather than more difficult. Also, it should not create an impression that there is a "big brother" type of system that is trying to sort of oversee their operations. Currently, the reporting obligation that the property owners have is to the Bureau of Statistics and it is manual and sometimes quite burdensome. We are trying to digitise that, Madam Chairperson, and through the HDCS, we will be able to do that and also satisfy the needs of agencies like the Fijian Bureau of Statistics and the Fiji Revenue and Customs Services.

So, we are working with ITC on this, Madam Chairperson, and Yalamanchili to ensure that this system is very secure, safe and ensure that information is kept confidential and there is a control on the level of

information that can be shared. Information should not be shared at all unless there is a pass to certain authorities. The system has been developed and it is now in the piloting phase. A number of properties have agreed to pilot this system with us, Madam Chairperson.

In order to fully implement the Hotel Data Collection System, a Bill has been drafted and this is currently with the Office of the Solicitor-General, so once the Act comes into effect then the system can be fully implemented.

There was also a question on the Memorandum of Understanding (MOU) with the Fiji National University (FNU). This MOU has worked very well for us. FNU and the Ministry have worked in projects such as the engagement of FNU students when doing the International Visitors Cruise Surveys. We use students that are enrolled in Tourism Studies to undertake this. During the Fiji International, FNU students are used as volunteers and there are regular engagement of FNU students in trainings and workshops that the Ministry undertakes, especially with the Young Entrepreneurship Scheme.

This MOU, Madam Chairperson, for five years is working well for both the parties; the Fijian Government and FNU.

Question 14: "On Co-operatives, can you give us an outline on the challenges you face in setting them up or reviving them, and ensuring that they are successful?" There is a number of ways the Co-operatives Department (and we have the Acting Director for Co-operatives here) is able to address various challenges that co-operatives like any business can face, especially during setup, operations and once they are not in operation, reviving these entities.

So, firstly, on awareness, it has made it mandatory for all interested groups intending to register co-operatives to go through a thorough awareness programme.

The registration procedure is the second area. Registrations submitted often leave out important details. To assist with the registration process, the Ministry takes a very proactive approach in offering assistance in this area so you need things like a business plan and a financial plan before you can register a co-operative and the Ministry, of course, assists with the business plan which is always important because you need to have a vision and objective of a business.

The business plans are submitted and has been mainly provided as a requirement for registration rather than a guiding tool for operations of the co-operatives business so "Start Your Business Trainings" are regularly conducted to allow the co-operatives to ensure that they develop a viable business plan that sort of guides them.

We are strengthening coordination with competent Government agencies to support the type of business so, for example, if the co-operatives is resource-based, we strengthen the linkages to the Ministry of Agriculture or the Ministry of Fisheries to give them the relevant support that they need.

Then there is the capital contribution and this is always a challenge. To address this, the Department offers advice on where co-operatives can access funding from external agencies and what they need to do to ensure that they meet the requirements of these agencies.

Madam Chairperson, with regards to co-operatives, in 2014 we undertook a sort of an objective to ensure that co-operatives not only adopt a traditional business model but add value to the resources they have and also be more commercially-oriented. If possible try to graduate and export, and we have seen more and more cooperatives enter into the service sector, enter into more processing of natural resources and that is very encouraging from the normal retail type of cooperatives that has been the norm.



Question 15: "What are the lessons learnt from SME's initiatives?" Madam Chairperson, we were looking through the report on this one and trying to find out what this was referring to, but perhaps it was referring to the business mentoring programme that was mentioned. This mentoring programme was for SME's, the Ministry had come in as a partner to the New Zealand Government.

The New Zealand Government was phasing-out this programme and the Ministry saw an opportunity to partner with the New Zealand Government to offer lessons from established mentors from New Zealand to come and guide businesses and give them advice as to how they can improve their business; how they can increase their customer base; how they can be able to sustain business to ensure profitability, give them practical advice, Madam Chairperson, because what the small businesses needed was from very basic advice to advice in terms of where they see their businesses in the next five to ten years.

The lessons we learnt from this as the question asks is that, it is always more advantageous and beneficial to engage local expertise. Local business mentors that have experience in doing business in Fiji are available and are always willing to devote their time, free of cost and are always available to come and talk to young budding entrepreneurs, including small businesses.

Since then, Madam Chairperson, we have been able to secure business mentors formally. Twelve have come on board, people like Rajesh Punja, Ram Bajekal and many others that are willing to come and talk to young entrepreneurs to small micro business entrepreneurs and they are formally now part of the Ministry's panel of mentors. They are also very cost-effective, Madam Chairperson, we are able to secure their services also.

I think that exhausts all the 15 questions - very comprehensive and insightful.

MADAM CHAIRPERSON.- All right, thank you very much, Mr. Permanent Secretary. Committee Members, have you got any additional questions?

HON. V.R. GAVOKA.-. Through you, Madam Chairperson, thank you, Mr. Permanent Secretary, for the very comprehensive replies or answers to our questions. You covered quite a number of areas here in terms of MITT in terms of our scope.

If I can just go back to the first question, you have highlighted here the international standards that you subscribed and adhered to which is quite illuminating. Moving on to the next question you talked about PACER Plus. My understanding that PACER Plus, a huge benefit for Fiji would be our ability to up our game in terms of Biosecurity and export to those key markets like Australia and New Zealand.

I would presume from what you are able to do with your auditing and inspection adhering to all these international standards that to qualify in fields of Biosecurity, can I be given the assurance that the platform is already there for Fiji to qualify in that area in Biosecurity?

MR. S. ALI.- Yes.

HON. V.R. GAVOKA.- You understand where I am coming from, Mr. Permanent Secretary?

MR. S. ALI.- Yes.

HON. V.R. GAVOKA.- Because we have met with Australians also through the Opposition Office and they tell us the huge plus with PACER Plus, with Biosecurity, to enable us to export into those very discerning markets like Australia and New Zealand. So, I would like to believe that the platform is there for us that once

we sign PACER Plus then we can quickly train our people and become compliant in terms of Biosecurity issues.

MR. S. ALI.- Madam Chairperson, if I can just respond to that: PACER Plus has a chapter on Biosecurity called Sanitary and Phytosanitary (SPS) and TBT Chapters. Those are not new obligations on Fiji because we adhere to the World Trade Organisation (WTO) as we are members of WTO, and similar sort of provisions are in the MSG Trade Agreement which we are parties to. So, co-operation in Biosecurity matters, quarantine matters are always given in such trade agreements and they are a benefit.

However, there are direct MOUs and co-operation between the competent agencies also. So, Biosecurity of Australia has a very close working relationship with the New Zealand Biosecurity and the Australian Biosecurity and New Zealand MPI, and they are able to talk at a direct level and able to improve their standards in adherence to the requirements of each market, and that is quite beneficial.

Honourable Member, you also referred to standards, so our Standards Department also engages very closely with the Australian and New Zealand's Standards Departments.

As I said in my answer, most of our standards are based on, not only international standards but Australian and New Zealand Standards also but modified to Fijian conditions. So, I see apart from PACER Plus, the direct co-operation we have, the Memorandum of Agreements, the Memorandums of Understanding and the exchange programmes we have are very beneficial to us. So, Fijian officials, Standard officials going to Standards Australia being attached there for one or two weeks, learning how things are done and conversely Australian expertise coming into Fiji, training our officials, that has been immensely beneficial to our competent agencies like Biosecurity and our Standards Office.

HON. V.R. GAVOKA.- Can you just verify this: would it come to a stage where Fiji products have met the requirements, the standards in terms of Biosecurity to move freely into Australia and New Zealand. Are we there yet or is there still somewhere to go?

MR. S. ALI.- Biosecurity assessments are done on a case-by-case basis and risk-by-risk basis, each product needs to have a pathway. Most of our products that are exported into Australia we need to put our hands up and ensure that the two agencies work together to develop a pathway. So, for example, if we are exporting, say a vegetable product into Australia, the Australian Biosecurity Authority and Fijian Biosecurity Authority get together and work out what are the treatments that are necessary for the products to go into Australia. There is no open Biosecurity access to say, "All right, from this point onwards, all the products will be ...." because each product presents a different risk and these risks change over time because there are new diseases, new pests coming in therefore there needs to be a constant engagement.

If we are interested in a product that we see a potential to export to a market, for example, ginger into Australia then we actively engage with Biosecurity and the Australian Government to ensure that the pathway is developed and the necessary requirements are put in place.

HON. V.R. GAVOKA.- I suppose what I am looking at here is the protocol. I am looking at the protocol here, right ...

MR. S. ALI.- Yes.

HON. V.R. GAVOKA.- ... to establish the protocol between the two countries.

MR. S. ALI.- That is what I mean by establishing pathways.



HON. V.R. GAVOKA.- So they have been established - the protocols?

MR. S. ALI.- Yes.

HON. V.R. GAVOKA.- All right, and where do we stack-up in terms of those protocols?

MR. S. ALI.- There are more pathways that have been established than we export.

HON. V.R. GAVOKA.- I am sorry, I do not understand.

MR. S. ALI.- For example, we have with New Zealand over 30 plus pathways for protocols for different agricultural products. However, we are probably utilising a third of that so if we see a potential in a product and there is a certain demand from the private sector that this product we can export then we quickly ensure if there is no pathway being established then our Biosecurity agency here and their counterparts in New Zealand get together and ensure that they ....

HON. V.R. GAVOKA.- All right, so it is a case by case basis?

MR. S. ALI.- Yes.

HON. V.R. GAVOKA.- What about the *baigan* (eggplants) from Sigatoka, what happened there?

MR. S. ALI.- We have to check with the Biosecurity Authority of Fiji, they are fruit-fly host commodity, I suppose.

HON. V.R. GAVOKA.- All right.

MR. S. ALI.- ... and they need to go through treatment.

HON. V.R. GAVOKA.- So the assurance is that the protocol is in place. Any product following the protocol can have access to Australia and New Zealand, is that right?

MR. S. ALI.- Yes.

HON. V.R. GAVOKA.- Thanks.

MR. S. ALI.- Yes, I think, because these protocols are established after extensive investment and expansion of resources so when there is a demand then you usually take this step because there is a number of consultations that need to take place, a number of assessments of pests and risks that need to be done so when you see there is a potential and Fiji is always requesting for more and more and more, if we see potential for any of our agro commodities, we ensure that most of our trading partners, we are able to sort of flag this then further engagement takes place and pathways are developed.

HON. V. NATH.- Mr. Permanent Secretary, do you also go for competition with it or just only for the demand that you put the supply there?

MR. S. ALI.- Biosecurity requirements are predominantly to ensure that when exports come into your country, it does not affect your supply.

HON. V. NATH.- What I meant to say, Mr. Permanent Secretary, do we go in contest to the quality or we go and demand in terms of supply?

MR. S. ALI.- I am sorry, Honourable Member, can you just repeat what you have just said?

HON. V. NATH.- What I mean is, when you answered, "We do supply when there is a demand."

MR. S. ALI.- Yes.

HON. V. NATH. - What I mean to say is, like if the item is not in demand but there is already a supply, do we contest that supply also?

MR. S. ALI.- Do you mean the Fijian products are competing with say, products coming into Australia from Samoa, et cetera?

HON. V. NATH.- Yes.

MR. S. ALI.- Yes, our private sector is always competing and their market access is not easy. Biosecurity impediments are just that these impediments need to be taken care of and the private sector needs to really compete to ensure they access the market and sustain that market because there will always be a competition, if not from the domestic, for ginger, there is Queensland, there are ginger growers.

There will be other countries that will be supplying so the Fijian private sector always needs to ensure that they have the competitive edge and they are able to gain and sustain market access. Just because they have a Biosecurity clearance does not mean automatically that their products will be accepted by the consumers. They need to do the necessary due diligence, market analysis and ensure that their products have a competitive edge.

HON. V. NATH.- Madam Chairperson, just a question: If you go to a trade show anywhere and you find there is a demand for something or Fiji can explore in that area, what role do you play?

MR. S. ALI.- When we find out that there is a demand on certain commodities, we encourage our micro-small businesses to uptake this area of production; it could be a commodity such as virgin coconut oil or honey, for example. We ensure that budding entrepreneurs that are in this area are given the necessary support so that they are able to uptake, exploit opportunities presented in markets such as Australia and New Zealand.

HON. A.A. MAHARAJ.- So this is where you focus on the small business budding entrepreneurs.

MR. S. ALI.- Yes.

HON. P. SINGH.- Through you, Madam Chairperson, thank you, Mr. Permanent Secretary, I think the question that the Honourable Gavoka was trying to establish was whether the pathways in terms of Biosecurity are open-ended or not, but they are on case-by-case basis, as you explained.

MR. S. ALI.- There could be, Honourable Member, change in the risks status. There could be an interception, certain things being found and then the two authorities need to quickly come together and be able to address any potential threats to the pathways. It is always a changing game, that is why Biosecurity has a very difficult job to do.



HON. P. SINGH.- All right, just very briefly, the free trade agreement that is on the table now, given the fact that the sugar marketing's preferential prices and preferential quotas have come to an end, most of our sugar could be short in the open market, would they form part of this free trade agreement with the Pacific countries?

MR. S. ALI.- Sugar is always a commodity that is part of the trade agreement, unless it is specifically stated that it is on the negative list but there is no reason to put sugar on the negative list.

HON. P. SINGH.- What I am trying to say is that, is there any particular weightage being given, given that our constraints have predicament?

MR. S. ALI.- We always ensure that in regional trade agreements, sugar is part of the market access but this is not a hard battle to fight because our sugar is very much in demand in regional markets. Sugar, as far as preferential agreements, Honourable Member, is very accurate in terms of quotas that are now no longer sort of applicable.

However, the preferential entry into EU is still part of the Economic Partnership Agreement. Similarly, with Brexit, we will ensure that the same terms and conditions are also adopted between Fiji and the UK Economic Partnership Agreement.

HON. P. SINGH.- Or even better.

MR. S. ALI.- For now, what UK has been stating is that, "Firstly, let us establish the same", but from the Fijian side, we always say, "Let us talk about improving this" so they have that.

HON. P. SINGH.- Because it is very difficult once you have agreed to something, like going back to the British and telling them, "Look, we have to talk about it more, it may take years."

Anyway, the other question I have, Madam Chairperson, is the financials. The qualified report basically says "Errors and omissions" and it was given to the Ministry, MITT for corrections.

MR. S. ALI.- All the errors and omissions that were pointed out, we worked with the Ministry of Economy to ensure that these were corrected.

HON. P. SINGH.- What were they in relation to?

MS. J. KHAN.- There were no errors in terms of like any major misappropriation, et cetera, but they just wanted additional information on our spending and how we have spent, the reports of our projects, the monitoring and evaluation reports, et cetera.

HON. A.A. MAHARAJ.- Madam Chairperson, through you, I believe we do have this guide over here on incentive guide for film tax rebate of 47 percent. Let us talk on dollar value and get some calculations like, for example, just to get things in perspective, "A film maker comes into Fiji with \$1 million (round off figure) budget." So, if we are saying we are giving 47 percent rebate, what is that like; how much are we expected to give back to the producer or the film maker? What are some of the expenses that are also covered?

MR. S. ALI.- The guide also covers that on Page 2, so there is a Qualifying Fiji Production Expenditure (QFPE) and that shows which of the expenditure will qualify: things like airfares, insurance, location scouting and visit, costumes, make-up and set design, producer's fee (but there is a limit on that), writer's fee, et cetera, so anything that helps the Fijian industries qualify as local content but with slight variations because

productions are unique, those will qualify for rebate. There is an audit done after the end of every production and there is a Committee which involves the Ministry, the Fiji Revenue and Customs Services and the Film Fiji of the expenditure of the production, then from that, the QFPE is determined and then from there, we are able to determine what is the level of rebate.

HON. A.A. MAHARAJ.- So when we are saying actually “tax rebate of that 47 percent”, does it include this QFPE or is it separate?

MR. S. ALI.- It is 47 percent of the QFPE, so whatever it qualifies, 47 percent is entitled for rebate.

HON. A.A. MAHARAJ.- All right, now that makes sense.

HON. V.R. GAVOKA.- Madam Chairperson, if I may, on that one, how do we stack-up in terms of benchmarking against other destinations? That is a question because after a successful shoot in Fiji and we read that the company gets a \$13 million cheque, it is a little hard to swallow. So, it would be comforting to know that we are not doing too much compared to other jurisdictions - not giving too much away.

MR. S. ALI.- Like I said in my answer, it is one of the best incentives, however, the economic activity is far, far greater than what we invest so, for example, in 2014 the economic year activity was \$32.5 million. This escalated to \$350 million in 2017 and the Fijians spent was far less than that.

HON. V.R. GAVOKA.- But it will always be good to know where we are benchmarking with other countries. Are we comparable or are we giving too much away? I think, that is where I am coming from. We know what is happening in terms of the gross receipts for the country but it will be nice to know that we are benchmarking with comparable locations.

MR. S. ALI.- Yes, I think, Fiji is competing with other destinations, as you have rightly put it, such as Maldives, Mauritius who have similar packages and are just as attractive. What Fiji needs to do is to ensure that during this phase, we are able to grow competencies in terms of set design, camera, film productions, we are able to grow local talent which will enable us to have that competitive advantage. We are English-speaking, there is a couple of advantages going, we have beautiful settings so we need to develop the local industry to be able to capitalise, and this incentive is designed to do that.

Major productions like “Survivor”, contributes immensely to the local community. It also contributes to them being permanent staff in this production, if not temporary also but when you go to the sets, you will see the set of local designers or props working with people that have worked on the sets of the “Lord of the Rings” or the “Game of Thrones” and they are working with local people. In doing these props or designs, they are getting immense benefit from the knowledge transfer.

What we need to do is capitalise on building local competence, local infrastructure to have these sets available and then there will be sort of a lesser need to provide an attractive incentive.

HON. V.R. GAVOKA.- Yes, Madam Chairperson, I think there was even talk of equipping the industry in Fiji to an extent where the outside people do not bring in their equipment into the country, that we have it here. I do not know where we are on that one but additional to that, do we then produce our own production people through our universities? You know there could be a “Department of Creative Arts or Photography”, you know what I mean. It is becoming big, you are talking about hundreds of millions now. Can you go further to the extent of growing your own expertise locally?



MR. S. ALI.- Film Fiji is working very closely with Fiji National University (FNU). They have a comprehensive programme with this and there are almost 700 (I am told) talents that have been employed. However, this will continue to grow with economies of scale.

As more and more productions come into Fiji, there will be more and more need for specialised cameras, for example, for equipment like drones, for other set equipments, and soon businesses will find it very profitable in terms of keeping these equipments here rather than taking them away after a production has ended because as you get regular productions, like "Survivor" who has shot four seasons in Fiji, they have committed to another two seasons. So we have become a "Survivor" destination and so the need for infrastructure and specialised equipments have become permanent, and so have been the axillary services that need to be provided to these productions. So with economies of scale, I think the capacity, the expertise will be further developed.

MADAM CHAIRPERSON.- I agree with you, Mr. Permanent Secretary. With the local support that is needed for these films to produce their top quality movies, the local support is very important and the more opportunities we get to mentor with them, then the more confidence they will have in Fiji. As we get their confidence then we can become more competitive, but it is a fairly new thing for us so we are still learning, and I think we are doing really, really well. I mean with 74 last year (and they are hoping to match that again), the spin-off effect is huge, so it is a very, very good industry for us.

I have one question, and it is to do with the financial section on Page 6. On your revenue, could you just give us a bit of detail about the "miscellaneous fees" and also "Other grant-in-aid"; could you explain what those two are?

MS. J. KHAN.- The "miscellaneous fees" is inclusive of one of our major revenue contributors which is from the Department of Trade Measurements and Standards (DTMS) so most of the revenue is the collection from that Unit or Department. Other contributing factors would be the "Collection of Scrap Metal" revenue and the Audio Visual Licence (AVS) revenue. It is just named as a fee (with a dash) and miscellaneous.

MADAM CHAIRPERSON.- All right, "Registration fees", is that also to do with Trade Measurements and Standards?

MS. J. KHAN.- "Registration fees" is the Co-operative Department's registration fees as revenue.

MADAM CHAIRPERSON.- "Other grant-in-aid"?

MS. J. KHAN.- "Other grant-in-aid", sometimes we receive if there is an event where we ask for sponsorship, so when they give us sponsors, we deposit it in a different account and then acquitted.

MADAM CHAIRPERSON.- Just jumping back to co-operatives, could you give us the figures of how many co-operatives were registered in 2013; 2014 and 2015? If you do not have that now, you could e-mail that to us, just so that we can make a comparison of how well the co-operatives are doing, whether we are increasing or decreasing?

MR. S. ALI.- Madam Chairperson, we will also break down the types of co-operatives, so you can see the types of co-operatives being registered, we can supply that.

MADAM CHAIRPERSON.- Thank you very much.

HON. P. SINGH.- Madam Chairperson, whilst doing that, the write-offs, the loss of assets in respect of other than money for the co-operative equipment?

MS. J. KHAN.- Sir, that would be any board of survey that we carry out and if any absolute items we are writing off, those are recorded as a loss. So every year annually, we carry out the board of survey in all our departments and units, any absolute items we write off are considered as loss to the Ministry.

Sir, if I may answer to your earlier question in regards to the errors and omissions on Page 1 arising from the audit, this is the OAG's template, this appears in all of their reports so it would not mean that our Ministry will have errors and omissions.

HON. P. SINGH.- It would not appear in all of the reports except in qualified reports.

MS. J. KHAN.- For unqualified reports, it does appear in unqualified reports as well.

HON. P. SINGH.- Qualified reports, that is where they appear.

MS. J. KHAN.- If a report would not have any errors, that would be an unqualified audit report.

HON. P. SINGH.- Yes.

MS. J. KHAN.- We had questioned them even this year when we received our report, we had no issues but they had this in their template, they said it is their template of how they write ....

HON. P. SINGH.- I believe this is in respect of their auditing your accounts and if they have certain queries, the ones they forward to you for clarifications, this is where they come from. This is what they mean when errors and omissions were referred to your Ministry for answers, and if you successfully answer, then that is it.

MS. J. KHAN.- Yes, Sir.

HON. V.R. GAVOKA.- Madam Chairperson, if I can just revisit that PACER Plus issue, Mr. Permanent Secretary, you remember, has helped the *dalo* export quite a bit that the exporter from Navua had assistance from the Australian Government to make him compliant with the Australian requirements, you remember that?

MR. S. ALI.- Yes, Ben's Trading had a significant assistance given by the National Exports Strategy (NES) from the Fijian Government.

HON. V.R. GAVOKA.- To be compliant with the NES.

MR. S. ALI.- Yes, basically to upgrade their area of business and that in itself would improve their standards and ensure that they meet the Australian requirements, et cetera, so there was a significant sort of grant given to Ben's Trading.

HON. V.R. GAVOKA.- Which enabled them to export in a big way to Australia, and helped them expand their market in Australia.

MR. S. ALI.- Yes, it certainly assisted them but Ben's Trading also showed a lot of initiative in terms of ensuring that they are able to firstly touch-base with all the *taro* producers and able to sort of mobilise them, then also secure with major retailers in Australia, the market or contract to supply them but this was also assisted by our Trade Commission, the Pacific Trade and Invest, and other parties that were able to assist them in securing that but the company itself also showed a lot of initiative.

HON. V.R. GAVOKA.- I got the impression that part of PACER Plus would be for the Australian Government to help us in areas like that: to make our people compliant; to help; to train; to inject whatever needs to be injected into the system; to improve Biosecurity: would I be correct in saying that?

MR. S. ALI.- That is exactly the point, Honourable Member, when we say that the PACER Plus needs to be a development-oriented agreement, that is what we mean. So, Fiji has been saying or stating from the very start that the PACER Plus Agreement needs a development co-operation chapter and a binding development co-operation chapter.

However, Fiji's ambition as far as the commitments by Australia and New Zealand in PACER Plus has not been matched by Australia and New Zealand, so that is one of our grievance, we call it a "contentious issue".

The other area is Labour Mobility: Fiji wanted binding commitments as far as labour mobility is concerned. The various schemes that are in place are very beneficial, however, for access into our market, we wanted Fiji to keep pushing, Fiji was pushing, is pushing for binding commitments in other areas like development co-operation and also labour mobility.

HON. P. SINGH.- Is Fiji a Most Favoured Nation (MFN)?

MR. S. Ali.- At the moment, in terms of access to Australia and New Zealand market, we have the SPARTECA (South Pacific Regional Trade and Economic Co-operation Agreement) which allows us duty free, quota free entry so we are preferential partners of Australia and New Zealand.

HON. P. SINGH.- Excluding labour mobility.

MR. S. ALI.- Labour mobility is not part of PACER Plus. SPARTECA is mentioned in PACER Plus but in a non-binding manner.

HON. P. SINGH.- It is very interesting: when you were asking for labour mobility into Australia and New Zealand, they have this Most Favoured Nation status with Indonesia and others. How do you stand to negotiate that?

MR. S. ALI.- Labour mobility by developed trading partners and Australia and New Zealand are not exception, consider labour mobility a very sensitive issue and they relate it to Immigration, whereas countries like Fiji see labour mobility as a temporary movement of natural persons, that a person is just seeking employment, not a residency status in that country. So, the two are often seen in the same light and become very sensitive. When we say that trade in labour is the same as any other trade, unfortunately the two are not viewed in the same light, so that has always been a battle for developing countries, including Fiji.

We were able to make some gains as far as temporary movement of natural persons goes in the PACER Plus Agreement but Fiji, of course, wanted greater ambition and we wanted binding commitments. However, we were not able to get the binding commitments because these schemes, as you know, sometimes you can get on the scheme, sometimes you can fall off the scheme and there is no sort of assurance of sustainability. Once you have something binding like we do with goods, if we do commit to PACER Plus then we will be giving Australia and New Zealand preferential entry into our market which means increased competition for our producers. So, if we make that commitment, the legal binding will be secure, similar commitments we were wanting in labour mobility also.



HON. P. SINGH.- That was one of the contentious issues in Brexit too, labour mobility and immigration, you are still grappling with it.

HON. V.R. GAVOKA.- Madam Chairperson, if I may, you have a number of Trade Commissions - 5, anything in the plans to increase this? Because we got the impression from Investment Fiji that they would like to see more. What is the plan going forward?

MR. S. ALI.- Sir, we have made proposals to the Minister of Economy through our budget submission, let us see if it gets accepted.

HON. V.R. GAVOKA.- All right.

MR. S. ALI.- Sir, gradual increase.

HON. P. SINGH.- If you ask for gradual increase, you will only get that much.

Madam Chairperson, just one last one from me: On the audio visual one - film making, "47 percent rebate", all right, that is very enticing, if a producer wanted to choose Fiji as a destination to make a film, now I believe you have some consultants in the areas of lawyers, accountants, other commercial people, is there a specified group of people that they can source it from or is it open to everybody?

MR. S. ALI.- No, they need to adhere to a certain code of conduct so the Ministry has the Audio Visual Agents Act which it regulates, so such service providers need to be licensed under the Ministry and that ensures that we have them on record. We know that they apply, they give their services in a professional manner and that is also very important as far as incentives are concerned - rebate. They have to use licensed audio visual agents, be it lawyers, be it consultants or accountants. They need to use licensed audio visual agents in order to benefit from the incentive scheme.

By licensing such professional service suppliers, we are able to ensure that there is no disrepute to the industry. There is a consistent level of service provided and there is no production that is harmed by someone that is unprofessional.

HON. P. SINGH.- I accept that fact that you have explained, but on the flip side of it, is it not being viewed as an exclusive club of people where entry into that licensing group of people becomes very difficult? I say this because this industry is going to be very lucrative in the future and with every initiative that is in place, we may be hitting the billion-dollar mark in a couple of years or five years down the lane so it is being viewed as an exclusive club.

MR. S. ALI.- To counter that, the criteria is very open, transparent and it is handled by a committee. The decisions are made very efficiently so there is no barrier to obtaining a licence provided you have the basics of a business and registered with your own professional body. However, the licensing requirement is to ensure that your details are available and if there is any misconduct then we are able to take action in terms of saying that, "All right, because of these failures, you would not be able to obtain a licence unless you take steps A, B, and C", so that is the purpose.

MADAM CHAIRPERSON.- Last one.

HON. V.R. GAVOKA.- Mr. Permanent Secretary, in matters relating to the Textile, Clothing and Footwear (TCF) people, there was a time when just about every businessman had his own garment factory, it was mostly volume-driven, but now what you are sharing with us is that, it is more "niche". Now to change

from volume to niche, did they have to go through a lot of (let me use the word) “retooling”, to relook at their equipments, and did we help; did the Government help in any way to reposition their businesses? And you know when you answered it, how are they placed today; are they comfortable; or do they need a lot of retooling; do they need a lot of investments? I mean because they are employing about 7,000 people here.

MR. S. ALI.- A lot of it also happened because of the change in market conditions. The end of Multi-Fibre Agreement (MFA) in 2005 meant that Fiji competed at the same level with countries like Bangladesh, China and Indonesia. So therefore, the industry needed to relook at itself and be able to capitalise on the advantages they had. We have a very good business relationship with Australia and New Zealand; we are trusted; we can respond to demands quickly.

Almost every week we can change the jerseys of AFL players, depending on whether they are playing at home, away or whether it is the 50<sup>th</sup> Anniversary of the team, we can do it every week. Also now we have proven ourselves to do the “high and fashion market” so the industry has been able to reinvent itself because the market conditions have changed. We are not able to compete on a volume basis, therefore expertise such as designers and other sort of high-end type of expertise has been sought from other countries. In this regard we have cooperated with countries like China and India to seek these expertise but the garment companies themselves have actively go on and able to seek that expertise to ensure that they are able to deliver value-added products, not volume products.

In addition to that the branding is very important, as you say, that textile or garment produced in Fiji would have certain quality assurance. The industry has been very good in terms of self-auditing and ensuring that they maintain a certain level of standards and therefore they have come up with this very comprehensive audit programme called “Make it in Fiji”, where external auditors from markets like Australia and New Zealand come and examine the manufacturing processes of Fijian firms. Coupled with that, we have the Fijian-sewn brand also that has its own sort of marketing equity, so garment producers are also able to take on that emblem and the Ministry assists or partners with these firms to promote Fijian sewn.

I talked about the TCF grant that has been in place for a number of years now and this is to ensure that we are working with TCF Council and our trade commission so in expositions, national textile or garment expositions in markets like Australia and the US, we are able to go there and able to talk to producers, suppliers and buyers there and promote the Fijian-sewn brand and things that are produced in Fiji.

However, over time this relationship with the main producers like Australia has developed and there is a relationship of trust which was why I used the word “consolidated”, we have consolidated ourselves. However, to take it to the next level we have to now move out of our comfort zone and look at markets like Europe and look at even higher-end fashion and look at markets also in US and ensure steady expansion of our garment industry.

HON. V.R. GAVOKA.- That is quite useful to know. I suppose my concern is in the conversion cost, to go from volumes to niche. They will need special equipment, et cetera, and I am just wondering if we are ready to assist them in cases like that or give them whatever kind of concession that they need to go into the type of niche that they need to produce. I guess that is where my question is coming from - the conversion cost.

MR. S. ALI.- The advantage with us was, we were always able to respond to small orders. You give small orders to China, India or Bangladesh, they might say, “But we are not interested unless you talk about one hundreds of tonnes of certain things”, so that was always an advantage and there are incentives available with our Ministry that we can always look at re-engineering their factory processes but as a TCF company, a lot of reinvestments have taken place. These uniforms we talk about, although we say it is niche product there are



quite a lot of these productions happening so it does happen like a chain. If you visit these garment factories you will see that the factory flow is quite overwhelming.

Madam Chairperson, it is quite overwhelming because it still looks big and volume-base to me.

MADAM CHAIRPERSON.- It is, it is large.

MR. S. ALI.- However, I suppose if I go to a factory flow in China, I will not be able to see the horizon so it is all about scales. One of the advantages that we have, being a smaller industry, is the quick turnaround time and to match small orders but lucrative orders, plus I have not talked enough about our advantage in terms of our educated, committed labour force and companies that have set up in the Kalabu Tax Free Zone for example, Kookai, are always singing praises about the Fijian people so that has been our advantage.

MADAM CHAIRPERSON.- All right, everybody happy! Thank you once again to the Team from the Ministry of Industry, Trade and Tourism, on behalf of the Standing Committee.

We will be compiling our Report over the next couple of days and we will table it at the May sitting. It will be available on the website and I am sure you will receive a copy from your Minister, so thank you once again.

We are going to adjourn now for morning tea, if you have time, please, join us, thanks.

The Committee adjourned at 11.36 a.m.