



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Report on Pacific Fishing Company Limited Annual Report 2016



**PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No.59 of 2018**

MAY 2018

Published and Printed by the Department of Legislature, Parliament House, SUVA

Table of Contents

Chair's Foreword.....	3
Findings and Recommendations	5
Gender Analysis.....	7
Conclusion	7

Chair's Foreword

On behalf of the Standing Committee on Economic Affairs I wish to report the following in relation to the Pacific Fishing Company Limited's (PAFCO's) Annual Report 2016.

As was the case in 2015, the Committee noted that consistent and sufficient supply of tuna remains to be a challenge for PAFCO. Other challenges include high overhead costs - mainly electricity related, port and handling fees, and housing shortages.

The Committee has put forward recommendations that we hope will benefit the Company in the long run, enabling it to become a more sustainable, competitive, and viable business. Included in this list are suggestions related to diversification and increased productivity.

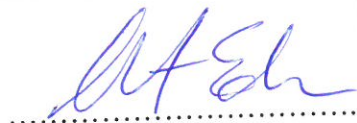
Also of particular interest was the high level of management expertise provided for by Bumblebee to PACFO, (5 Senior Management positions fully funded by Bumblebee). The Committee felt that PAFCO would find it difficult to carry out its core functions at the plant in Levuka without this assistance, so with this in mind, the Committee recommended that a feasibility study be carried out with the view to offer Bumblebee, who are a renowned global player in the industry, either a management contract, share ownership, lease option, or the like, which would be in the best interest of both parties, ensuring long term sustainability. The fact that Bumblebee and PAFCO have renewed their contract for a further 10yrs is proof of their mutual commitment to prosperity and long term sustainable benefits.

Given PAFCO's socio-economic impact on the people of Lomaiviti, the Committee feels that everything possible should be done to ensure longevity of its facility in Levuka. Approximately one thousand people are employed by PAFCO, making them the largest sole employer in this area of Fiji. Therefore, it is vitally important that this facility remain where it is.

The Committee thanks the Chairman of PAFCO and his team and also the management of Bumble Bee Foods LLC (Bumble Bee), for their presentations and feedback.

I also acknowledge and thank the Standing Committee members, Hon. Vijay Nath, Hon. Alvick Maharaj, Hon. Viliame Gavoka and Hon. Prem Singh who participated in the formation of this Report, and also the Parliamentary team for their continued support.

I commend this Report to Parliament.



HON. LORNA EDEN
CHAIRPERSON

Introduction

Pacific Fishing Company Limited (PAFCO) began its operations in the mid to late fifties¹ as a joint venture between the Fijian Government and Japan's Ministry of Trade and Commerce. It later incorporated into a private company and the Fijian Government acquired almost full ownership in 1987 from the Japanese company and now holds 99.6% of shares with the balance of 0.4% held by private shareholders. Currently the company board comprises of a Chairperson and just two (2) directors.

Primarily, PAFCO is involved in loin processing for export to their major client Bumble Bee, and tuna canning to cater for both the local and overseas markets. While the processing plant is based in Levuka, their headquarters is located in Suva. PAFCO recently renewed their contract with Bumble Bee in June, 2017 for a further 10 years.

In the 2016 Annual Report, both the Chairperson as well as the CEO commented on the adverse effects of the natural disasters that had hit Fiji in 2016. These disasters included a Category 5 Cyclone which was identified as Cyclone Winston, followed by Cyclone Ula. Cyclone Winston had brought about a lot of devastation which not only caused delays in tuna supply but also irreparable damages to a lot of houses, many of which were those of PAFCO employees.

PAFCO continues to be the largest employer for the people of Levuka and the Lomaiviti group therefore, it is of great importance that the company has all required resources available to remain in operation.

¹ PAFCO's website -<http://www.pafcofiji.com>

Findings and Recommendations

1. The Committee fully concurs with the Chairman's statement that he would welcome more business minded people on their Board and that they would add value. The Committee is also confident that this would bring a refreshed perspective that could open doors to new and innovative ideas that exist in the market today.
2. The Committee was made aware of the high level of management expertise provided for by Bumblebee to PACFO (5 Senior Management positions funded by Bumblebee). The Committee believes PAFCO would find it difficult to carry out its core functions at the plant in Levuka without this assistance. In light of this, the Committee recommends that a feasibility study be carried out with the view to offer Bumblebee, who are a renowned global player in the industry, either a management contract, share ownership, lease option, or the like, which would be in the best interest of both parties ensuring long term sustainability. The fact that Bumblebee and PAFCO have renewed their contract for a further 10yrs is proof of their mutual commitment to prosperity and long term benefits.
3. In the meantime the Committee encourages PAFCO to research and pursue more viable revenue opportunities that exist with regards to value adding by-products such as fish oil, fish meal and fish bones, thereby maximising returns.
4. The Committee notes that the town of Levuka faces shortages in terms of accommodation, thus limiting the ability to attract and retain quality people into the township, to be gainfully employed by PAFCO. The Committee recommends that PAFCO researches joint venture possibilities for the construction and management of an accommodation development, utilising its surplus land holdings to increase housing capacity in the township.
5. The Committee notes that Levuka town is a Heritage site which in some ways constrains the type of growth one would envisage to support a factory such as PAFCO. The Committee recommends that avenues be researched that would enable PAFCO to grow whilst retaining Levuka's Heritage status.
6. The Committee notes that under its capacity-based growth policy, PAFCO has commenced importation of raw materials such as whole round skipjack tuna and skipjack tuna flakes from the Marshall Islands to increase its canning production. The Committee recommends that in its journey to meet the demand for canned tuna locally and internationally, the company seeks similar arrangements with other tuna rich Pacific Island Countries, to achieve its desired goal.

7. The Committee notes that the workforce at PAFCO largely comprises women and that some issues relative to women may be in need of resolution. The Committee recommends that these issues continue to be dealt with amicably and appropriately.
8. The Committee notes the high cost of overheads (39% of total expenses) which is largely attributed to the cost of electricity. The Committee understands that Energy Fiji Limited is making strides to provide consistent and affordable electricity to Levuka and would recommend that this issue remains a top priority.

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 PACO in 2016.

Conclusion

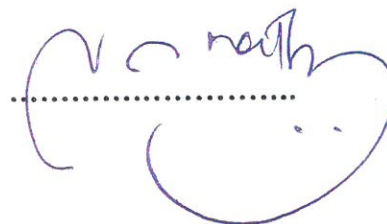
PAFCO operates in a relatively tough environment with local and international competition. Therefore, it is of the utmost importance that management continuously review their strategies, in order to stay ahead in their field of business. PAFCO has a significant part to play as the major employer in Lomaiviti, thus it is imperative for the company to continuously seek growth.

Hon. Lorna Eden (Chair)



.....

Hon. Vijay Nath (Deputy Chair)



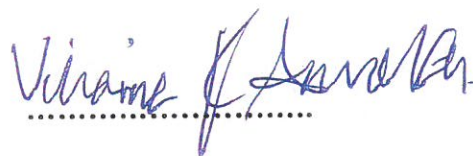
.....

Hon. Alvick Maharaj (Member)



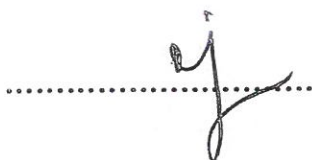
.....

Hon. Viliame Gavoka (Member)



.....

Hon. Prem Singh (Member)



.....

**Verbatim Notes
of the Standing Committee on
Economic Affairs**

Submittee: PAFCO

Wednesday, 25th April, 2018

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS, HELD IN THE SMALL COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON 25TH APRIL 2018 AT 10.05 A.M.

Interviewee/Submittee: PAFCO

In Attendance:

- | | | | |
|----|------------------|---|----------------------|
| 1) | Mr. Bhan Singh | - | CEO |
| 2) | Mr. Iqbal Jannif | - | Chairman |
| 3) | Mr. Arveen Chand | - | Financial Controller |
-

MADAM CHAIRPERSON.- Good morning everyone. On behalf of the Standing Committee on Economic Affairs, I would like to welcome the team from PAFCO. We are here today to deliberate on the Annual Report of 2016 and for the record, we have with us this morning the Chairperson, Mr. Iqbal Jannif, the CEO Mr. Bhan Pratap Singh and also the Financial Controller and Company Secretary Mr. Arveen Akesh Chand.

On our Committee side, we have Honourable Vijay Nath, Honourable Prem Singh, Honourable Viliame Gavoka and myself. We had put through a list of 12 questions and what we think might be best is, Chairman, if we let you go through each of the questions with your answers and then when you are done, we will come back to you with any other questions that we may have.

MR. I. JANNIF.- Thank you, Madam Chairperson and Members of the Committee. For ease of operation, we have written responses which we can share with you now, and then we can just follow through.

MADAM CHAIRPERSON.- Thank you, that would be very helpful.

MR. I. JANNIF.- Our written responses are very brief and we can build on those responses as we go through.

Question 1 - On the matter of other income: The increase of the \$500,000 that was picked up by the Committee was the insurance claim payment for the stock that PAFCO had lost when *MV Sullivan* sank in the Suva Harbour in December, 2015. The money came to us the following year, and it is showed up as miscellaneous income.

Question 2 - Performance Framework- the margins: Again, the insurance claim was one thing that affected the margins and the other was the increase in production, both in loining and the canning business.

HON. P. SINGH.- Madam Chairperson, what was the total pay-out of the insurance?

MR. I. JANNIF.- For that particular incident, \$500,000 and we were paid in full.

Question 3: The importation of skipjack and skipjack flakes from Marshall Islands was on a trial basis and it worked for us, it increased our production of can products. Now skipjack is a species of tuna which is not readily available on this side of the Pacific. We are more a

albacore, now different species of tuna inhabit different areas of the Pacific, but skipjack flakes are used in the canning process, and when we were unable to buy whole skipjack in Fiji, we had to go outside to look for skipjack. We were able to find one company that had a lot of skipjack flakes in the Marshall Islands and we were able to negotiate with them and get the flakes from them and then also bought some whole skipjack from them which we then processed locally and used for the canning process.

HON. V.R. GAVOKA.- Madam Chair, can I ask for some further information on that? Canning is where the demand outstrip supplies. The demand for the canned product is much greater, I guess my question is leading towards this, if you can secure this in longevity and it could resolve that supply issue when it comes to demand.

MR. I. JANNIF.- The supply and demand of canned products is a little bit confusing right now because of the amount of canned products being imported. In the absence of any antidumping legislation, we are having canned tuna coming into Fiji and being retailed for less than a dollar a can. Now there is no way regardless of how much skipjack we get, will we be able to match that price at the retail level.

So taking your question, yes, if we could secure skipjack on a long term basis and we are negotiating that at the moment. Yes, our canned production would increase but we would find it extremely difficult to compete at the cheaper end of the market.

HON. P. SINGH.- Chair, when you say “antidumping”, one is in relation to price and the quality; this is where you have to compete?

MR. I. JANNIF.- See if it has been sold, we checked yesterday, it was \$0.99 a can, Now that is US\$0.49 retail, this thing, it comes from Thailand. You add freight and everything else to it. Now if you work back, I am an importer in my own right. Now when I work back and say, at what price is it being invoiced? So you look at the price that it is invoiced at, then you take out of that price the cost of the can, the lid and the label; there is something fishy.

(Inaudible)

MR I. JANIFF.- No way. We estimate that it is being invoiced at between US\$0.32 and US\$0.36 cents per can and then you start taking out the cost of the can and the lid which we also import, and then what is the value of the content and you look at the processing costs. I know their processing costs are much cheaper than ours and slowly you whittle it down and there is very little value on the fish itself that is in there - the fish content.

That is what we at the Board sit down and do and say, “how can we compete, what is driving this price to be so low and does it make any sense?” It all goes down to commercial realities.

HON. V. NATH.- Mr Jannif, thank you very much for your answers there. Just tell me, are we not compromising the quality of the import which we are having? I am saying at this point in time, if we talk about your product which is being made and are available locally, and the quality of the import that which you have from Marshalls, are the qualities maintained?

MR I. JANIFF.- Yes, absolutely, we would not compromise quality. The flakes we bring from Marshalls, the amount of flakes that goes into each can, the quality of the flakes that goes into each can is very, very highly monitored by us.

I can tell you that our quality is much better than the quality that comes out of a \$0.99 cent can, but we should not be the judge of that. I do not think we have had the Consumer Council or anyone to open up the various cans of tuna, put it to a sieve, take out all the water and the oil and then see how much actual fish is in each can. That is what needs to be done and look at the quality of the flakes.

HON. V. NATH.- Another question in Number 1, the sale of fish egg and the commission from the fish oil; do you want to elaborate more on that?

MR. I. JANIFF.- When the fish comes, we buy the whole fish, when the fish is gutted, then sometimes there are fish eggs and the fish eggs are taken out and kept separate and sold separate. We make it quite clear that the fish egg is not for human consumption because the extraction and the packing, et cetera, are done as part of the butchering process. The signs are up saying that it is not for human consumption.

Most people take it and use it for bait. Fish eggs are very good, if you are doing it at home, but when you are doing it in such a large quantity, there is no specific way that it is packed, when we pulled the fish eggs out, there is blood and sometimes bit of guts come out with it, it is just packed altogether. It is sold and people buy it in large quantities and use it for bait.

MADAM CHAIRPERSON.- So, this is not the delicacy of the fish roe; this is for bait.

MR. I. JANNIF.- But we cannot guarantee that it is not being used. Just to continue with the fish oil, the fish oil is produced from everything that is not used in the loining and canning process. Oil is extracted from the guts, the skin, the bones and all of that. It is extracted through a pressure system and it is done by a third party and we get a commission. They have set up the plant, they extract the oil, they export the oil, we get a commission on the value, but the quality of the oil is crude fish oil. It has to be refined before it can become suitable for human consumption. We do not have sufficient volume to set up a refining plant here. So, at the moment, our oil is being exported by the people who do the extraction and it is sold to another company that buys crude oil from several canneries and then they refine it there.

HON. V.R. GAVOKA.- Mr. Jannif, you have indicated that the tuna flakes you purchased from the Marshall Islands is through a company. It is a company to company relationship.

MR. I. JANNIF.- It is a company to company relationship. It is not a Government set up.

HON. V.R. GAVOKA.- Right, is it a trade agreement between the Marshall Islands and Fiji that can enable two companies like you and this company to trade without any impediments?

MR. I. JANNIF.- I am not sure whether there are any trade agreements in place but we certainly have had no problems.

HON. V.R. GAVOKA.- No impediments.

MR. I. JANNIF.- We go through the normal process. We order, it comes.

HON. P. SINGH.- Like a normal import.

MR. I. JANNIF.- Yes, just like a normal import. It goes through Customs, Bio Security; the usual stuff. No issues. We do not require any Government intervention at this stage. If there were issues, then we certainly would have gone through our Ministry and requested some Government interventions. But at this stage, no.

HON. V.R. GAVOKA.- I asked the question because from your briefing last time, supply of raw materials continues to be a challenge for you and you need to be in dialogue with other countries to try and supply what you need. So, I am just looking at it from that angle like the playing fields should be made easy for you, so to speak.

MR. I. JANNIF.- When we talk about supply of raw materials, we are not only talking about skipjack. We are talking more about albacore, which is 95 percent of our business. But that has been addressed to some extent in the last budget announced by the Minister, some of the issues that we had brought up have been addressed.

MADAM CHAIRPERSON.- Chairman, could I just ask, the whole round skipjack, is it frozen, cooked, in frying, or how does it get here?

MR. I. JANNIF.- It is frozen.

MADAM CHAIRPERSON.- It is frozen?

MR. I. JANNIF.- Yes, and we cook it ourselves.

MADAM CHAIRPERSON.- And gutted already?

MR. I. JANNIF.- No, no, we gut.

MADAM CHAIRPERSON.- Just completely whole.

MR. I. JANNIF.- Yes, are just out of the ocean, into the freezer to us.

MADAM CHAIRPERSON.- Into the freezer and then shift here?

MR. I. JANNIF.- Yes.

MADAM CHAIRPERSON.- And the skipjack flakes?

MR. I. JANNIF.- The skipjack flakes are from a company similar to ours that is doing skipjack loins.

MADAM CHAIRPERSON.- Like how we do our loins?

MR. I. JANNIF.- How we do our loins but they do not have a canning process.

MADAM CHAIRPERSON.- Right.

MR. I. JANNIF.- They had flakes and no canning, so we get it and we use it in our canning. So it works out good for them if they are able to sell some of their by product and it works out good for us because we use it.

HON. P. SINGH.- Mr Jannif; you have made some very interesting revelations about this \$0.99 tuna. I look at it this way, for the benefit of the Committee, if the Committee notes what you are saying that on the one hand we have imports which are dumped here at very low prices against a local manufacturer.

MR. I. JANNIF.- And we are not the only local manufacturer.

HON. P. SINGH.- Yes the Golden Ocean and others.

MR. I. JANNIF.- There are at least two others.

HON. P. SINGH.- All right, so given that the local processes, do you have any protection as local processes, by the Government?

MR. I. JANNIF.- That is 32 percent duty.

HON. P. SINGH.- 32 percent duty on import . And with 32 percent on imports, they are able to sell at \$0.99?

MR. I. JANNIF.- I rest my case. You start adding freight, 32 percent duty and everything else, what is the invoice price?

HON. P. SINGH.- What is the duty on import flakes that you get from Marshalls?

MR. I. JANNIF.- Zero - it is raw material.

HON. V.R. GAVOKA.- Nothing needs to be done there.

MR. I. JANNIF.- Yes that is why I was saying, there is no impediments.

HON. P. SINGH.- No impediments on imports on flakes.

MADAM CHAIRPERSON.- Please continue.

MR. I. JANNIF.- Number four.

MADAM CHAIRPERSON.- Yes.

MR. I. JANNIF.- *TC Winston* caused havoc for us, a claim has now been settled, it was settled earlier this year for \$5.120 million. We had an excess of \$600,000, so we settled for \$4.512 million, and then the urgent works had been done earlier but the rehab works are continuing, but 99 percent have been completed. And the amount of \$4.52 million which we got from the insurance company is sufficient to cover the cost of the work.

HON. P. SINGH.- It is a replacement cost or?

MR. I. JANNIF.- This was not replacement, it was mainly repair, so it was component replacement and labour for repairing.

HON. V.R. GAVOKA.- We will assume that or presume that the quality of the finished work will be something that we can be proud of going forward - the restoration effort.

MR. I. JANNIF.- You will not be able to see the quality of the finished work because most of the repair work has been done to electrical motors and things like that. It is not major building repairs, so it will not be easily visible but definitely the quality of the repair works have taken us back to where we were before the cyclone.

HON. V.R. GAVOKA.- Efficiency level, productivity level and all that will be restored?

MR. I. JANNIF.- Yes absolutely.

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

MR. I. JANIFF.- Question 5, our dependence on Bumble Bee. Bumble Bee is an extremely strategic customer for us and we are very happy to have them on our side. Bumble Bee is one of the world's largest producers of canned products, canned sea foods but we are not Bumble Bee's only supplier, Bumble Bee has other suppliers as well, so we need to be competitive when we are dealing with Bumble Bee.

We have an agreement with Bumble Bee. When we met with you last time, the agreement was still being negotiated. The agreement has been signed. The agreement this time around is a little bit more flexible and as I say on the second page, the agreement allows PAFCO to seek other opportunities where the customer is not in direct competition with Bumble Bee.

We went into that agreement with our eyes wide open, we negotiated very, very hard to get this concession, although the concession was there in the previous agreement, it was camouflaged with a lot of words. This time, the agreement specifically allows us. Previously there was an implication that we could do it but this time it is quite specific.

Yes, our dependence on Bumble Bee remains but we also have the opportunity of looking at other avenues of supply and sale of our products and we are looking at that at the moment. We have been concentrating on getting our plant totally repaired after the cyclone. That is now being done. We were concentrating also in getting the cold storage built that is now being completed and it is in use. Now, the focus is going to move to looking for new markets.

We need to be careful when we go to new markets to be able to provide for new markets, we need assured supply of raw materials. We do not want to go and talk big in the European Union and after one shipment, that is it because we cannot provide the raw materials.

HON. V.R. GAVOKA.- If I may, Chair, in last week's sitting of Parliament, the Honourable Minister for Fisheries was outlining the vision that he has for Suva and stemming from the fact that currently there are about 480 fishing vessels that come to Suva every year and his vision, which is quite a realistic one and very exciting is to make Suva the hub for fishing in the Pacific. Given the support system here and all that and I posed a question to him, 'if you singled those many number of ships as 480 a year, it is more than one a day, why

is it that PAFCO is not getting enough raw materials? Because I asked the question in Parliament and his reply was that “it is market forces”. These people will not sell to PAFCO, if they can sell elsewhere with a higher price. How do you see yourself in that kind of scenario? If you want to grow your production and then vessels like in Suva, huge numbers, when you still cannot secure the supplies that you need, I mean there is also your relationship with Bubble Bee because they buy for you.

MR. I. JANNIF.- They buy for themselves.

HON. V.R. GAVOKA.- They buy for themselves and give it to you, all right?

MR. I. JANNIF.- Yes.

HON. V.R. GAVOKA.- So, in the greatest scheme of things, the way that a vision has been outlined because I believe is realistic, how did you see yourself securing the supply that you need and to enable you to consider the European market and all those areas?

MR. I. JANNIF.- I think the Minister was quite right when he said that market forces determine what is sold in Fiji and what gets exported. When we say there is raw material, we have a problem accessing raw material. It is accessing raw material at a price which after processing and producing as a finished product, we can on-sell at competitive market at a competitive level. Yes sure, we could go and buy the raw material, pay what these guys are getting overseas, but by the time we have processed, packaged it, our prices are going to be so high that will be going to be non-competitive. So, we have to weigh both sides. We know from our own study how much we can afford to pay.

MADAM CHAIRPERSON.- So, does that mean that Bumble Bee pay market price so the albacore that they are purchasing?

MR. I. JANNIF.- Bumble Bee are obviously much bigger than we are in their buying power. They buy fish not only here in Fiji, but from Mauritius and China as well. They buy through an agent and the agent is an international one. Therefore they can negotiate prices. There are much bigger buying powers more and so they are able to negotiate prices for themselves. This is what I was saying, we are still looking at skipjack. Now, we are talking to Bumble Bee and it is possible that we will use Bumble Bee’s buying power to buy skipjack for us. They do not need it.

MADAM CHAIRPERSON.- That is a good idea.

MR. I. JANNIF.- So, we will use them to buy for us and if they want Skipjack for themselves for us to process, we will tell them how much it is going to cost and if they want to use us for processing their skipjack, that is fine. So, it is still very open, our relationship with Bumble Bee is open and we have discussions. We do not always agree with each other but that is business.

HON. P. SINGH.- Coming back to the question where the agreement that you signed, the 10 year agreement, that is more specific now? I believe more weighting in favour of you as PAFCO in terms of you being able to deal with other customers, could you give us a scenario where the customer is not in direct competition with Bumble Bee? What sort of business would that be?

MR. I. JANNIF.- Bumble Bee is an albacore processor. They are not into skipjack, so if we were to do skipjack, Bumble Bee will not worry.

MADAM CHAIRPERSON.- Yes, not a worry to them. So just on that, where does the tuna that goes into the old capital cans come from; is that not albacore?

MR. I. JANNIF.- We purchase the albacore, Bumble Bee purchase, we process, we give it to them.

MADAM CHAIRPERSON.- And then you also buy albacore?

MR. I. JANNIF.- We also buy albacore when it is available and we put it in our cans.

MADAM CHAIRPERSON.- All right that makes sense, please do not stop buying albacore for us.

(Laughter)

MR. I. JANNIF.- Which one is this?

MADAM CHAIRPERSON.- The old capital albacore.

MR. I. JANNIF.- We have got plenty OCS, how many cartons would you like?

MADAM CHAIRPERSON.- I can probably go through three a month.

MR. I. JANNIF.- I think we better tell our distributors. It has been endorsed by this Committee, might be able to use it in their advertisements.

(Laughter)

HON. V. NATH.- We really appreciate your quality of the particular product which you are talking about. Just one question; in your contract, is it anywhere with Bumble Bee that says that what you are doing, is it allowed or is it parallel to your?

MR. I. JANNIF.- Bumble Bee is aware of what we are doing and we are not doing anything outside the agreement. They will not allow us to export albacore products into markets that they already service. We cannot sell Old Capital, if someone comes from the US and says that he wants to buy two containers of Old Capital, we cannot sell it to them because it is in direct competition with them. But Punjas as our distributor, if someone from American Samoa says he we wants 500 cases, Punjas can sell it to them. This is the Pacific Islands and we have been selling it to the Pacific for a long time.

HON. V. NATH.- Chair, one question, I was in Tonga, there is a company in Tonga that wants to buy directly from you because they buy from Punjas it is already marked up. The same thing happened with your product and also Fiji Sugar, two products they have mentioned.

MADAM CHAIRPERSON.- They want to bypass Punjas and go directly.

HON. V. NATH.- They want to buy directly from you because what happens, they really want to pump in Fiji Fish and Fiji Sugar in Tonga. What happens here, because of the

marked up price which Punjas is giving, they could not compete with the other countries product.

MR. I. JANNIF.- Unfortunately when you sign a distributorship agreement, you know you cannot have too many exceptions. Punjas is distributing our product in Fiji and into the Pacific Islands and if we start to say that we will exclude Tonga and then we will find someone from Vanuatu who will want to buy direct and someone from somewhere else will want to buy direct. I mean there are people in Fiji who want to come and buy from us. This would then mean instead of having one distributor account, we will have 20 people buying directly from us and there will be 20 accounts to trace out. There are all sorts of implications here.

HON. V. NATH.- In essence, is your distributorship agreement with Punjas an exclusive one?

MR. I. JANNIF.- Yes.

HON. V. NATH.- So that answers.

MR. I. JANNIF.- Yes, it is an exclusive one but we review it from time to time and this is very useful information for us because when we meet with Punjas and we are due to meet with them shortly. We will say to them that there is something wrong with your pricing that is working against you, but immediately we say that to them, they will say, "okay, you reduce your price to us and then we will go back to that."

.Question 6: I have sort of answered that PAFCO is considering canning of skipjack tuna for other markets, but this will require a long term market and it will require some capital investment.

MADAM CHAIRPERSON.- Do you make your own fish mill?

MR I. JANNIF.- Yes, fish mill is a PAFCO product. After the oil is extracted and whatever is left, it is then ground and made into fish mill. Nothing goes into the water.

HON. V.R. GAVOKA.- Chair, if I may, do you have any indication of the capital investment you will need to make for canning of skipjack tuna?

MR I. JANNIF.- For skipjack, it will depend on the volume, but we will be looking at between half a million to a million dollars.

HON. V.R. GAVOKA.- Which is within your capacity?

MR I. JANNIF.- It is within our capacity. We will have the space once the old cold store has been decommissioned in the unit. At the moment it is occupying some space. It has been emptied out but we have got to let it sort of warm up and once that happens then we have got the space, then we can start looking at what to do with the space and look at the skipjack.

But again, long-term market, supported by assured supply of raw material. We do not want to be a one-shipment wonder.

HON. P. SINGH.- Hopefully with this climate change, a lot of tuna will migrate to Fiji.

MR I. JANNIF.- Tuna is a cold-water fish and if the sea starts to warm up, the tuna will abandon the Pacific, then start moving either up North or go down South.

HON. P. SINGH.- But do not worry Taiwanese fishermen can go right to the South Pole.

MR I. JANNIF.- Is PAFCO considering going for other clients apart from Bumble Bee? I think we have answered that.

MADAM CHAIRPERSON.- Yes.

MR I. JANNIF.- Number 7, privatisation as an option. Government owns PAFCO shares - 99.7 percent, but there are private investors, so it is not totally a Government owned institution. There are private investors and the private investors have one representative on the Board. But if we were to privatise, from our perspective, a strategic shareholder would be better than saying, "anyone can buy shares". Then we will be answering to 2000 shareholders. But if we had a strategic shareholder, someone who could bring something to the table, apart from money or buying the shares, that would be of interest to us. But we would need to scrutinise the strategic shareholders at the moment it is Fiji owned, Government and private. We can determine where we are situated, you bring in private shareholders, profit becomes the motivation, then there is going to be pressure where it is too expensive to operate in Levuka. We want to move to Suva. So there is all those peripheral but very important questions that would need to be answered.

HON. V.R. GAVOKA.- Chair, as you look at the Pacific in our jurisdictions, what kind of model do they follow, is it mostly government owned or some totally private? If you look at the whole panorama of the Pacific, from Papua New Guinea to Samoa, up into the Northern Marianas, what kind of models do they have there?

MR. I. JANNIF.- (inaudible) The Fiji Government and American Samoa but they have run into all sorts of problems, American Samoa, a factory that was built three years ago about US\$35 million. There is another one that is also closed at the moment because they have run far off paying their fine to the tune of million dollars a month.

Solomon's is private, Papua New Guinea is mainly private but when we say private, not private Solomon Islanders, it is foreign owned, with some shares in the province ...

MADAM CHAIRPERSON.- All right, we are up to number nine now.

HON. V.R. GAVOKA.- If I may, you touched on PAFCO being in Fiji, fully Fiji.

MR. I. JANNIF.- Yes.

HON. V.R. GAVOKA.- I think last week in Parliament, the Opposition were bashed because we do not seem to be proud of Fiji because we are still calling Fiji Airways, Air Pacific. The name Fiji carries so much *mana* these days in terms of the identity and Fiji Water. I suppose we talked about this last time, down the line, you can have that imbedded into your product in a very big way and Fiji Skipjack or Fiji is something - the brand. It is not that the Opposition are not proud of Fiji, we all knew it is Fiji Airways.

MR. I. JANNIF.-That is an interesting question, an interesting suggestion, I guess we are PAFCO because historically it has been PAFCO. It is always been Pacific Fishing because it was set up by the Japanese.

HON. V.R. GAVOKA.- Is someone here called Fiji Fish?

MR. I. JANNIF.- Fiji Fish - Graham Southwick.

HON. V.R. GAVOKA.- Okay, someone has got the name already.

MR. I. JANNIF.- I do not think he will give it to us.

(Laughter)

MR. I. JANNIF.- Number nine.

MADAM CHAIRPERSON.- Yes, please.

MR. I. JANNIF.- Reforms at PAFCO are taking place all the time. I am not quite sure of just to what you mean by 'what was the last time any reforms took place?' If you are talking about change in the way we process, that type of change, we are always talking to our counterparts and if there is a change in best practice somewhere else and it filters down to us, we fall in line with them.

It is not easy to reform when you are stuck on an island which is still living in a relaxed Pacific paradise island mentality. Management reforms, that is always happening. Our people are attending courses, we are relooking at our business processes, those reforms are ongoing, but if there are any specific reforms that the Committee...

HON. P. SINGH.-You have a very unique set up, where you have PAFCO and then your co-business is derived from Bumble Bee as joint partnership. Do you have reforms that you both do to enable processing better?

MR. I. JANNIF.- Yes. Next week, Bumble Bee is doing some trials at PAFCO. There are some ideas that they have that will increase our yield. They have chosen to do it here at PAFCO and if that works for us and when I say us, I mean Bumble Bee and PAFCO, then that will be rolled out to all the plants that provide fish to Bumble Bee. But that is not the only one, they may be doing something in Mauritius and if it is successful in Mauritius, then it will be rolled out to all of us.

So that type of reform is ongoing. But with the cleaning of fish, the team visited, I do not think you were with the team, you were in Levuka with the team and you saw how the ladies were cleaning the fish, well that cannot be reformed. There is only one way of cleaning the fish and that is the way it is, and that has been going for 50 years. They do it that way everywhere in the world. So you cannot sort of say, "we are going to get machines to do the cleaning or we are going to get the machines to do the butchery."

Question 10: Reforms in the near Future: I think staffing is an issue. What we would like to improve is our ability to retain staff. If you talk about reforms to improve, that is one area that we need to look at and we are looking at. We were talking about it at the Board Meeting yesterday, we try and attract apprentices to come to Levuka. They come in and first of all, they do not want to come. Viti Levu guys do not want to come to Levuka. Even the

Levuka young people are always looking for an opportunity to move to Suva. Once they came they stayed for three months, we could not help it. The other one came, had a look, did not even sign up. We are looking for another six apprentices right now.

HON. V. NATH.- Which area?

MR. I. JANNIF.- Carpentry, electrical, mechanical, across the board. But our problem is that as soon as we take them to Levuka, it has an accommodation problem. PAFCO has purchased some land where we are hoping to build staff accommodation and maybe some hostel type of accommodation for apprentices, but these people are young adults. They do not want to stay in a boarding school environment and there are no nightclubs in Levuka. So, attractions are not there. These are the challenges that we are having. The reforms are all targeted towards that.

HON. V.R. GAVOKA.- What I remember about Levuka is that I

MR. I. JANNIF.- How many years ago?

HON. V.R. GAVOKA.- I went there 10 years ago then recently when we came for the site visit. When you have a kind of a township growing, you also see growth in the accommodation sector. Some modern type of apartments coming up and it happens everywhere. There are in Sigatoka and Nadi; any of that happened in Levuka?

MR. I. JANNIF.- I think the issue there is what comes first. When you start talking to people about accommodation and heritage, people are trying, they want more tourism because they will say we cannot get the tourists there because there is no accommodation, And we are saying "you bring the tourist then we put the accommodation there.

MADAM CHAIRPERSON.- It is the chicken and the egg.

MR. I. JANNIF.- Chicken and egg for sure, going around in circles There were number of places that got damaged during the cyclone. They have all come back slowly. There would be less, fewer than 100 rooms altogether.

HON. V.R. GAVOKA.- Investment would follow construction of residences and all that. It is a natural progress in any development. You do not see a lot of that in Levuka?

MR. I. JANNIF.- Levuka is not the easiest place to build on, very little flat area. So, everything is up on the hills. Now, the Chamber of Commerce, you cannot touch anything within the township itself because it is a heritage town. We had a building damaged during the cyclone and we want to demolish the building because it cannot be fixed and we have to do a demolish an plan, get this permit and that permit and the other permit before we can even demolish, let alone rebuild and other people in town are having the same problem.

So you can only do up what you have got, once you move out of the town boundary then you can do some hotel development. But there are people with resources and land, the Patterson Families are there, the Naidu's are there, and they are the ones we have to encourage to invest in this type of thing.

HON. V.R. GAVOKA.- Right.

MR. I. JANNIF.- Diversifying its business to create more profit, we have talked about that already.

MADAM CHAIRPERSON.- We are up to number 12 now.

MR. I. JANNIF.- Number 12: Expertise on the Board. Currently the Board has three members. One is a Levuka businessman born, bred, educated in Levuka and well respected in Levuka. The other is the *Tui* Levuka, an important part of the board because we are operating in an environment where most of our staff are *iTaukei* and Ratu Seru has a good handle and influence on that, especially on the HR side, and I Chair the board.

The appointment of the Directors is entirely in the hands of the Minister of Public Enterprises and the comment that we have made there. Additional board members with business experience like legal, international trade, that type of board member would be very useful to us, someone in Public Finance perhaps. I think those type of people would be very useful to us but we do not want membership simply for the sake of having another person on the board. I think that would be counterproductive.

I am happy to answer any supplementary questions.

MADAM CHAIRPERSON.- I have one. The insurance pay up that you mentioned earlier of \$4.520 million.

MR. I. JANNIF.- Yes.

MADAM CHAIRPERSON.- I did not see it in here, is it reflected in the 2017?

MR. I. JANNIF.- No, it came in this year.

MADAM CHAIRPERSON.- So it will be in the 2018?

MR. I. JANNIF.- It will be in the 2018. We are looking at the 2016, it will not be even be in the 2017 but it will be in the 2018.

MADAM CHAIRPERSON.- All right. Honourable Gavoka, did you have a question?

HON. V.R. GAVOKA.- Yes, maybe just reconfirm with the Chairman's words in one, two, three, four, five, six, the seven paragraph it talks about the contract with the current customer expires in 2017 are in the process of negotiations for the renewal I suppose you are talking about Bumble Bee, right?

MR. I. JANNIF.- Yes.

HON. V.R. GAVOKA.- That is done right?

MR. I. JANNIF.- Yes that has been done.

HON. V.R. GAVOKA.- If I may, Chair, if I just go on to the Chief Executive's Report. In your statement here on the first paragraph, you are talking about sourcing materials from

competitive suppliers, and efforts to keep away the middle man, can you give us an example of who the middle man is?

MR. B. SINGH.- That is an example of when we bought tuna directly from Marshall Islands. The middle man are the buyers in Suva. They are agents like FCF, is one of the agents of a Tuna trading Company. There are quite a few others, even local agents like Tri Pacific Marine Limited is a local tuna trader. They process some and export the rest.

HON. V.R. GAVOKA.- So you are able to break through and push them aside and go straight to the source.

MR. B. SINGH.- Yes.

HON. V.R. GAVOKA.- For the right buying, which is more beneficial to you. That is the middlemen I am referring to here. All right.

Yes and I just want to commend you on paragraph three. You went through some really tough times in 2016. It is just remarkable that you turned a profit during the year. Looking at what you have outlined here. It was quite a year. You mentioned in your report here about capital-based growth. You are talking about a new 4,0000 metric tonne cold storage facility which we know, and you also highlighted new equipment. Could you give us an idea of what the new equipment is?

MR. B. SINGH.- We have quite a few. We continuously have to upgrade the equipment to suit the food safety requirements, so like we have for the loining side we have the butchering machine. We have the sealers and for the canning side we have the retorts, we have the fillers, we have the seamer machines, we have the labelling machine. The number of machines that we continuously upgrade.

HON. V.R. GAVOKA.- This has to meet the requirements of your customers.

MR. B. SINGH.- Yes, it has to. There are specific requirements. Sometimes even when specifications (specs) change, we have to change the machine to meet the specs.

HON. V.R. GAVOKA.- Right, right. Excellent.

MR. I. JANNIF.- Even the plastic bags in which we fill the loins for export, it is not just any plastic bag. It has to be food quality plastic. It is sort of special plastic. But we cannot just say, "this is a food quality plastic bag available in China so we are just going to buy that, put the loins in it and send it to the United States of America (USA)." No, if we locate a supplier in China, we have to get them to supply the bags to USA, Bumble Bee will test it. United States Food and Drug Administration (FDA) will test it. All those, it being accepted then we change.

HON. V.R. GAVOKA.- Also, if I can go to the pie-chart. You show your total expense for 2016. With the little accounting I know, I am mystified by this overhead content. Raw material cost is 27 percent; staff cost is 28 percent; finance is zero; change in inventory is zero; and administration is five percent. Can you give us an outline? It could be a manufacturing account that I do not understand; but what is the overhead cost here?

MR. B. SINGH.- A large portion of that cost is electricity bills.

HON. V.R. GAVOKA.- Electricity bills.

MR. B. SINGH.- - We need a substantial amount of power supply to run the cold storage. Now we run a 4,000 metric tonne cold storage, plus we run a plate freezer on a 24-hour basis.

HON. V.R. GAVOKA.- So electricity bill is the huge one here. Relative to other manufacturing operations, how much would they be paying in terms of relativity to the dollar on electricity, 10, 15, 20 percent or ...

MR. B. SINGH.- I think it is specific to the type of operations. For us like our main equipment that consumes a lot of electricity are the two freezers. So for other manufacturing plants, probably it will be largely dependent on the type of equipment they use.

HON. V.R. GAVOKA.- Refrigeration and all that. All right. I just saw this and it was staring, glaring at me. I said, wow! That explains it. Thanks.

MR. I. JANNIF.- I think it should be noted that is going to increase because the cost of purchasing oil, the fuel for the boilers had just gone up to us by about 18 percent.

HON. V.R. GAVOKA.- Wow!

MR I. JANNIF.- I think we discussed this the last time we were here and we do not see any relief on the horizon for us, the operating cost will go up also due to the increase in port charges.

HON. V.R. GAVOKA.- Down the line, we want to be totally renewable either by 2025 or 2030. Would that help if Levuka is also part of the grid, that is 90 percent reliance on renewable energy? Would that help with your cost?

MR I. JANNIF.- We have had discussions with FEA about putting in solar power for ourselves and FEA has told us that you put solar power for yourself, we are not going to make any allowance for power supply to you in our plant. If the sun stops shining, and you cannot get enough solar power from your solar panels, do not think that you just can get it from FEA or EFL now?

If you want to go solar, you are on your own. If you want to go renewable or if you want 10 percent renewable, that is fine but if you want to go major renewable, we are not going to make any provision in our re-development, whenever that comes for PAFCO.

At the moment, PAFCO is using about 80 percent of the power that FEA is producing.

MADAM CHAIRPERSON.- Yes, it makes sense.

HON. V. NATH.- Just continue where Honourable Gavoka had left off, you can still do some saving if you have got a hybrid system in place like at night, definitely the light must be still on. For that you can use solar with the back-up battery system and in the day time when you require higher voltage, then you can use directly from the electricity from FEA.

MR I. JANNIF.- We are talking about reforms earlier. The perimeter fence lights are all being changed to solar progressively, the ones that you see on the streets where one with

the panel on top and the light at the bottom, similar sort of things. Each light is independent and we are looking at that at the moment.

HON. V. NATH.- Definitely, to run the huge machines, you will need that voltage which is required but definitely for the light bulbs which you have just mentioned, that is probable for solar. You are working towards our National Development Plan which says by year 2025 or 2030 we should be 100 percent renewable so at least you are taking good step at this point in time, if you are thinking of putting a solar.

MR I. JANNIF.- We definitely are. It is something that we are very aware of, our new cold-store at the moment is running on a diesel generator. It has not been switched to FEA yet but it is ready. FEA should be going there, sometime either later this week or early next week just to simply to turn it into FEA power. It is all connected and everything.

Now that you have brought up the point of renewable energy, one issue we brought up last time with you was water supply and you had said to us that we will see something by now.

HON. V. NATH.- Thank you CEO, I wanted to get that last thing to resolve.

The \$2.5 million tender has been awarded to Swiss, for your information. It has been awarded, tender was given and everything was drawn, it has been awarded to Swiss Company and that work will start in first quarter of the next financial year. It has already been I think to a standard, we will have a water treatment plant which will give direct supply to PAFCO.

MR. I. JANNIF.- Minister; would it be possible to perhaps have a look at what has been planned because I do not think we have been consulted.

HON. V. NATH.- All right, what I will do I will get Water Authority, they must have seen your requirement, the volume of water you require, and looking into that, they have rectified the sources which is there available and they will get all the sources to one place, purify the water and they will supply to you. That is the reason for the plan, it is \$2.5 million worth of project for PAFCO.

MR. I. JANNIF.- As I was saying that if we could have a look at what has been planned, so that if we are going to be doing any reforms within our own processing plant, we should keep in mind what is coming, perhaps if that could be shared with us, that would be great.

MADAM CHAIRPERSON.- Chairman, while we are still on the water on Page 32, your water bill for 2015 was just \$1,186 and for 2016, \$22,549, could you explain what that big jump was all about?

(Inaudible)

MADAM CHAIRPERSON.- Why did the water jump up by \$24,000, \$21,000?

MR. A. CHAND.- There was a huge increase in water bill comparing 2015 to 2016. One reason behind that increase was that during year end when we request for water bill, they said all the bills were cleared.

MADAM CHAIRPERSON.- So some of these belong to 2015.

MR. A. CHAND.- Yes, so that was not accrued in 2015.

MADAM CHAIRPERSON.- I see, I see.

MR. A. CHAND.- Even we have got a written explanation from them for the mistake they did and that was forwarded to the auditors, and the same the issue was raised by the auditors.

MADAM CHAIRPERSON.- All right. And this one is just a query - the donation, you only did \$400 in 2015 and then you did \$73,000 in 2016; was that a special project?

MR. A. CHAND.- In 2016, we had a cyclone so the Board made a decision that we were going to give out donations to those people who were affected by the cyclone. The company gave out food rations to everyone who was affected.

MR. I. JANNIF.- We teamed up with several other suppliers and we provided the canned fish portion of the food rations. This was distributed to all villagers on Ovalau and Moturiki.

MADAM CHAIRPERSON.- Thank you.

MR. I. JANNIF.- Just for the record, Bumble Bee also sent three containers of their canned products to be distributed, together with ours. From that point of view, they are very responsive to our needs.

MADAM CHAIRPERSON.- Just a last question from me. It might be the last. Honourable Gavoka, have you got any more? Are you all right? Would you just give us some background as to the decision of why the Chief Executive Officer (CEO) is based in Suva as opposed to Levuka?

MR. I. JANNIF.- The CEO has traditionally been based in Suva and most of the work that the CEO does is related to policy, meetings et. cetera and those are all held in Suva. The CEO goes to Levuka at least once a week and more often, if required, and having him here to attend to issues like these. We have several other issues that we have got to work on this week makes it a lot easier rather than him having to come to Suva. At this point in time, he needs to spend more time in Suva than in Levuka but should the situation change and he is required to move to spend more time in Levuka than in Suva then obviously we will need to discuss with him and change his base.

MADAM CHAIRPERSON.- All right. I am happy. Is everyone else happy? Honourable Nath?

On behalf of the Committee, thank you very much once again for joining us. We had hoped to come and visit Levuka again but time was of the essence for us and we could not. We believe that you will be opening the new cold storage soon with the Prime Minister, I hope. So we wish you the best with that.

Thank you once again, on behalf of the Committee for coming today and answering all our questions. We will be tabling our report in the May sitting and we will break now and have morning tea and would like to invite you to join us, if you have time. Thank you.

The Committee Interview adjourned at 11.30 a.m.

**Verbatim Notes
of the Standing Committee on
Economic Affairs**

Submittee: Bumble Bee

Thursday, 26th April, 2018

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS, HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 26TH APRIL, 2018 AT 9.58 A.M.

Interviewee/Submittee: Bumble Bee

In Attendance:

1. Mr. Brett Carter - General Manager
-

MADAM CHAIRPERSON.- On behalf of the Standing Committee on Economic Affairs, we would like to welcome Mr. Brett Carter here today from Bumble Bee, he is the Bumble Bee rep at the PAFCO factory in Levuka.

Welcome Mr. Carter, we are here today to discuss the PAFCO Annual Report 2016 and we have sent you through some questions to start the meeting off - 12 questions all up and we would like to give you the floor to go through these questions, and if we have supplementary questions, we may interject from time to time.

You, of course, will remember all of us here since we met last year; Honourable Viliame Gavoka, Honourable Vijay Nath, Honourable Prem Singh and myself. So, thank you again for joining us today and we will give you the floor.

MR. B. CARTER.- As I did last year, I fed these questions through to my Corporate office just as a guidance from them because I represent what they would like me to share.

Question 1 – What is my role in Levuka at PAFCO?

I have a title called General Manager of Operations, it is just the title and it is not the actual task because PAFCO runs the business themselves, but what I do is I oversee the operation and looking after Bumble Bee's interest in Levuka and in PAFCO.

Assisting me, which is question 2, I have four people reporting to me that are on the Bumble Bee payroll -

- 1) Quality Consultant;
- 2) Engineering Manager;
- 3) Production Consultant; and
- 4) Operations Consultant.

If you need any expansion on that, I am happy to tell you what their roles are and what they actually do. They support me in making sure that the products that we send to the States is as per our specifications and requirements.

Question 3: Are there any other types of support offered by Bumble Bee to PAFCO?

Bumble Bee does offer external audit support, that is when we have third party audits and we use our Corporate QA department to come and assist and prepare the plant and make

sure that we are well prepared for any third party audits, and we also provide some capital loan support to PAFCO for any capital upgrades and maintenance issues that they may have from time to time.

Moving on, if an opportunity arose to substantially increase supply of albacore tuna to Levuka, what would be the ideal amount and that could be processed and absorbed by Bumble Bee?

At the end of the day, we would end up absorbing whatever PAFCO could produce, at the moment they produce about 11,200 or so, plus or minus tonnes of loins to us, and I think their capacity could stretch to about 16,000 tonnes. So we could absorb another four and a half or five thousand tonnes from PAFCO if we could get the fresh in here and produce it and the cost remains the same or improve because of the volume.

As a side note, that translates if we did 16,000 tonnes of loins that will be just over 28,000 tonnes of ground fish.

Question 5, if PAFCO were to divest shares or the like, would Bumble Bee be interested?

Without giving in details, the short answer is yes.

What investment has Bumble Bee made into PAFCO's operations in order to assist PAFCO to meet the required standards in terms of final product?

Bumble Bee's investment into PAFCO in the form of consultancy support, which is my role and my team, third party audits, which I alluded to earlier, to make sure that the product is delivered to our requirements, and FTA and Government's requirements as well as US Government's requirements.

We provide IT support in terms of infrastructure when as required. Capital loans, we provide by-product, product and by-product to PAFCO, and we offer vendor support. In other words, if we know that somewhere where there is competitive advantage, we will share that information with PAFCO.

Number 7, what are some of the challenges faced by Bumble Bee as a major client of PAFCO?

Some of the issues, and it is not exhaustive, are logistics which I alluded to last year when we met. Being a remote island like Levuka have the challenges getting products and raw materials there and finished goods out.

Utility Infrastructure, in other words the power supply, water supply, et cetera, we have only had a challenge really on the water on one or two occasions in the short time that I have been here, but it remains because we do not know what the weather does, when the water dries up, so that could pose a challenge.

Union relationship, I mentioned this because I just found that the staff seems to be leading more towards the union for support, and I would like to think in a healthy relationship that staff normally needs to see the management for the good relations, so I just throw that in there.

Labour is an issue. When I say labour is an issue, we can only draw from what is available in the environment and whilst we have got some long loyal serving members, staff who have been there 15 years to 20 years, each year we have a Christmas party and we see retirees going off and it is just nice to see people been there for 15 years to 20 years, but we do worry about the trend going forward. Two younger people want to come and work in a fish rack; to do that, I understand, doing an odious job for eight to nine hours a day.

So, looking forward, we just question what the future could be. Hopefully, not a big risk but just something we need to be mindful of.

As I alluded to last year as well is the disadvantage of direct deliveries and when we talk about direct deliveries, these are vessels coming into Levuka to drop the fish off. As opposed to coming into Suva, transferring and getting into a container then shipping the container across to Levuka, we end up with the surplus containers which we then have to ship back to Suva.

The disadvantage of the vessels coming there directly is because of the high piloting and port charges that had been implemented. That is a double way because they still have to go to Suva anyhow because that is the provision and everything they are going to pay twice.

Question No.8: Being a major client of PAFCO, do you believe that PAFCO can diversify its business?

My short answer is, yes. I think PAFCO should be the one to answer that question on how they would diversify their business. We will always be there to support and encourage and suggest.

Question No. 9 in term of social corporate responsibility, has Bumble Bee considered sending PAFCO staff to the Bumble Bee Headquarters in order to understand how Bumble Bee operates?

This has happened and the production manager, the Chairman, CEO, Financial Controller and Company Secretary have all been across to Bumble Bee, so that has happened. Just as a side note, I do not view that as our social corporate responsibility, we have our corporate responsibility in other areas like helping communities and things like that. I would like to think PAFCO should stand as a commercial enterprise and fund their own trips of the like but we support them and they are more than welcome to come and visit at any time.

Question No. 10, from Bumble Bee's perspective, do you believe that PAFCO can be reformed in terms of structure and operations to make the company more viable?

We support any changes that is a win-win situation for the customer, us and PAFCO. There are a couple of parts to this question which is, what forms would you propose?

I think there are a host of opportunities that they present but I think these all need to be led by PAFCO and not really for us the customers to be telling PAFCO how they should reform and run their business. Legitimacy goes to the extent of what the quality of the product is at, we expect and look forward to and any other areas should be looked at internally to PAFCO management to address.

I will skip a few of those points because it is all as above and move on to No. 11.

Question No. 11: Do you believe that there were some barriers in stopping PAFCO from diversifying and growing, if yes, please specify?

Yes, with respect to these opportunities on what we are working on with PAFCO, we feel more comfortable that it will be PAFCO to address those issues. There were a couple of items that we have suggested and pointed out, but it is PAFCO that needs to take that direction and lead those reforms.

Question 12: Has Bumble Bee given PAFCO some benchmarks to follow? If yes, please specify these benchmarks?

Yes, we do. We provide a specification that we expect the product to be delivered in the format and to what quality standard.

We have a hazard programme that we expect PAFCO to follow, which they do and it gets audited by ourselves, our corporate quality assurance (QA) and by third party auditors, and they pass those very well and they all were very well conducted.

Obviously, also led by my QA manager who heads those sorts of programmes and the programmes that we have in place, the quality aspects, the QA and the hazard and the quality policy are reviewed regularly and at least annually.

MADAM CHAIRPERSON.- All right. Thank you very much Mr. Carter. Members, do we have any questions? Who wants to start?

HON. P. SINGH.- Yes. Thank you, Chair. Thank you, Mr. Carter for enlightening the Committee with those responses. The first one as I see it, Bumble Bee as a customer of PAFCO, they supply tuna, albacore tuna and fish for processing to loin, which is exported. You have four staff who are in key positions. Do you oversee the operation of PAFCO or only to protect your interest?

MR. B. CARTER.- Historically we used to, Bumble Bee used to manage the plant but over the period PAFCO has taken control of the plant themselves. In my tenure of four years, I have been more instrumental in pulling back as Bumble Bee managers and being more, we are all in a consultant supportive role. PAFCO manages the facility and we are there to ensure that the product is produced and delivered to the specifications

HON. P. SINGH.- To protect your interest.

MR. B. CARTER.- To protect our interest, yes, because it is easier for us to invest in our time here then to address it if there is an issue in the States.

HON. P. SINGH.- The second one, is sorry, Chair.

HON. V.R. GAVOKA.- If I can just add on to what Steve highlighted. The four positions that you have in Levuka are quality, engineering, production and operations. So you have these four key positions within PAFCO, providing guidance to the company, people at PAFCO. That in my view would look very complete in terms of the needs of a company in that it has within its walls what it needs to do to meet the standards expected overseas. Like you say, it is better doing it in Levuka then doing it back in the States.

The extent of your involvement in the operations. I was a businessman once. If I have these four guys with me, I would be giving them a lot of room to move within the operation - you know where I am coming from.

Maybe it is happening and is the environment there conducive to the involvement of your people to the degree that you are satisfied with? Yes, I know I am crafting that question but you know where I am coming from.

MR. B. CARTER.- I do, I do. Put it this way, as I explained last year and I will reinforce the point. Fiji is very strategically important for Bumble Bee, so the volume that comes out of Fiji represents 50 percent of Bumble Bee's albacore business. The other 50 percent comes from our operations in Thailand, China, and Mauritius, et cetera. So that is why Fiji is so important. It is 50 percent of our business and we need to protect that at all cost. Even

HON MEMBER.- (inaudible)

MR. B. CARTER.- Thank you. You have filled in the dots for me. So that is why we make this level of investment. We do not have this level of support in any of our other plants in the world, but we do have it here because it is that important to us and we need to make sure that we look after the business.

MADAM CHAIRPERSON.- So, just going further on to that one, for that factory to run efficiently, those 4 positions should be covered, yes? Normally?

MR. B. CARTER.- Yes.

MADAM CHAIRPERSON.- So, your four people are not mentoring four local PAFCO people, there are no other people? Just those four filling those four positions?

MR. B. CARTER.- The short answer is yes.

MADAM CHAIRPERSON.- All right. So, that would be like if you had a Food and Beverage Manager....

MR. B. CARTER.- Personally I may say, I do not think this is the forum for me to prosecute the way the structure of PAFCO is managed. So...

HON. V.R. GAVOKA.- I think Madam Chairperson, the point you have raised is true, is quite valid, because then the capacity for the operations can grow within the operations because they have...

MADAM CHAIRPERSON.- This level of expertise...

HON. V.R. GAVOKA.- Level of expertise that can help them grow because we all know what Fiji is like, expatriates come after a while they leave and there is a vacuum. In here there is no vacuum, there is always someone in there to grow our local staff. I think it is quite a phenomenal arrangement.

MR. B. CARTER.- Thank you for those kind words at least, honestly for the team that I have got. I have been here for four years and the team that I have got have been here six to nine years. One of them has been here for nine years so we have got that level of consistency and to keep expats in a place like Levuka, and with no disrespect to Levuka, it is remote and to

keep people here that work. They do a good job and I am very happy for my team, they support me extremely well and in turn are supporting PAFCO extremely well. So, I enjoy the fact that we have got that longevity.

We had a conference just a couple of weeks ago when my principals came out from San Diego and we had a meeting in GPH (Grand Pacific Hotel) and our Executive Vice President said that she would like the opportunity to be able to rotate us around the world so that we do not get stale where you are, but a part of me said, "bringing someone new, they have got to learn the people, the culture, the systems, he loses six months of effectiveness of a person." I have got people that are happy to be there, they do a great job and they are not saying. "Oh what time is it to go home?". They would work whatever time it takes, so I am very happy with the team that I have there.

MADAM CHAIRPERSON.- So, at the end of the day this is a bonus for PAFCO.

MR. B. CARTER.- It is certainly is because Bumble Bee is paying our wages, for the five expats there it costs Bumble Bee a million dollars a year; PAFCO is not paying that.

MADAM CHAIRPERSON.- This is an unusual setup.

HON. V. NATH.- Madam Chairperson, one question. The other three expatriates, are you thinking of training some local engineers?

MR. B. CARTER.- Yes. Well, I will just explain on that. The QA Manager who is absolutely the key in the plant for us is a Fijian. So, even though she is on Bumble Bee payroll she is a Fijian, so that is local.

The Engineering Manager and the other three are Filipinos and the Engineering Manager is a Filipino, PAFCO has been looking to try and find an understudy or an assistant to him for ages and just have not been able to find the quality of person that could do that job. The person we have got there, he has got fish experience, he is an electrical engineer, he is a mechanical engineer, he knows electronics, he is just an all-rounder and for to find someone, they are finding it very hard and they did find a project manager to come and assist him and after six months then he moved on.

So, that engineer has been there for eight years now and we need PAFCO to find someone and we keep putting pressure on them to find someone because we use this engineer, we send him to our other plants up in Cape May, he just came back from our plant in Cape May where we needed support in one of our plants in New Jersey and he went and spent two weeks there in December and he just spend two week there in March this year.

So, that means we are taking that resources away from PAFCO and that leaves a bit of a vacuum.

HON. V. NATH.- Chair, another question, Mr. Carter; how do you gauge Fiji's product with your other products of other places where you are getting it from, like from Thailand and other places. How do you gauge our finished product?

MR. B. CARTER.- The finished product by comparison, historically it has been superior. It is on par with what gets produced in other parts of the world.

HON. P. SINGH.- The \$0.99 tuna that sells in Fiji from Thailand, we had discussions with PAFCO on this one because regulatory authorities and other stuff that are impeding that, probably Fiji is becoming a dumping ground for these cheaper products come from Thailand, Chile and from other parts of the world. The products that come out of PAFCO, particularly the loins for Bumble Bee, they are of an excellent quality, the thing is not to compromise. That is just a side comment but my question is; you have had issues with PAFCO perhaps PAFCO had issues with you but the arrangements have been reduced to writing by way of a ten year contract. When you said that you advance monies to PAFCO, is it on contractual agreement or is it just on an ad hoc arrangement?

MR. B. CARTER.- The first loan that we gave PAFCO in 2013 was US\$3 million, that was because PAFCO did not have the cash flow to be able to attend to urgent issues that were happening in the plant that needed fixing. They were not complying from an audit perspective and we needed that compliance so to accelerate that compliance, we advanced them cash to PAFCO and we did it on soft terms.

That was repaid in July last year and we have now advanced another US\$5.5 million \$3 million of that was towards the cold store investment and the other US\$2.5 million which is still pending of any approved \$200,000 that are there. There is still \$2.3 million that is sitting in the port for agreed upon identified projects to investors. And this is just us looking after our investment here because if we did not make sure that our investment was looked after, it jeopardises our operation.

HON. V.R. GAVOKA.- Chair, if I may, you have answered the questions saying if you would be interested in some of the shares of PAFCO, plus saying yes, your level of commitment to PAFCO is quiet phenomenal, as I have said earlier.

With your four people of international standards that are living in Levuka and helping and guiding the operation, the loans you have extended to PAFCO over the years, interest rate, is just quite remarkable. Your interest in the event you decided to take up some shares, would the location of Levuka be an impediment to that, because where I am coming from, for us, Levuka PAFCO will remain in Levuka because of the Lomaiviti Group and the socio-economic things. Would you still be interested in terms of shares if it comes to that and still keep the operation in Levuka?

MR. B. CARTER.- Yes, just going back to the history of that as you all be aware that Bumble Bee was looking at moving the operations to Suva because at the end of the day we want to run an economically viable business. When it became clear that it was going to be such a disadvantaged to Fiji because that was not spelt out, this was before my time so I am saying what I was told by my people that they were pursuing that anger for about two years until one day in the meeting, Government actually said, "we do not want you to leave because all these people will be unemployed and would be devastating to Levuka".

So, our company changed their whole viewpoint by saying 'okay while that cost us money to be in Levuka, we will adopt that as our social responsibility programme.'

So, our company views that as the social responsibility by us staying in Levuka and staying with PAFCO, we are keeping a thousand people employed. So, it is good for Fiji and also for the people of Ovalau and it is good for Bumble Bee to be able to sit in front of our customers in the States when they say, "you are pulling fish out of the Pacific, what are you giving back to the people of the Pacific?" We can look at him in the eye and say, "we are keeping a thousand people employed." So, it is a win-win situation. If we have to stay, to

answer your question, if we want to invest into PAFCO in shares or ownership, et cetera, yes, of course we would. That will stay there. Madam Chair, it will be cheaper for us to move away.

HON. P. SINGH.- Just to clarify for the benefit of the Committee, as you know these reports have come in very handy in the last time when we spoke to you, PAFCO and others, I am sure we had a very good report out of this.

Going forward, there are two question that I have:

- i) You supply albacore tuna to PAFCO, which means you buy your own, who are your suppliers?

MR. B. CARTER.- We use a company called FCF, I reported this last year as well. They are from Taiwan and we use them as a global resource and they source our fish for us, it helps with the communication, the connections that they have, they are very big operations over an \$8 billion business. They supply fish for us in Mauritius in China, Thailand and in Fiji.

MADAM CHAIRPERSON.- So, they are like an agent?

MR. B. CARTER.- Yes.

HON. P. SINGH.- So, they are your international agents?

MR. B. CARTER.- Yes.

HON. P. SINGH.- Now coming back to the local content, which port do they use, Suva?

MR. B. CARTER.- They will source their fish from wherever it may be, the boats that come in. So, out of all the vessels that supply us with direct deliveries into Levuka or into Suva and then transhipped to Levuka, there are about 40 Fijian flag boats that they buy from, majority are Chinese and Taiwanese and there are about four or five Korean boats, out of the 250 vessels that provide fish to PAFCO.

So, they will source that from all of those, even for vessels that might be when fishing is low and they do want to lose time to come back to the port, they will then trans-ship at high seas and then they will source the carrier to bring the carrier into

MADAM CHAIRPERSON.- Into another ship.

MR. B. CARTER.- Yes.

HON. V.R. GAVOKA.- This is the structure within the fishing industry. In my terms, I would regard the Taiwanese company as a consolidator. He buys from everyone and then has its own clients to sell to.

In the sitting of Parliament last week, the Minister for Fisheries spoke about creating Suva to be the hub for fishing in the Pacific. What exciting outline of the ways things should look which he shared that with us in Parliament. He did say that currently there are about 480 fishing vessels visiting Suva every year. So, do you think that is your consolidator, the Taiwanese company, doing its maximum best to supply the raw materials for Levuka through Bumble Bee?

Given what we understand to be the volume of vessels visiting Suva every year, he answers the question in Parliament that if you have 480 vessels visiting Suva every year, how come Levuka is not always fully supplied with fish? That is where I am coming from.

MR. B. CARTER.- Yes, I do not have the answer but I can speculate, if I may, we only take fish of long line vessels. So, I do not know if all 480 vessels are long line fishing vessels. We only process albacore, so other vessels might be specifying the yellow fin, big eye and skipjack, et cetera, so that would drop a lot of those numbers out and we have been trying for years now, and I know in the four years that I have been here and I have been to many Fiji Revenue and Customs Service (FRCS) meetings, Customs meetings, asking, "can you please share some information with us. Tell us what is being exported out of the country because I know you cannot export a washer out of Fiji without specifying what size that washer is and how many are in the container?"

HON. P. SINGH.- That is too damn right!

MR. B. CARTER.- No one will share that information and the Minister for Fisheries was in Levuka a couple of months ago, he had just come back from a global trip and he said, "Brett, we have this information. I will make it available to you." I do not know why my people are holding on to this information".

So, I do not want to know who, we do not want to know who, why, where or how. We just want to know how big is the business and how much are we missing out on because we could be having many of these kinds of meetings and chasing a thousand tonnes. Meanwhile, we need 10, 000 tonnes so we just need to know the scope of what we are missing out on and also what PAFCO is missing out on.

HON. P. SINGH.- You mentioned double whammy on higher port charges. I think common to both you and PAFCO, because PAFCO also has its own, trying to soften up business of canning again or getting more equipped, I think this would be an impediment to your operations.

MR. B. CARTER.- Yes, it is and for me it should be an easy fix. I know it was legislated, the tariffs in the ports and the piloting charges but surely ports would look at it and say, "the year before, we had about 234 vessels call in (subject to correction) and we got \$3,000 roughly revenue from each of those. Last year, we had 69 vessels call in and we got nearly \$6,000, they doubled the charges. Surely 69 times 6000 is a lot less than 234 times 3,000, and it is just simple.

HON. P. SINGH.- Maths.

MR. B. CARTER.- They should see that they have got less revenue and if I was ask the question by our PAFCO chairman one day, "Brett, are you expecting a special concession?". I said, "you have got it all in one." Exactly, yes I am expecting a special concession for Levuka.

The Government expects Bumble Bee to stay there and absorb the high cost of production there, but yet we must just continue absorbing higher costs that the Government has put on us and we are saying, "you know surely a concession should be considered for this. Works with us and we will work with you."

MADAM CHAIRPERSON.- Has the concession been sought? I mean, who would seek the concession - PAFCO or Bumble Bee?

MR. B. CARTER.- Well no. We do not exist here. It has got to be PAFCO. Yes, it should come from PAFCO.

HON. P. SINGH.- In fact, we did mention to them yesterday to seek that concession directly through the budget consultations or directly with the Minister, which they agreed to do.

MR. B. CARTER.- Good. That is positive.

MADAM CHAIRPERSON.- That is where the overlap and the confusion is because Bumble Bee buys the fish. Yes.

MR. B. CARTER.- Yes.

MADAM CHAIRPERSON.- So their direct cost is to Bumble Bee. Bumble Bee would prefer the ships to drop off all that tuna albacore in Levuka. Instead, some of them are dropping it in Suva and then you have got to cart it back. So Bumble Bee might have to ask for the concession as well as PAFCO. I mean, if they give the concession to PAFCO, you will still pay full whack if they get it, or are you giving the money to PAFCO to pay that fish?

HON. P. SINGH.- There are sub-contractors of PAFCO, so they do not actually legally exist as far as the Government ...

MADAM CHAIRPERSON.- You know what I am meaning though.

MR. B. CARTER.- I know what you are meaning. My view is that because we do not officially exist here, we are a customer sitting on the sides, getting our product, but because how the structure is, it is a bit more complex than that.

We pay for the fish and we pay for it to be delivered to PAFCO. If the vessels were able to arrive there at a cheaper price, then we would pay the suppliers less money and that is how it would work. They would, if we say, "all right by the way, we have just saved a thousand dollars per vessel and we will give you a thousand dollars less per delivery." That is how it could get resolved. But PAFCO has the platform and the avenues to approach the appropriate authorities to discuss this sort of thing.

HON. V.R. GAVOKA.- Madam Chairperson, you recall that in my question to the Honourable Minister on why Levuka could not be fully supplied with the raw materials. He said it was a matter of market forces. If the fishing vessels can sell their fish elsewhere at a higher price, they would not sell to Levuka. So, he was suggesting that PAFCO or Bubble Bee should be prepared to pay market prices in order to get their supply of raw materials they need to operate.

MR. B. CARTER.- We are a global player and we do pay market prices. We are in the market so we cannot get anything less than market price. Our competition is very stiff so we have got to compete too and we have got to pay the money to get the fish.

HON. P. SINGH.- Mr. Carter, you have operations and your companies operate in many parts of the world. How are these arrangements in these various countries where you operate in terms of not only port charges but the overall business climate, ease of doing business? How do you find Fiji compared to others?

MR. B. CARTER.- A bit hard.

(Laughter)

HON. P. SINGH.- That is an honest answer.

HON. V. NATH.- As a customer or as an operator here in Fiji, what do you want to see? What Honourable Prem Singh just asked you, how can these ease your problem? What do you want to see corrected or probably the system to improve? Probably we can use this platform later on if it comes to us and then probably you can give some suggestions to other parties.

MR. B. CARTER.- I hear your question and honestly and respectfully I do not think this is the platform for me to respond to that.

HON. P. SINGH.- Yes.

HON. V.R. GAVOKA.- Madam Chairperson, your quality and assurance. Can you just give us an outline of the kind of audits that you have to meet every year?

MR. B. CARTER.- We have to meet FDA requirement.

HON. V.R. GAVOKA.- FDA?

MR. B. CARTER.- Federal Government, USA government FDA requirement (Freedom Drug Administration).

HON. V.R. GAVOKA.- The American, which is very stringent

MR. B. CARTER.- That is right, very stringent and if you consider when PAFCO was shut for six months in 2011 because of a histamine issue. There was high histamine found in fish in the States and they shut PAFCO down for six months and in fact all the scientists and people that were involved over that six months period, including the FDA, did a study to try and find out how the histamine develops and it actually sets a benchmark for the global standards on that.

So, we have got to comply with that. Our hazard programme that we formulate, that has to be approved by the FDA, so just a Hazard programme that we put in that says 'With food safe'. FDA looks at it, studies it and says that if we make changes internally, we have got to run that pass FDA again, if we decide to change anything so they have to say 'all right that is good improvement, yes we support it and sign off on it'.

So, that is why our QA standards are so stringent, so they meet Fiji's standard and the US standards as well.

HON. V.R. GAVOKA.- Excellent. Any clouds in the horizon you see coming or they have been mitigated?

MR. B. CARTER.- No, in fact our fish suppliers, if fish do not meet our standards, we reject it outright. Now, there is a government standard which says 'for histamine for the EU they have to accept up to a hundred parts of a million of histamine.' For America, the USA it

is fifty parts per million, as Bumble Bee we run by 10 parts per million. So, we enforce strict controls upon ourselves and our suppliers just to make sure that we are very compliant.

HON. V.R. GAVOKA.- Having visited the factory and talking to you last year and this year, these are some of the reasons why we should be celebrating about Levuka and I think a lot of your perception is always challenges and the difficulties.

I was a hotelier, to get accreditation by a recognised body that your kitchens are safe, your food and beverage operation is safe, it is quite an accomplishment; only the big boys can do it. So for Levuka to do that and continue to meet the standards, it is something that should be celebrated and I think we should come out strongly and say 'we are exporting to some of the most discerning consumers in the world and we are meeting their standards'. You are saying that you are even doing better than what the US wants.

MR. B. CARTER.- Thank you and it does keep us busy.

MADAM CHAIRPERSON.- Brett, you mentioned earlier about the labour issues and issues going forward that you could see that people are retiring and then the younger generations are not automatically coming in. They obviously would prefer to live in the big city over Levuka. After being there for four years and knowing that industry really well, have you guys thought of any possible solution of how we can keep that factory growing after all the older ones have retired?

MR. B. CARTER.- Well again, this should be PAFCO's focus and we would bring it into conversation in our support role, so it is a vision that PAFCO should be looking towards and then they need to be considering how to make the job more attractive; how to make the company more attractive that people would want to be there, because even if we do not all do wonderful jobs, some of us do manual work in other areas and we might not enjoy it but it puts food on the table and then it supports our family. Even if the job is not glamorous, if the company projected itself as being one that they look after their people, I would like to be there; that is what any business should be looking at.

To coin a phrase of a wealthy businessman, he said, "customer is not number one priority, your staff are number one". You look after your staff, they will look after your customers. That is just a bit of pearl that I would like to share.

MADAM CHAIRPERSON.- Maybe we are going to rejuvenate the whole of Levuka.

HON. V.R. GAVOKA.- Yes Chair. Remember, I mentioned this yesterday to the Chair. Every time you move a business into a community, whether it is sugar mills or whatever, the local townships will grow with it and new apartments, restaurants like Levuka is held hostage to this heritage thing and they cannot really do much, but I think on the peripheral outside of the heritage area, we should see some growth and accommodation and this will make a township more alive.

I think that is one area where we can make our recommendation. Last one for me, Chair, fishing is so critical to this part of the world. As I was saying earlier, Suva you can develop to be the hub for it in terms of services and the flow on effect, the multiplier effects.

Our neighbours in the Central Pacific and Northern Pacific are relying so much on this thing. Could you just give a broad outline of the way it is today in the fishing industry and how it

benefits the Pacific and UCNE (Ultra Conserved Non-Coding Elements) and any other area where we can improve and grow as an industry that is sustainable. I could give you what I like about tourism, could you do that for us?

MR B. CARTER.- I do not think I am really the right person to answer that question. I am not equipped with all that information but you threw in the word, is it sustainable? Bumble Bee was one of the founders of the sustainable fishing corporation, organisation and they gather as much information as they can because it is their core business and depending on whether we in clams, and doing clam charts in New Jersey or Sardines in Canada or Tuna in the Pacific and Indian Ocean.

We are all over the shores during various and we need to know what is happening on the stocks. Everyone talks about the seas being overfished, et cetera. I attended a couple of conferences where there have been doctors and climate change specialists giving talks. One of the last ones I attended in Nadi, there was a doctor who gathered a presentation and he was quite positive that the stocks are not been depleted and a little trend that we picked up in our conference that we had when I did a presentation to my corporate guys a month ago was that as I was projecting the numbers and I have been here four years and I projected the numbers for 14,15,16 and 17 that the average size of the fish that we are processing at PAFCO of albacore, each year has gone up in size by about 300 to 400 grams. Where we were talking to about 15 kg, it went to 15.5, 16 and to 16.4 kg and last year, the average I think just 16.4 kg. So, if the stocks have been depleted, I think you will be catching smaller and smaller fish and the fact that the fish are getting bigger and bigger is a positive sign. That is a not scientific one but it is just an anecdotal observation that we have made.

MADAM CHAIRPERSON.- Are you alright, Honourable Nath?

HON. V. NATH.- Probably a suggestion and probably I do not know how you take it. All our reports coming to Parliament is in the Parliament website. My suggestion will be, like this Committee gets the PAFCO Annual Report and we deal with it.

There is a report on Ports Fiji Limited, it goes to Standing Committee on Social Affairs. So, if you are interested in giving your input, you can find out whenever there is a report given to the Standing Committee and you can come on board and give your opinion. I am sure there is no harm whether it is taken on board or not by the Committee but you can make some noise and it will do some good for you. The Chair was talking about the same thing. He had the same view that the port cost is a bit high.

So, we are going to take this point from here but it has to be initiated from your side that you can take on board probably I do not know how you want to do that but definitely it was on our Parliament website. You mentioned electricity, power supply. It is not a problem, we can handle like the Chairman was here yesterday that my team can handle whatever power supply you want to have because we have got et cetera surplus standby generators back in Levuka which can handle that.

In terms of water, Government has already have a plan for that. We have already approved in fact the process ground and preliminary work has already been done to have an investment of \$2.5 million for the supply package plant which will be installed in this fourth quarter of this year.

So, Water Authority of Fiji will be there next week to probably have consultation with PAFCO. They have already had a consultation with Heritage and other stakeholders. But I do

not know how they missed out PAFCO. So, I spoke to my CEO to go and talk to PAFCO. But I understand this move was made when there was a request from PAFCO to have water supply. So, that might take care of the dry season, dry spell which you are talking about. This will come from here, I would say, the suggestion and the request. Last time, we met the Chairman he strongly requested and suggested that they want a proper water supply. We went back to WAF and this year during World Water Day, we committed to that. We looked for how we can assist PAFCO in terms of water supply. So all started from here as well and you can say this platform should not be feared or have some reservations, I would say.

MR. B. CARTER.- I understand, if I may ask on that. You have mentioned there is money been made available for a water package unit. I think I heard that the matter was passed in the budget. I saw the note on that, but I think that was to treat water. I think one of the biggest issues is the actual reserve of water because the water that we want to use is a run-off of the mountain and if you go and look at the reserve, it is very small. The reserve actually needs to be, so that you have the water to capture it when it is the wet season.

HON. V. NATH.- This package plant has got a reservoir so it will an additional reservoir.

MR. B. CARTER.- All right. Thank you.

HON. V. NATH.- Thank you.

(inaudible)

HON. CHAIRPERSON.- That is why you saying, have a big catchment area where it can store.

HON. V. NATH.- They are putting an additional reservoir now so that will supplement the other.

MR. B. CARTER.- What happened , we were running double shifts and of course when you double shift, double the work, you are running the plant, you need more water and so we had to stop the nightshift so that the water supply could recover overnight and we could run in the day and let it recover overnight and run in the day. When we ran day and night, we depleted the water reserves.

HON. V. NATH.- (inaudible)

MR. B. CARTER.- I have already got quotes for that.

HON. V. NATH.- You can do solar, like in Taveuni, they have got one so lot of things which can happen (inaudible).

MADAM CHAIRPERSON.- But like what Brett is saying that it is a PAFCO thing, not Bumble Bee. It is a PAFCO issue.

HON. V. NATH.- Chair, excuse me. there is a water problem and Government has taken that on board.

MADAM CHAIRPERSON.- That is why we did it -from the last submission.

HON. V. NATH.- So if this does not work, what we can do is, there are other options which is there. Technology is there, solar system is there, hybrid solar diesel plant. That is in future, but you can always you know put a request again. There is a channel.

MR. B. CARTER.- Yes. Thank you.

MADAM CHAIRPERSON.- I think you can understand where the confusion is with the overlap between Bumble Bee and PAFCO. But we do know, we do understand and at the end of the day, the best news that we heard today was that 50 percent of Bumble Bee's albacore comes from Levuka, from PAFCO, which is a very big chunk of your business back in the States and PAFCO is very important to you.

MR. B. CARTER.- Yes, it is.

MADAM CHAIRPERSON.- So to ensure that continues, not only for the next 10 years but much further in the future, we do have to come up with some very good ideas of how to incentivise the younger generation to stay there, or some to go there even from this island to that island for continuity long-term. I think we need to put our heads down and think about all of that. The last thing anyone would want is for that factory to close. There are thousands and thousands of people.

MR. B. CARTER.- We understand that very well and I know this is not an ideal platform, but I would just mention that it is getting very difficult. We made the commitment to stay in Levuka that is not in question at all but it is becoming cost prohibitive, the costs are creeping up and creeping up and at the end of the day we are in business and when we got business in Mauritius that is now being able to produce product at a lot cheaper price, not a lot cheaper, a little bit cheaper than PAFCO. PAFCO always lead as the lower cost producer, they are not the lower cost producer anymore and it has got a tendency to creep and the demands from PAFCO on Bumble Bee are increasing.

MADAM CHAIRPERSON.- A good example was what you mentioned earlier about the number of ships that dropped off fish in PAFCO last year or the year before as opposed to last year. That is a quarter of it.

MR. B. CARTER.- 69 vessels where we had 234 the year before.

MADAM CHAIRPERSON.- So, it is a quarter of that.

HON. V. NATH.- (Inaudible)

MR. B. CARTER.- We do not want all the fish to come by vessels because we need containers to put our loins into export, so what we need is like a 60x40 split, so we need 60 percent delivered by vessels and the other 40 percent delivered by containers because once you had taken the head and tail, but if it all comes in containers, then we ship these containers back. Already this year I have spent over \$20,000 in shipping charges or shipping empty containers from Levuka to Suva and I pay the demurrage because they have now gone into demurrage phase, so I will pay the shipping cost and then I...

MADAM CHAIRPERSON.- So, what we need to do is we need to find a business to start in Levuka to fill those empty containers with back to Suva.

MR. B. CARTER.- No comment.

(Laughter)

HON. V. NATH.- Madam Chairperson, definitely I would say we, the government, values your contribution towards PAFCO and it is good that we have got 1200 people on payroll and anyway we can assist PAFCO and your company as well, please you can always write to us, write to the Chairperson of the Standing Committee and what we will do, the Chairperson will probably give your last reports.

So, I believe she has a copy for you and we will take some photo shots with it and we will forward it to you so that you can send that back home to your company directors that we really value your contribution in Fiji and I understand that was what the Honourable Prime Minister even said that we want to see more people on payroll and our Employment Minister is saying that we want to get more people employed and we will see how we can expand this.

One problem you said is because of water, you cannot run a 24 hours shift or double shift, we will definitely, if not in this programme we have in this point in time, if it does not work well we have other options available but there is a process in place, you can probably write to us and we will look into it. We do definitely value it.

MR. B. CARTER.- Thank you very much.

MADAM CHAIRPERSON.- Just one last one from me, just out of interest. The tuna factory in Pago, American Samoa, they obviously run on a similar setup to PAFCO so PAFCO sends to Bumble Bee who did they sent to? Is it CK's store or someone?

MR. B. CARTER.- There were two, Stockist and Trumerine. Trumerine closed; they spent US\$17 million to US\$100 million revamping the operation and within twelve months closed it. Stockist as under Dong-won, a Korean company, they have got a big presence in America as well and as an American registered business and because they are in American Samoa, they are in American territory, they call it to be able to supply institutions like the government, the universities and the military. Whereas Bumble Bee cannot because if we took fish from here or from Mauritius or from China, it is from a foreign country. So, that is what that gives them a big advantage of being there.

MADAM CHAIRPERSON.- Very big advantage because even Pago Pago is a small place, too similar social issues but they are American territory so.

MR. B. CARTER.- That is a big plant they have got there, they produce like 450 tonnes a day that is their throughput and expanding and they bring stock from Samoa that commute across to Pago Pago.

MADAM CHAIRPERSON.- And they are right at the wharf facility and not far away.

MR. B. CARTER.- Yes.

MADAM CHAIRPERSON.- So, they have a lot of advantages.

HON. P. SINGH.- (Inaudible)

MR. B. CARTER.- Yes they take fish from Fiji too. Stockist - they have got two people permanently based in Suva that try and buy the fish that we are trying to buy.

HON. V. NATH.- (Inaudible)

MR. B. CARTER.- Sometimes, it is competition and sometimes if you want to put the knife into your competition, you are given an increased price today because if you average out over the year, it is only so much, you give a big price today but if you analyse it, it is not big so we have to do the same thing.

MADAM CHAIRPERSON.- Thank you very much Mr. Carter, on behalf of the Committee and we do appreciate Bumble Bee's support and participation. We are going to break for morning tea now, so if you would like to join us, you are very welcome.

MR. B. CARTER.- Thank you very much.

The Committee Interview adjourned at 11.01 a.m.

