

INFORMATION SEMINAR ON THE IMPLEMENTATION OF THE EU-PACIFIC INTERIM EPA

“A Fisheries Perspective on the Impacts of Global Sourcing”

**Presenter: Sylvester B. Pokajam
Managing Director, National Fisheries Authority**

Presentation Outline

1. BACKGROUND INFORMATION

- a. RoO Comparative
- b. Global sourcing (GS)

2. IMPACTS OF GLOBAL SOURCING

- a. Macroeconomic Benefits
- b. Impact on Fisheries Sector
- c. Management of Tuna Resources

3. CONCLUSIONS

Background ...rules of origin..

Originating fish requirement: Cotonou Agreement	Originating fish requirement: Interim EPA
<p><u>Vessel Registration:</u></p> <ul style="list-style-type: none"> - fishing vessels must be registered in ACP or of EU State or OCT. 	<p><u>Global Sourcing</u> – to source fish from any vessel regardless of flag or where it was caught, , the fish is deem originating, as long as it is landed and processed in the PACP/PNG</p>
<p><u>Vessel Ownership:</u></p> <ul style="list-style-type: none"> -the boat must be 50% owned by Nationals of State Party. 	<p>The fish is <u>substantially transformed/processed</u> from its natural state (0305/0305) – a change in tariff classification, into semi-processed or processed products (1604/1605)</p>
<p><u>Vessel Flag:</u></p> <ul style="list-style-type: none"> - fishing vessels must be flagged in ACP States or EU State or OCT 	<p><u>EU Requirements</u></p> <p>Mandatory SPS and IUU requirements must be met, therefore products enter the EU market DFQF</p>
<p><u>Crewing:</u></p> <ul style="list-style-type: none"> - boat must be crewed with 50% by Nationals of State Party to the agreement. 	
<p><u>Location of Catch</u></p> <ul style="list-style-type: none"> – fish caught within the territorial (12 miles frm the coast) or in the archipelagic waters 	

What is Global Sourcing?

Global sourcing implies regardless of

- where the fish is caught, or
- the status of the vessel's flag, registration or ownership,

the fish is deemed **originating**..... as long as it is being sufficiently worked or processed from its natural state (fresh or frozen) into precooked, packaged or canned product.

Conditions:

1. Fish & Fish products globally sourced **MUST** meet mandatory EU SPS requirements
2. That these fish & fish products are not sourced thru. IUU means

Products globally sourced that meet the above conditions enjoys " **duty and quota free**" **market access status** into the EU market.

Macroeconomic Benefits

- ❖ Global Sourcing – exempted from standard RoO
- ❖ DFQF market access into EU markets - exempted from duties of up to 24%

Devt Impacts to PNG Economy

- ❖ Employment opportunities (mostly women)
- ❖ Income generation
- ❖ Spin off Benefits
- ❖ Govt revenue (taxes, custom duties & charges, etc)
- ❖ Increase in FDI (though no direct linkage)
- ❖ Contribution to BOP and GDP

Macroeconomic Benefits

Income Generation by Existing Tuna Processing Plants to PNG Economy, 2007-2010

Economic Benefit	2007	2008	2009	2010
DIRECT INCOME TO PNG ECONOMY				
Government revenue	3,414,948	9,683,531	7,766,700	3,750,924
Employee's earnings	15,788,793	16,533,057	20,501,967	25,689,304
Net local purchases	13,180,595	12,822,304	15,013,651	13,280,028
Other economic contributions	2,412,453	4,017,384	4,409,139	3,214,926
TOTAL NET DIRECT INCOME	34,796,789	43,056,276	47,691,457	45,935,181
Production (mt/day)	260	220	230	250
Net direct income/mt	133,834	195,710	207,354	183,741
2007-2010 average/mt	180,160			
OTHER BENEFITS TO PNG ECONOMY				
Contribution to Balance of Payments	169,843,577	175,611,464	200,696,173	216,642,696
Contribution to Gross Domestic Product	20,251,077	19,779,496	25,931,510	31,100,206
TOTAL OTHER BENEFITS	190,094,654	195,390,960	226,627,684	247,742,901
Production (mt/day)	260	220	230	250
Net direct income/mt	731,133	888,141	985,338	990,972
2007-2010 average/mt	898,896			

Impact on Fisheries Sector

Tuna fishing Fleet

Category	Flag	Vessel numbers		Fishing area permitted as condition of licence
		2008	2011	
Domestic	PNG	9	12	All waters outside 12nm of land, island, reef (archipelagic and EEZ)
Locally- based foreign (chartered)	Philippines (20), China (2), Taiwan (4), Vanuatu (13)	33	39	Small-medium vessels <600 MT capacity - archipelagic <u>and</u> EEZ waters but outside 12nm Large vessels (>1,000 GT) - EEZ waters only (i.e. outside 12nm and archipelagic waters)
Foreign	China, FSMA ⁺ , Japan, Korea, Philippines, Taiwan, USMLT ⁺ , Vanuatu, other	128	176	EEZ waters (outside 12nm and outside archipelagic waters)

Impact on Fisheries Sector

Catches in PNG EEZ (+)

PNG fleet catch in PNG waters and beyond, 2006-2010

Catch by Location	2006	2007	2008	2009	2010	Ave. 2006 - 2010
Catch inside EEZ						
PNG flag vessels (domestic)	18,659	20,826	31,106	34,688	27,972	26,650
Locally-based foreign (chartered)	126,495	124,572	112,286	95,310	114,468	114,626
Total EEZ catch	145,154	145,398	143,392	129,998	142,440	141,276
Catch outside EEZ						
Locally-based foreign (chartered)	79,221	79,516	67,101	72,612	63,397	72,369
Total PNG fleet catch	224,375	224,914	210,493	202,610	205,837	213,645

Source: NFA database

Impact on Fisheries Sector Catches in AW

Catch in PNG archipelagic waters (mt), 2006-2010

Fishing Fleet	2006	2007	2008	2009	2010	Ave. 2006- 2010
PNG-flag (domestic) in AW	18,659	20,826	31,106	34,688	27,972	26,650
Locally-based foreign (chartered) catch in AW	32,125	49,204	53,711	64,947	53,549	51,644
Total archipelagic waters catch (mt)	50,784	70,030	84,817	99,635	81,521	77,357
PNG domestic fleet catch as % AW catch	37%	30%	37%	35%	34%	34%
AW catch as % of total EEZ catch	11%	15%	17%	23%	12%	16%

Source: NFA & SPC database

Impact on Fisheries Sector

Trends in Vessel Number & Catches

General Trend

- ❖ Steady increase in vessel number licensed to fish in PNG waters

Specific Trend

❖ PNG Flagged Vessel

- increase by 3 vessels since 2008, catches have not increased significantly as well (total = 12)

❖ Locally based Foreign Vessels

- increase in 6 vessels since 2008, total catch remain stable since 2008, but likely to increase due to new onshore devt (total = 39)

❖ Foreign/Bilateral Access

- sharp increase by 48 vessels (total = 176), thus catch increased substantially in PNG EEZ (largely due to relocation of effort from the HSP closure)

❖ US Fleet – increase in vessels (frm 12 in 2004 – 40 current) and catch

Impact on Fisheries Sector

Processing Sector

Existing Onshore Processing Facilities

Investment Project	Product type	Max. Prod'n Capacity (mt/day)	Current Prod'n (mt/day)	Estimated Investment Value (USD'm)	Employment (est.)	
					Direct	Indirect
RD Tuna Cannery	Canned tuna	200	120		3280	7500
Frabelle (PNG) Ltd	Canned tuna	120	80		2061	5625
South Seas Tuna Corporation	Cooked loins, canned tuna	200	80		1370	4875
Through put (raw materials/ annum)		130,000	70,000			
Total Existing Production		520	280		7,200	18,000

Source: NFA data

From 2008-2011, global sourcing has had little influence on growth of PNG's existing tuna processing facilities, given production levels have generally remained constant and well below capacity

Impact on Fisheries Sector Processing Sector

Proposed Onshore Processing Facilities

Investment Project	Product Type	Prod'n Capacity (mt/day)	Estimated Investment Value (USD'm)	Employment (est.)	
				Direct	Indirect
Majestic Seafoods	Canned tuna	350	80	5250	15225
Niugini Tuna	Canned tuna	200	30	3000	900
Nambawan Seafoods	Canned tuna	150	11	2250	6750
Halisheng	Canned tuna	200	50	3000	900
International Food Corporation	Canned tuna	120	23	1800	4500
Total New Investment Production		1020	195	15,300	45,375

Source: NFA data

Impact on Fisheries Sector Processing Sector

Advantages & Disadvantages

Advantages	Disadvantages
<p><u>Highly productive waters</u></p> <p>abundant canning-grade tuna resources; accounting for 50 % of total PNA catch, 20 % of total WCPO catch, and 11 % of global catch in 2009.</p>	<p><u>Labour</u></p> <p>relatively high minimum wage rate (K2.29/h), low efficiency levels, high absenteeism (20-30%) and high turnover rates (50-60%)</p>
<p><u>Close proximity to fishing grounds</u></p> <p>savings in freight costs are enjoyed for raw material delivery (i.e. the cost of transshipping raw material from vessels operating in WCPO waters to Thailand-based processors is around US \$150-200/mt).</p>	<p><u>Freight</u></p> <p>very expensive sea freight costs due to relatively low freight volumes and a limited number of freight service providers in PNG.</p> <ul style="list-style-type: none"> •PNG - EU: US \$2,800/20ft. container (dry) •Philippines - EU: US \$1,200/20ft. container (dry) •Thailand - EU: US \$ 1,300/20ft. container (dry) •Ecuador - EU: US \$1,700-2,000/20 ft. container (dry)
<p><u>Fishing licenses</u></p> <p>Discounted in association with onshore processing facilities.</p> <p>Potential to qualify for licenses under the FSM Arrangement</p>	<p><u>Utilities</u></p> <p>water & power high costs, inconsistent supplies</p> <p>Infrastructure – poor roads, wharfs</p> <p>Lack of Economies of Scale</p>

Impact on Fisheries Sector

Tuna Exports

Total PNG Tuna Exports (mt), 2006-2010

Year	Canned Tuna	Cooked Loins	Frozen Tuna	Chilled Tuna	Fish Meal	Total	1604 as % total
2006	16,380	11,986	33,159	1,667	6,142	69,334	41%
2007	14,654	11,525	40,364	1,395	5,484	73,422	36%
2008	12,177	10,031	44,145	1,302	4,752	72,407	31%
2009	15,742	11,249	38,233	666	5,552	71,442	38%
2010	16,980	10,955	32,335	345	4,538	65,153	43%

Source: NFA database

Impact on Fisheries Sector

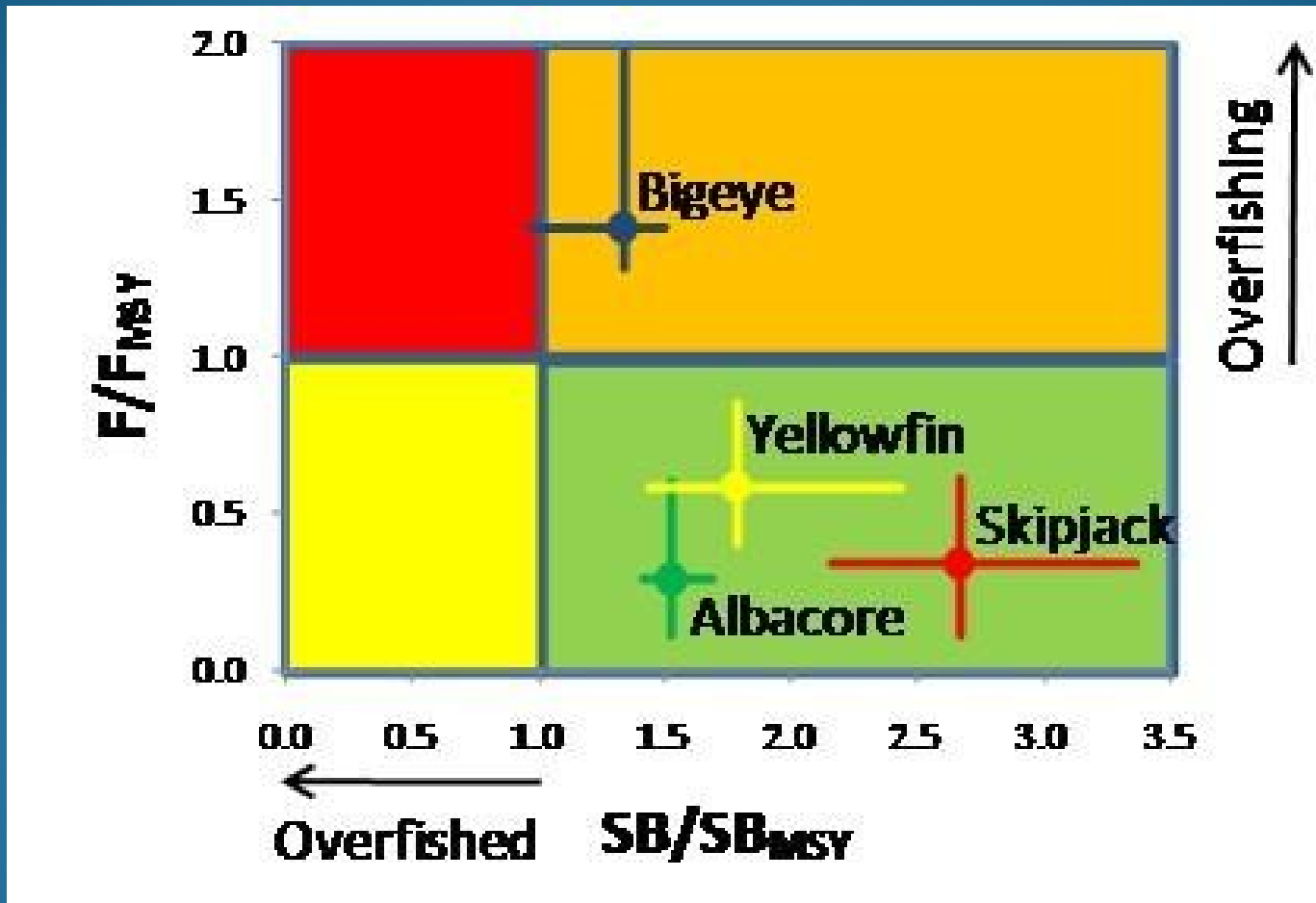
Tuna Exports

PNG Exports of Canned Tuna and Cooked Loins (HS 1604) to EU, 2005-2010

Year	Canned Tuna		Cooked Loins		Total	
	Volume (mt)	Value (USD)	Volume (mt)	Value (USD)	Volume (mt)	Value (USD)
2005	15,384	40,627,292	551	1,781,798	15,935	42,409,090
2006	15,476	40,747,005	1,387	4,276,414	16,862	45,023,419
2007	12,502	35,205,000	1,075	4,338,848	13,577	39,543,849
2008	10,266	43,164,868	616	3,809,687	10,882	46,974,555
2009	15,530	49,247,135	1,222	5,004,346	16,752	54,251,481
2010	16,743	52,220,902	1,684	7,996,178	18,427	60,217,080
2011	11,353	45,531,556	5,178	11,076,565	16,532	56,608,121

Management of Tuna Resources Stocks

Stock Status in WCPO



Management of Tuna Resources

CMMs

Domestic/ National Framework

- Fisheries Mgmt Act 1998
- Fisheries Mgmt Plans

Fisheries Mgmt Tools/measures

Effort Control

- VDS, TACs, gear type & size restrictions, area/time closures, by-catch controls, species/size restrictions,

Monitoring Tools

- VMS, Observer coverage, Enforcement & Surveillance

Subregional – PNA

Implementation of 3rd IA

- VDS, High sea pocket closure
- FAD Closure (6 months), 100% Observer Coverage
- Catch retention

Management of Tuna Resources

CMMS

Subregional

FFA – minimum terms & conditions

SPC – scientific service provider

Regional – WCPFC

CMM 2008/01 – main thrust in the reduction of bigeye fishing effort, includes

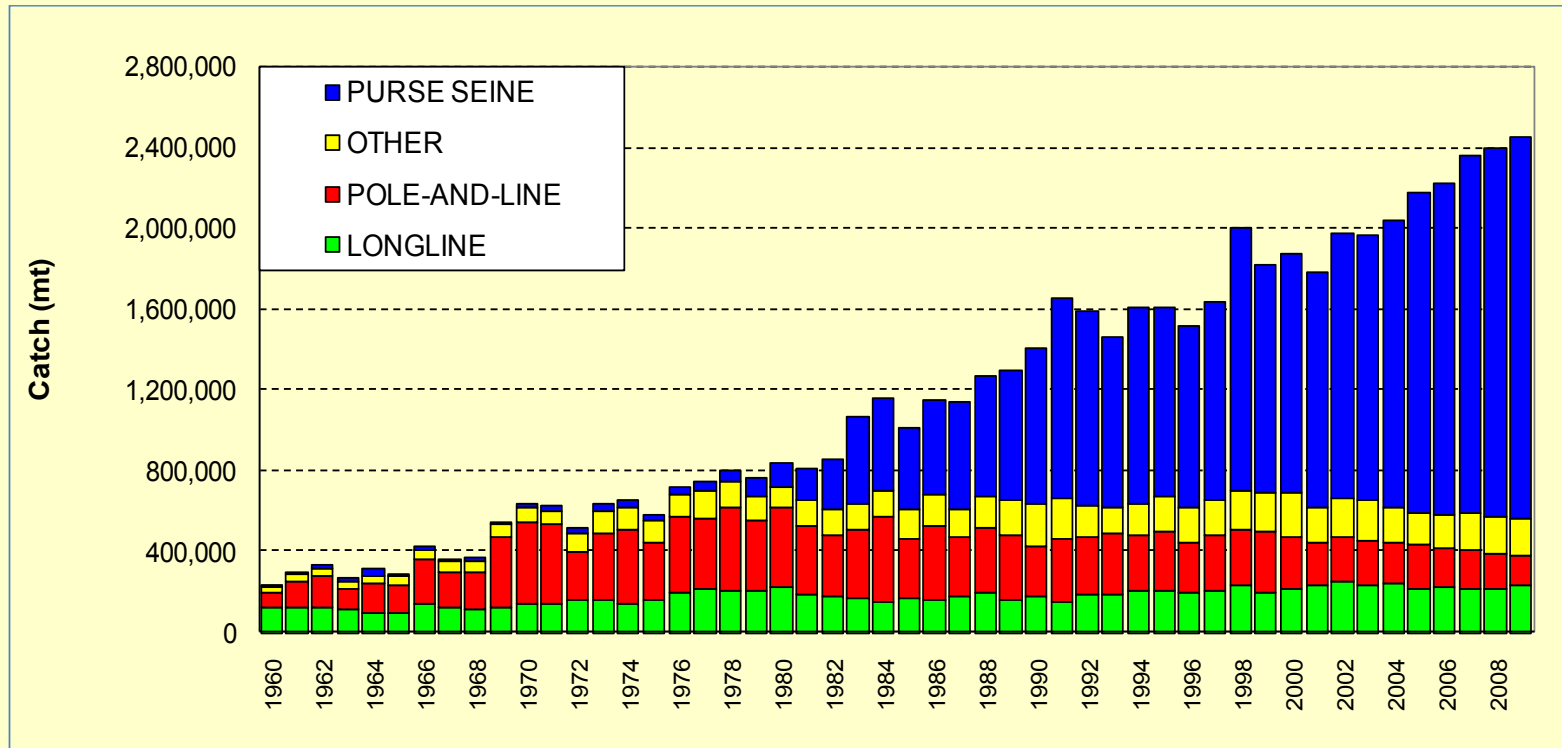
- ❖ 2-3 month prohibition on purse seine sets on FADs
- ❖ Closure of two high seas pockets (HSP) to purse seine fishing. + EHS Areas
- ❖ Restricting purse seine effort to 2001-2004 levels (VDS)
- ❖ Reduction of longline bigeye catch by 30% by the end of 2011.
- ❖ Some restrictions on other bigeye catches to 2001-2004 levels. (intro. LL VDS)

Changes in stock status since RoO derogation

The status of the three major stocks of interest to the purse seine fishery has shown little change post-derogation, with one stock (bigeye) continuing to be subject to overfishing, as it has been for a decade, despite the intent of the primary management measure (CMM 2008-01) (GS Study)

Management of Tuna Resources

Catch & Effort Trend in WCPO



Source: SPC database, 2010

Management of Tuna Resources

IUU Fishing

IUU fishing is a global phenomena with substantial & growing negative social, economic & environmental impacts. Available evidence suggest extent of IUU fishing in WCPFC is limited (no vessels of IUU on list).

National MSC Capabilities

- ❖ Observers (over 200 well trained observers, achieving 100% purse seine coverage).
- ❖ VMS (sophisticated system with full coverage of licensed vessels; system to become web-based; also used to validate fishing days under the VDS).
- ❖ Logsheets and licensing (high compliance by licensed fishing vessels).
- ❖ Port state controls (FVFODF, landing verification of domestic vessels).
- ❖ Port inspection/sampling (tuna vessels sampled in main ports for size, species composition).

Steps/measures in response to EU IUU Reg. EU IUU 1005/2008 and EU 1010/2009

- ❖ Freezer Vessel Fish Origin Declaration Form (FVFODF) (complements Catch Certification Scheme)
- ❖ Catch Certification Checklist (verification & validation of information)
- ❖ Training & Awareness
- ❖ Port Offices (Lae, Madang, Wewak, Rabaul, POM)

There is little evidence of IUU tuna fishing in PNG waters.

Management of Tuna Resources SPS

- ❖ NFA is the **Competent Authority** accredited by DG SANCO in 2002,
- ❖ Primary responsible for food safety measures or SPS, includes:
 - monitoring & Implementing EU health regulations.
 - inspection & audits on EU accredited facilities (FV, LS, CS, PP)

Steps/Measures taken to address SPS

- ❖ PNG Standards for Fisheries Products 2009
- ❖ Procedures Manual
- ❖ Quality systems manual
- ❖ Monitoring Plan
- ❖ MOU with Philippines

The advent of derogation from RoO has so far had little or no direct impact on PNG processors

Social & Environmental Impacts

- ❖ Can be demonstrated that existing processing facilities are generally compliant with international standards
- ❖ Are making improvements through third-party accreditation under private social standard systems
- ❖ Increasing competition for labour as processing capacity expands will likely lead to additional benefits and more favorable pay conditions being offered
- ❖ A range of environmental risks associated with processing plants especially waste management
- ❖ Government environmental regulatory structure and statutory requirements in place; no processing facility prosecuted as yet
- ❖ Facilities generally have stringent WMPs in place
- ❖ Some complaints lodged, almost all in Madang, but most remain unproven; State of the Lagoon report awaited

Management of broader social and environmental issues requires coordinated effort amongst processing facilities, national and provincial governments, local communities and concerned

Challenges of implementing the IEPA

❖ **Compliant fish**

- Sourcing (globally) of qualified fish and IUU/SPS compliant fish, most vessels operating in WCPO are not SPS compliant

❖ **Competent Authority**

- evolving process
- need technical assistance in capacity building, documentation, procurement, instrumentation, etc)
- industry assistance (SPS/IUU compliance)

❖ **Management of Fisheries Resources**

- needs a regional/global approach
- Compatibility of CMMS at national, sub-regional and regional

❖ **Enforcement, Surveillance & Compliance**

- large EEZ of 2.4 million sq. km
- lack of surveillance craft

Challenges of implementing the IEPA

❖ Reviews in the IEPA

- EP review is a concern

Industry Perspective:

❖ lax of economies of scale

- high freight/transportation costs
- utilities (expensive & erratic)
- general cost of doing business high
- labour (high turn over, lack of efficiency)
- poor infrastructure

❖ Cross-cutting issues

- labour, environment, social issues (poverty, access to basic govt. services, costs of doing business, etc); not the sole responsibility of NFA nor the fisheries industry but require holistic govt interventions

» despite the derogation & DFQF mkt access into EU, the benefits are marginal

Conclusion

- ❖ Little impact of global sourcing so far, in the 3 yrs since 2008 but expected to increase as planned processing plants come on stream
- ❖ Impacts on the economy ; labour and environmental – no evidence of negative impact or contravention of international standards
- ❖ Global Sourcing derogation is ONE of the many factors contributing to this anticipated growth (highly productive waters, close proximity, etc)

Question & Answers

Thank you!