

BROADENING THE TUNA INVESTMENT BASE IN THE REGION

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KEYNOTE ADDRESS
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Distinguished delegates, colleagues, friends,

It is truly both a privilege and a great pleasure to give this address today. I first set foot in the Pacific region at Papua New Guinea in 1985. At that time there was no tuna processing in PNG at all. A very small cannery and arabushi plant was operating at Tulagi, here in the Solomon Islands, and a larger cannery at Levuka, Fiji. Locally flagged fishing vessels were few and far between: pole and line boats based in Solomon Islands, Fiji, Kiribati and Tuvalu – all of which would eventually cease operation for economic reasons. In 1985 the SPC records show that there were 109 purse seiners operating in the region, and that the total tuna catch for all methods was 340,072 tonnes.

Fast forward twenty eight years: PNG alone hosts 5 canneries/loining plants, with at least 3 others planned or under construction. The Fiji cannery continues to operate. The Solomon Islands cannery transferred to Noro in the Western Province, and is much expanded. A loining plant operates at Majuro in the Marshall Islands, and smaller, fresh/frozen plants have opened in several Island countries. Thriving longliner bases have been established in a number of Island countries. Preliminary estimates for 2012 show that 297 purse seiners were operational, and that the catch by purse seiners alone was 1,816,503 tonnes. Amongst those purse seiners, 94 are flagged in Island countries. In short – quite impressive growth and development.

What has brought about such growth? On the catching side we can ascribe it to the bold, entrepreneurial and very skilled fishermen in the principal Asian countries of P.R.China, Korea, Philippines and Taiwan. Long established longline fishermen entered the purse seine fishery: the Koreans used the US model, the Taiwanese the Japanese model, while the Filipinos developed their own distinct style. They have all been very successful, and indeed the revival of the US purse seiner fleet in recent years owes much to Taiwan interests.

On the processing side, the impetus has come largely from the Island countries themselves. By offering vessels fishing licences for their own waters and more importantly, sponsorship for regional licenses, and by tying licensing to onshore investments, Papua New Guinea and

Marshall Islands have effectively leveraged their membership of a regional fishery grouping (the PNA) to bring significant onshore development to their economies. Other countries in the region have been less successful in doing so, because their physical size and natural endowments don't permit the development of viable large scale processing. Some however, have established smaller fresh & frozen processing plants.

The other very important development in recent years has been the influx of small longliners mainly from P.R.China and Taiwan. In 1985 longliners were almost entirely large, steel hulled vessels that stayed at sea for many months, catching sashimi grade yellowfin and bigeye. The mastery of FRP-based vessel construction in Taiwan, the development of freezing technology that allowed low temperature freezing onboard small vessels, and the entry into service of low temperature shipping containers, revolutionised the longline business. Not only did the capital and operating costs of a vessel drop significantly, but the ability to freeze at low temperatures allowed even small vessels to participate in the high value frozen sashimi fishery. The availability of low temperature shipping containers unleashed the vessels from the specialised refrigerated carrier vessels that were formerly an essential component of longline operations, and freed them to deliver at many more places and to many more customers. The consequence was predictable: overcapacity. And at this point it would be remiss of me not to mention that the largest growth fleet in recent years has been that of the P.R.China, whose various construction and operating subsidy programmes have doubtless contributed to the expansion of the longline fleet. As sashimi prices declined, these smaller longliners increasingly targeted the albacore fishery, resulting in much greater catches of that species. High albacore prices as recently as last year encouraged more new vessels to be built. The problem is that the largest single market for albacore from these vessels is the US canned market – and it is static. None of us needs to be reminded what happens when expanding supply meets static demand. The resulting lower prices are in fact lower than the cost of operation for some of the existing fleets - fleets without the support of subsidies.

As far as the tuna resource is concerned, the preliminary estimates by SPC indicate a record catch of over 2.6 million tonnes in the WCPFC Area for 2012: 59% of a global estimated catch of 4.4 million tonnes, and 82% of the Pacific Ocean catch of 3.2 million tonnes. These numbers would seem to indicate a healthy fishery, but the seemingly relentless increase in fishing effort must give one pause to consider whatever happened to the precautionary principle.

Fishermen have certainly played an active part in the development of the fishery. Island governments have done much also – particularly in recent years. The introduction in December 2007 of the Vessel Day Scheme for purse seiners was a landmark event in international fisheries management: the first time that such an effort-based scheme had been applied to a highly migratory resource over such a large area. The results have been dramatic. The licensing cost of a Vessel Day only a few years ago was the equivalent of just a very few hundred dollars per day. Today the rate is over \$5,000. As an example, the recently concluded interim U.S. Treaty arrangements effectively more than doubled the cost per day for US flag vessels compared to the expiring rate. As a revenue measure, the VDS has been very successful. On the other hand, the VDS was supposed to limit effort at the 2004-2007 average. Since there were fewer than 200 purse seiners on the FFA Regional Register in December 2007, over 290 today, and more than 20 new vessels under construction, only some of which may be replacements of existing vessels, we can only infer that the measure has been ineffective as a means of limiting fishing effort – and that is before we consider “effort creep”.

The situation in the Southern albacore fishery is discouraging. The estimates for that fishery predict a record catch of over 89,000 tonnes in 2012, from a growing fleet of vessels. Signs of stock depletion in some EEZ's are evident. CPUE is declining, market prices falling, and many vessels can no longer operate viably – particularly those without the benefit of subsidies. The

problem is worsened by the absence of adequate controls in the High Seas: coastal States can manage their own zones, but have little or no control beyond. In my opinion this fishery needs a quota system, one that will limit the catch at sustainable levels and equitably allocate that catch to the resource owners and those DWFN's which have been participating in this fishery. Failing that, a vessel cap could be another option.

I don't wish to dwell on the obvious challenges we face. We also face great opportunities. Value-adding close to the places of capture still presents many opportunities in smaller scale high value fresh and frozen business, as well as high volume, lower value trade. There are still many opportunities for locally based companies to participate in fishing operations. Local operations in the Islands are challenged by high utility costs, expensive and difficult logistics, and even labour shortages – to name a few. Government support in the provision of infrastructure and competitive fiscal regimes is vital to the growth of onshore and fishing investments. Island based processors are competing in a marathon race: their competitors are fit, well trained, and have the best running gear; by comparison, many Island based companies are relatively inexperienced, lack good infrastructure and run the race with the equivalent of stones in their pockets. We are operating in one of the world's most globalized industries, and the competition is fierce. This is not a plea for subsidies, but in a globalized world comparative advantage can easily be lost when governments focus only on raising revenue, and not on economic growth through increased participation and value-adding, which is both fuelled and limited by the realities of the international marketplace.

Creating conditions that enable their local industries to grow is a major challenge today for Island governments, but the greater challenge for coastal States and DWFN's, whether unilaterally, through RFMO's, or via regional groupings, is to bring this great fishery under control – to ensure its future sustainability. In this regard the PNA, as owners of the majority of this tuna fishery, have the unique opportunity to exercise their collective sovereign rights to absolutely control how hard this fishery is fished and who is allowed to fish it. This is good news. That is why the MSC was able to certify the free school skipjack fishery for the PNA. To maintain this certification will require limit reference points and just as we've seen competition for more vessel days, we will see competition for higher limit reference points. Now is the time for unselfish leadership and unity for maintaining MSC certification and for the wellbeing of this fishery.

All of us here today are, in our different ways stewards of one of the world's last remaining abundant stocks of completely natural, wild food. World population will increase by 25% by 2050 and the demand for high quality protein with it. Nearly two thirds of the world's tuna is right here – a fishery estimated by SPC to be worth \$7.2 billion last year. The challenges are great – but so are the opportunities. We owe it to ourselves, our shareholders, electorates, children, and every human being that wants to eat a decent meal, to manage this fishery well and harvest it responsibly.

I wish you all a very enjoyable and productive Tuna Forum. Those of you who are not familiar with the local beverages: I suggest that you acquaint yourselves. Those of you who are: refresh your memories – and your thirsts.

Thank you.
