

TUNA BOAT OWNERS ASSOCIATION

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SUMMARY

The TBOA strongly supports the proposed FTA with the United States.

Below we provide examples of how the proposed FTA outcomes in one area open up substantial opportunities for one group of SME's in Australia.

We note the debate over the national bottom line from the FTA. On this, for primary industries, we can only note the support of the NFF for the proposed Agreement.

On the relative merits of multilateral and bilateral agreements - everyone agrees that multilateral arrangements can deliver a wider range of benefits (eg. NTB's, subsidies). However, we note that in our case, we have waited decades for Uruguay and Doha Rounds to deliver, and they have not. In the meantime, numerous finalised and pending bilateral agreements have advantaged our competitors.

Australian Tuna Industry

The industry consists of:

- (1) A high value tuna (SBT) farming sector based in Port Lincoln, SA - exporting over \$260 million, almost all to Japan.
- (2) A longline medium value yellowfin and bigeye tunas (and swordfish) on the East and West Coast of Australia - a combined value of \$70 million per annum.
- (3) Port Lincoln Tuna Processors (PLTP) the only cannery in Australia, utilising mainly skipjack tuna. This cannery is supplied by up to seven large purse seine boats, which also fish for the farms.

Where the industry has a level playing field with non-canned tuna, Australia is highly competitive. In farmed tuna Australia is the global leader.

Japan's current tariff of 3.5% applies to all countries. However, Mexico, a major competitor to Australia, is currently negotiating a bilateral FTA with Japan.

The US tariff on farmed and other whole tunas is already zero, and Australia is very competitive in that limited market. The problem for Australia in global tuna markets is canned tuna.

Tariff Barriers in Canned Tuna Markets

The major global markets for canned tuna are:

- (1) The United States - with a tariff of 35% on Australian canned tuna. For Australia this is aggravated by preferential tariffs for major competitors such as Samoa, Mexico and Ecuador - often under bilateral FTA's;
- (2) The European Union - with a tariff of 24% on Australian canned tuna. Again this is aggravated for Australia by preferential tariffs to Lome and other associated countries. Worse still, major global producers - Thailand, Indonesia, Philippines - with no historical affiliations with Europe, have a substantial preference via a WTO decision.

The reality in the world market is that it is increasingly dominated by bilateral agreements. This will increase even further as the emerging bilateral agreements between Mexico and Japan, Thailand and the US and Australia and China, are finalised.

Most immediate for Australian canned tuna is the Australia/Thailand FTA, due to start January, 2005. This FTA proposes phasing out the 5% Australian canned tuna tariff. Thailand dominates Australia's imports, which have over 60% of the Australian market.

Australian Canned Tuna Production

Port Lincoln Tuna Processors (PLTP) is a Company owned by a number of traditional Port Lincoln tuna operators. It is the only cannery in Australia - with four (4) other canneries giving up location production in Australia in the last fifteen (15) years.

PLTP has around 300 direct employees, and is by far the largest private employer in Eyre Peninsula, and possibly regional South Australia.

PLTP remains globally competitive because of innovativeness, efficiency and sourcing of local skipjack tuna.

Continuing to be Competitive

The best ways to ensure PLTP continues to improve its competitiveness are:

- (1) Expanding the local skipjack tuna catch;
- (2) Expanding its canned tuna volume with exports.

The FTA with the US is one of the keys to achieving both these targets. It would provide the incentive for the Australian fleet to invest more in skipjack catching. Fishing for skipjack requires large investment and, without a volume canning industry, significant risk.

We emphasise that Australian canned tuna would operate in the premium market in the United States. That premium market is driven by demand for quality, innovativeness and residue-free product. PLTP product excels in all three areas.

The US premium market is expanding - and the FTA duty free access, from the start of the FTA, would give Australia the first opportunity in its history to achieve export volume.

US' imports of canned tuna were 167,000 tonnes in 2003 (compared Australian imports of 27,000 tonnes). An Australian exporter would only need to get 1% of the US imports to increase production volume by up to 15%.

BRIAN JEFFRIESS

President

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TO:

SENATE SELET COMMITTEE ON THE PROPOSED
FREE TRADE AGREEMENT WITH THE
UNITED STATES
(Hearing: Canberra 22 June, 2004)

OUTLINE OF
AUSTRALIAN TUNA INDUSTRY POSITION
