



MANUFACTURING SAMOA

Samoa's manufacturing sector is not large, but it is an important contributor to the country's balance of payments and provides vital employment opportunities. It is also increasingly diverse, as *Business Advantage* discovered during our recent visit to Samoa.

Samoa's largest private sector employer is Yazaki EDS Samoa, a Japanese-owned company that produces wire harnesses. These are exported to Australian vehicle manufacturers under the South Pacific Trade and Economic Co-Operation Agreement (SPARTECA), a concessional market-access arrangement.

The company employs approximately 1900 staff locally and the manufacturing plant is both TS16949 and ISO14001 certified. Interestingly, these exports are classified as re-exports by Samoa and do not appear in Samoan Government statistics (see box opposite for interview with Yazaki's Managing Director).

LEADING INVESTORS

Industry leaders have complained that economic reforms introduced over the past 15 years have left local manufacturers struggling to compete with foreign imports (that are now subject to much lower duties). Nonetheless, there are several well-established manufacturing operations supplying the local market, some of which are operated by foreign investors.

Samoa Breweries celebrates its 30th anniversary this year. It produces Samoa's very own German-style Valima beer, as well as soft drinks, at its brewery 10 minutes drive from Apia. It was taken

over by Australian firm Fosters in 1998 and dominates the local beer market. British American Tobacco has been in Samoa just as long, employing a staff of around 45 in its local manufacturing and distribution operation.

Local players include Natural Foods (which produces bottled water, nonu juice and snack foods) and the Levai water company, one of the successes of the Small Business Enterprise Centre (SBEC). Other local products include paints, coconut products, garments and handicrafts.

IMPORT SUBSTITUTION & EXPORT

Given the positive outlook for the country's tourism industry, there are likely to be increasing opportunities for import substitution.

For those seeking to manufacture in Samoa for export purposes, a Duty Concession Scheme exists, granting duty-free access for imported primary materials. While Samoa's remote geographical location would appear to pose a significant obstacle to such activities, a major new local venture is demonstrating that this can be turned into an asset. Samoa's Pacific Water Company has just launched its 'South Pacific Water Company' brand of natural spring water and has major export aspirations (see box at top of opposite page). ■

POSSIBLE INVESTMENT OPPORTUNITIES IN SAMOA'S MANUFACTURING SECTOR INCLUDE

- Automotive products
- Boat building
- Garments
- Metal fabrication
- Plastics

MARKETING SAMOA'S PURITY

In July 2008, a new Samoan brand of bottled water was launched squarely at the global US\$87 billion bottled water market. The Pacific Water Company (PWC) and its brand of unique aquifer water called 'The South Pacific Water Co' represents the opening up of a new manufacturing sector in Samoa, and is the brainchild of Samoan entrepreneur Fred Grey, whose family has interests in many Samoan businesses, including Aggie Grey's Hotels Limited's hotel properties and the Apia Bottling Company Limited.

Inspired by the global success of the Fiji Water brand, the new Samoan brand also leverages the Pacific's—and Samoa's—growing reputation around the world as an environmentally clean source of water and agricultural produce.

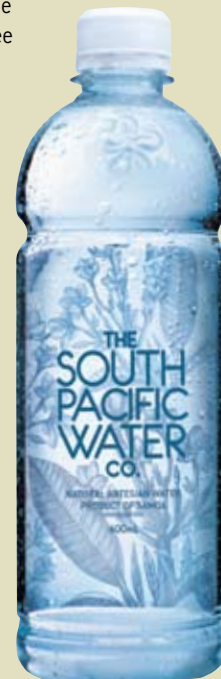
PWC, owned by the Grey family and its partners, is bottling water sourced from an aquifer beneath a 7000-acre rainforest on the island of Upolu. The water sits in approximately two million-year-old volcanic rocks and is bottled at source using a state-of-the-art bottling facility.

Currently running at 30% capacity, the bottling plant has the potential to turn out 12,000 bottles an hour, or two shipping containers per day. In keeping with the high environmental standards set for the project, the brand's distinctive bottles are made from biodegradable polymer,

and carbon emissions involved in the supply chain are offset with new tree plantings.

The bottled water is being launched initially in the New Zealand and Australian markets, before expansion into the fast-growing markets of North America, India and China. Already there has been a big win—PWC has made a deal with regional airline Virgin Blue to be the official water on board all its flights.

Having such a prominent export product will not only assist Samoa's balance of payments, but will undoubtedly help raise the country's profile internationally at a time when its tourism sector is gearing up for growth (see page 10).



Further information

www.southpacificwatercompany.com

INTERVIEW: YAZAKI LEADS MANUFACTURING SECTOR

Automotive electric component manufacturer Yazaki EDS Samoa Ltd is the largest private sector company in Samoa, employing about 1300 workers. *Business Advantage* spoke with Managing Director Kan Ito (right).



What are Yazaki's operations in Samoa, and why was Samoa chosen?

Yazaki EDS Samoa Ltd is a wholly-owned subsidiary of the Yazaki Corporation in Japan and is ISO144001 & TS 16949 accredited. We commenced operations in Samoa in 1991, and our main factory at Vaitele, the largest of its kind in the country, was officially opened on October 5, 1992.

We manufacture wiring harnesses, which are used in the distribution of electricity in cars, and we supply primarily the Australian automotive industry.

We chose Samoa for several reasons: the availability of a reliable and capable labour force, the competitive cost structure compared to Australia and New Zealand, the ability to access the Australian market through the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) and Australia's close relationship to Pacific community.

Samoa also has a stable currency aligned to the US and Australian dollars and has a stable political environment.

How do you estimate the contribution Yazaki has made to the Samoan economy?

Turnover is approximately 110 million Samoan tala (US\$39 million) per annum, which obviously provides net income

to the Samoan economy. In addition, the facility generates employment and growth for the people of Samoa.

We've also seen a steady growth in infrastructure and public facilities—roads, port, telecommunications and power—over the past 17 years.

Importantly, our presence has introduced greater diversity into the Samoan economy, through the introduction of a manufacturing industry to complement Samoa's farming, fishing and transport sectors. Also, Yazaki, the Samoan Government and Samoan Chamber of Commerce are currently jointly promoting to introduce ISO standards (ISO9000 and ISO14000) to Samoan business entities.

What has been your experience as a foreign investor in Samoa?

The Samoan Government's support and its relationship with Yazaki has always been healthy and it's a true partnership. The plentiful labour force and supportive Government policy is the key to doing business in this country.

We consider good corporate citizenship is paramount. A proactive Corporate Social Responsibility (CSR) program is important when doing business in countries such as Samoa and Yazaki is at forefront of this. It's essential for us to continually support partnerships in recycling, book donations, and community-based events, as well as introduce our corporate philosophies to the community—QCDTAE (Quality, Cost effectiveness, on-time Delivery, state-of-the-art Technology, best Administration and leader in Environment), plus safety and security.

Global competitiveness and continuous improvement is essential, as with any regional manufacturing entity.