

Meat Industry Association of New Zealand (Inc)

Submission to the Quality Regulation Taskforce on
the Quality of Regulation Review.

30 March 2007

Contents

I: Introduction	3
II: Summary.....	4
III: Submission	4
IV: Contact Details	10
Appendix 1: List of MIA Members – Year Commencing 1 July 2006	11

I: Introduction

1. The Meat Industry Association of New Zealand Incorporated ('MIA') is a voluntary trade association representing New Zealand meat processors, marketers and exporters. It is an Incorporated Society (owned by members) that represents companies supplying virtually all of New Zealand sheepmeat exports and all beef exports, producing 17 per cent of our nation's exports by value (30 percent of New Zealand's primary sector export revenue). The New Zealand meat industry earned \$5 billion in export revenue in the year ended May 2006 and \$1.22 billion from domestic meat sales in the year ended March 2006.
2. MIA member companies operate approximately 80 processing plants dispersed throughout the country. The plants slaughter and process approximately 24 million lambs, 4.4 million sheep and 4.2 million cattle and calves each year. Ninety percent of this production is processed into value-added products. Approximately 800,000 tonnes or 85% of the production is exported to overseas destinations. Our affiliate members add to the depth of expertise available from the membership, with representation throughout the meat supply chain, including road and rail transport, shipping lines, ports, packaging firms, specialist product exporters, research and technology.
3. The Association advocates on behalf of its members and provides advice on economic, trade policy, market access, employment relations, business compliance costs and technical and regulatory issues facing the industry, with a particular focus on:
 - Food safety trends and developments in importing countries
 - Economic and trade aspects of market access to key overseas markets
 - Major public policy proposals that could impact on industry operations
4. The MIA is also the interface between the meat industry and government (i.e., it is the consultative body referred to in various New Zealand statutes, such as the Meat Board Act 2004 and the Animal Products Act 1999).
5. The Association's mission is to:
 - Provide a forum for consideration of industry-wide commercial, human resource, marketing, and sanitary and zoosanitary issues; and
 - Provide the means of formulating a collective view on issues of industry-wide interest, and of conveying that position to government, departments of state, trade bodies, and other appropriate external agencies and organisations.
6. A list of Association members is attached as Appendix 1.

Background to this Submission

7. This submission is made by the MIA to provide feedback for the Quality of Regulation Review being undertaken by the Quality Regulation Taskforce. It represents the concerns raised by our members in response to consultation undertaken with them. It does not preclude MIA members making submissions in their own right.
8. The submission is made in the format requested.

II: Summary

9. The MIA has in a general sense concerns with application of the Regulatory Impact Statement. In most instances the Business Compliance Cost Statement (BCCS) within the Regulatory Impact Statement is neither robust nor comprehensive and does not reflect the increased costs imposed on companies from the introduction of legislation.
10. Tax and other related issues and deductions are very complex, time consuming and therefore costly for business to comply with. Companies deal with a wide range of such issues including but not limited to GST, FBT, PAYE, ACC levies, withholding and provisional taxes together with collection of various ad hoc items such as child support, fines, WINZ repayments, and now Kiwisaver. This burden on companies needs to be streamlined and simplified, and ultimately reduced.
11. The MIA within the submission below expresses concern with the following acts of legislation; the Resource Management Act, the Holidays Act, The Injury Prevention, Rehabilitation and Compensation Act (ACC), the Health and Safety Act, the Employment relations Act, and the Hazardous Substances and New Organisms Act.
12. Concerns relate to both the contents of the acts themselves, the complexity of their administrative requirements, together with in many instances, the inconsistencies associated with the implementation of the acts.
13. The submission below also refers to various issues within the frameworks of the acts which are cause for concern to the MIA. These include the cost recovery framework; labour supply, rural depopulation, research science and technology and funding of the Tertiary Education Commission.

III: Submission

Regulatory Impact Statements

Concern	Suggested Solution
<ul style="list-style-type: none">• The Business Compliance Cost Statement within the Regulatory Impact Statement (RIS) typically does not reflect the costs imposed on companies to implement proposed legislation. For example, the RIS for the Holidays Act 2003 contains no financial data; however the cost to MIA members alone exceeds \$17m per	<ul style="list-style-type: none">• Detailed Regulatory Impact Statements should be submitted for independent assessment and approval by appropriate organisations prior to the legislation being submitted to Cabinet. Appropriate bodies may include industry representative bodies or accounting firms. The RIS should contain an estimate of all costs

<p>annum.</p> <ul style="list-style-type: none"> The RIS should also calculate the impact on labour productivity of the introduction of new or amended legislation. New Zealand's labour productivity is already low compared to OECD levels, an extra weeks holiday will exacerbate this situation. 	<p>incurred by businesses to comply with the legislation, including administrative as well as personnel costs.</p> <ul style="list-style-type: none"> Development of a tool to quantify the regulatory costs associated with existing legislation and model the potential costs of any proposed change to the policy framework prior to its introduction, would achieve this objective.
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Meat Inspection Services

Concern	Suggested Solution
<ul style="list-style-type: none"> The existing meat inspection service is provided by Asure, a mandated monopoly SOE whose level and cost of service is uncontested due to its monopoly position. Asure acts as a commercial entity in that it makes profit, and pays a dividend to its shareholder, the Crown. Some 80% of Asure's business activity is in the mandated meat inspection area¹. Asure generates it increasing profit, and dividend payment from a mandated monopoly position. 	<ul style="list-style-type: none"> Remove the monopoly status of the present provider by allowing appropriate competing services to operate. Change the nature of the operation of Asure to a cost recovery based entity, and require it to consult on the setting of its budgets and charges. Such service terms and conditions should be agreed between the parties prior to Cabinet sign off.

Taxation Issues

Concern	Suggested Solution
<ul style="list-style-type: none"> The overall taxation system is very complex, time consuming and costly to administer. There is increasing activity surrounding payroll related requirements, including PAYE, WINZ payments, repayment of court fines, child support and now Kiwisaver. These are costly to implement and administer. 	<ul style="list-style-type: none"> The taxation system should be reviewed and streamlined with various facets of it being aligned, such as GST/PAYE forms. Simplify via consolidation, the various returns and have the supplying of all of them as an on line option. Eliminate from company responsibility the collection of funds for other Government departments, such as repayment of court fines, WINZ payments and child support. These are discretionary ad hoc services.

Resource Management Act (1991)

14. This act requires industry to obtain resource consents for various discharges

¹ Asure, 2006 Annual Report, Chair's Review.

Concern	Suggested Solution
<ul style="list-style-type: none"> • Applications for resource consents are costly and time consuming, requiring the applicant to undertake very large volumes of work and research, frequently involving the use of consultants, at significant expense. • Resource consents can take in excess of a year to be completed, incorporating both hearings and appeals. • There are no national guidelines or standards, resulting in policy and interpretation being left to regional councils for many imposed requirements. This leads to wide regional variations in the standards and in their interpretation. 	<ul style="list-style-type: none"> • Simplify and reduce the volume of paperwork involved in the consent application process. Regional Councils should work with industry to ensure consent applications are granted to ensure business continuation. • Resource consent applicants are required to comply with specific timetables. Regional councils should likewise be accountable for adhering to defined timeframes in respect of the hearings. • Penalties should be introduced for frivolous objections allowing submitters to slow down the process with no justification. • Objectors should meet their own costs, which is likely to filter out frivolous objections. • Develop national guidelines that are consistently applied throughout New Zealand. • Ensure national standards do not preclude site specific situations where there are suitable alternatives that result in no adverse effects.

Holidays Act 2003

Concern	Suggested Solution
<ul style="list-style-type: none"> • Sick leave conditions remove the incentive to attend work. Current trends show a clear increase in short term (one or two days) time off for sick leave. There is currently no requirement to justify sick leave with any form of proof. • The institution of relevant daily pay paid for statutory holidays, days in lieu, sick and bereavement leave have added huge costs (\$17 m pa) for no productivity improvement. 	<ul style="list-style-type: none"> • Revert back to the mandatory provision of a doctor's certificate for absences in excess of 24 hours. • Amend the legislation and revert back to the previously negotiated and accepted payment rates for non productive hours.

Accident Compensation Corporation

Concern	Suggested Solution
<ul style="list-style-type: none"> Costs of both the ACC structure and levies are increasing substantially. There are continued increases in levies together with compliance requirements to accrue for the lifelong cost of claims. "Work accidents" are open to and frequently subject to fraudulent claims which are costly to resolve 	<ul style="list-style-type: none"> Introduce the concept of an end date for employer's liability, for example 5 years. Undertake a review of the basis for determining the level of the meat industry levy. Review the administration process to review the cost burden. Provide an objective mechanism to streamline the process to deal with such disputes.

Health and Safety Act

Concern	Suggested Solution
<ul style="list-style-type: none"> The practical application is too prescriptive. Application of the law is open to a wide range of interpretation resulting in inconsistent application. Penalties are awarded to individuals which can lead to abuse of the system 	<ul style="list-style-type: none"> Provide guidelines to make application of the act more outcomes based. Provide a more balanced approach by having greater national consistency at labour inspector level. Amend the act to avoid payments of penalties to individuals.

Employment Relations Act

Concern	Suggested Solution
<ul style="list-style-type: none"> The application of rulings around "good faith" tend to favour employees The proposed three month probationary period is of benefit to all parties. The disciplinary process is open to interpretation by the courts 	<ul style="list-style-type: none"> The application of good faith must be balanced and apply equally to all parties. The Employment Relations (Probationary Employment) Amendment Bill should be reintroduced. More guidance for interpretation by the courts is required.

Hazardous Substances and New Organisms Act

Concern	Suggested Solution
<ul style="list-style-type: none"> The legislation defines hazardous substances in generic terms. 	<ul style="list-style-type: none"> Develop workable codes of practice with more tightly defined hazardous substance attributes, such as concentration levels, in their classification.

Exotic Disease Incursion Response

Concern	Suggested Solution
<ul style="list-style-type: none"> The response plan in the event of serious biosecurity incursions is incomplete. The arrangements and compensation agreements for business required to assist with such events have not been finalised and New Zealand is therefore not fully prepared to deal with such an event. 	<ul style="list-style-type: none"> The response plan, inclusive of the role businesses would be expected to play, together with the compensation for the provision of facilities and services, needs to be finalised urgently.

Customs Service: Imposed Costs for Goods Clearance

Concern	Suggested Solution
<ul style="list-style-type: none"> MIA is of the view that benefits from Goods Clearance activities are overwhelmingly in the public domain, where the outcomes are revenue collection, community protection, border security and trade support. The Government proposes to recover 80% of goods clearance costs from importers and exporters from 2008. 	<ul style="list-style-type: none"> Goods clearance costs should be funded from general taxation as the benefits are overwhelmingly in the public domain.

Tertiary Education Commission

Concern	Suggested Solution
<ul style="list-style-type: none"> The allocation of funds within the Tertiary Education Commission to Industry Training Organisations does not relate to the production of skills and therefore does not provide the best result for the investment. Approximately 60% of the current NZITO training budget is provided by industry, whereas we understand the average Government contribution to tertiary education institutions to be around 70%. 	<ul style="list-style-type: none"> A "Return on Investment" type calculation should be introduced into the decision making process when funds are allocated to Industry Training organisations to ensure optimum results are achieved for the investment provided. Given the productivity gains to be had from a well-trained labour force, MIA considers that increasing the government contribution to industry training to better align it with the funding split enjoyed by tertiary education providers would greatly assist industry, particularly the Food and Beverage sector, to improve its economic performance.

New Zealand Trade and Enterprise Grant Scheme

Concern	Suggested Solution
<ul style="list-style-type: none"> The NZTE Grants Scheme has an arbitrary cap imposed in that it excludes any company which has a turnover exceeding \$50 million. This has the impact of eliminating many high returning projects where larger organisations can extract maximum leverage. 	<ul style="list-style-type: none"> Remove the arbitrary cap on the size of companies that qualify for the scheme and make eligibility based on the benefits returned for the grant provided.

Labour Supply

Concern	Suggested Solution
<ul style="list-style-type: none"> Many New Zealand industries are experiencing shortages of both skilled and unskilled labour. Immigration legislation restricts the ability to source labour internationally, resulting in a reduction of productive capacity with consequent negative economic results. Nearly two thirds of employment in the meat processing industries is based in regions that will experience declines in working age population above the national average over the next two decades. Over 30% of employment in the meat industry is in regions that will experience the greatest national declines in working age population. 	<ul style="list-style-type: none"> Adjust the immigration policies to allow appropriately skilled labour access into the New Zealand labour market. Policies are needed to encourage and assist growth in rural areas, ensuring adequate infrastructure and facilities are available to support such growth.

Research Science and Technology

Concern	Suggested Solution
<ul style="list-style-type: none"> Approximately \$300 million is allocated through the Research for Industry grants programme administered by FoRST. In practise the Meat Industry received \$9.8 million in the 2005/06 year which is not proportional to the industry's importance to the national economy. 	<ul style="list-style-type: none"> Give appropriate weighting to meat industry applications including economic returns based on industry implementation.

Cost Recovery Framework

Concern	Suggested Solution
<ul style="list-style-type: none">• Providers of cost recovered goods and services are not generally accountable to the organisations that fund those providers. An example of this is New Zealand Custom's goods clearance activities currently funded 31% from industry with Government plans to increase this to 73% in 2008.• New Zealand Food Safety Authority (NZFSA) is the competent authority for negotiating Sanitary and Phyto-Sanitary (SPS) access conditions for New Zealand to various importing countries, under the Animal Products Act. New Zealand Trade and Enterprise (NZTE) provide market access assistance for exporters through the NZTE Grants Scheme, which, as noted above is not available to the majority of MIA members. This disadvantages exporters of animal products and is likely to result in reduced opportunities for New Zealand.	<ul style="list-style-type: none">• Government and industry should jointly review the current cost-recovery framework to ensure that those responsible for delivering a project are accountable to those that fund it and provide sufficiently detailed information to allow funders to meaningfully assess the benefits and costs of undertaking the project.• As noted above, the arbitrary cap of \$50 million applying to applicants under the NZTE Grants Scheme should be removed, or NZFSA should have an amount allocated from the NZTE Grants Scheme to their budget to enable them to effect resolution of market access issues on a more equitable basis compared to the balance of exporters.

IV: Contact Details

15. To discuss this submission further, please contact:

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Appendix 1: List of MIA Members – Year Commencing 1 July 2006

Members
Advance Marketing Ltd
AFFCO New Zealand Ltd
Alliance Group Ltd
ANZCO Foods Ltd
ANZCO Green Island Ltd (ANZCO group)
ANZPAC Foods Ltd
APJ Meats Ltd
Auckland Meat Processors Ltd
Ballande New Zealand Ltd
Bernard Matthews New Zealand Ltd
Blue Sky Meats (NZ) Ltd
<i>Brookland (NZ) Ltd (in receivership)</i>
Canterbury Meat Packers Ltd (ANZCO group)
CMP Rakaia
Columbia Exports Ltd
Crown Marketing Ltd (ANZCO group)
Crusader Meats New Zealand Ltd
Dairy Meats NZ Ltd (AFFCO group)
Davmet New Zealand Ltd
Fern Ridge Ltd
Frasertown Meat Company Ltd
Garra International Ltd
Glovers Foods Ltd
Greenlea Premier Meats Ltd
Harrier Exports Ltd
Horizon Meats New Zealand Ltd (wholly owned subsidiary of Blue Sky Meats (NZ) Ltd)
Hygrade Casings Company (wholly owned subsidiary of New Zealand By-Products)
Lamb Packers Feilding Ltd (wholly owned subsidiary of Bernard Matthews NZ Ltd)
Land Meat (NZ) Ltd (AFFCO group)
Lanexco Ltd
Lowe Corporation Ltd
Mathias International (Mathias Meats NZ Ltd)
New Zealand By-Products
Pilot (NZ) Ltd
PPCS Ltd
Progressive Gisborne Ltd (wholly owned subsidiary of Bernard Matthews NZ Ltd)
Progressive Meats Ltd
Riverlands Ltd (ANZCO group)
South Pacific Meats Ltd
South Pacific Meats - Malvern (AFFCO Group)
Tara Exports Ltd
Taylor Preston Ltd
Te Kuiti Meat Processors Ltd
Towers Thompson (New Zealand) Ltd
Universal Beef Packers Ltd (UBP)
Wallace Corporation Ltd

Affiliate Members
AgResearch-MIRINZ Centre
Aon New Zealand Limited
Axis Intermodal (Ports of Auckland Ltd)
Carter Holt Harvey, Packaging
CentrePort Wellington
Energy for Industry (ex Meridian Solutions)
Hamburg-Sud New Zealand Ltd
Hapag Lloyd (New Zealand) Ltd
Maersk New Zealand Ltd
Millers Mechanical NZ Ltd
Oceanic Navigation Ltd
Port of Napier
Port Otago Ltd
Port Taranaki Ltd (previously Westgate Transport Ltd)
ProAnd Ltd (Meatek Ltd)
Rissington Breedline Ltd
Sealed Air (New Zealand), Cryovac Division
Thompson Clarke Shipping Pty Ltd (ANZ Marketing Representative for the Port of Los Angeles)
Vero Marine Insurance