



Submission

By

MEAT INDUSTRY ASSOCIATION

To

**Government Administration Select
Committee**

On the

Border Security Bill

22 August 2003

**BORDER SECURITY BILL
SUBMISSION BY MEAT INDUSTRY ASSOCIATION
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1. Introduction

- 1.1 The Bill before the Select Committee is hugely significant for the New Zealand meat processing and export industry. The proposals incorporated in or to be inferred from the draft legislation, have the potential to put in place in one hit, sweeping changes to the industry's long-standing supply chain arrangements. While not challenging the basic premise that underpins the Bill, the industry has major concerns over likely compliance implications.
- 1.2 The Meat Industry Association (MIA) is the representative body for New Zealand meat processors and exporters. The MIA is a voluntary organization whose member companies are responsible for 98 per cent of New Zealand's meat export products. In 2003 meat exports are expected to earn more than five billion dollars in foreign receipts. Meat exports are New Zealand's second-largest earner of overseas income.

Background

- 2.1 The New Zealand meat industry exports approximately 750,000 tonnes of product annually, to more than seventy overseas markets. The major destinations are in Asia, Europe and North America. The bulk of the export product, roughly 99 per cent, is carried by shipping lines, the remaining small portion is air freight. Because of the perishable nature of meat exports, absolute priority is given to moving the product in secure "boxes" that are subject to a strict regime of temperature and other environmental-controlled factors. The industry is totally dependent for extracting its market returns, on the efficient, cost-effective and secure management and delivery of up to 50,000 sea-borne containers annually, dedicated exclusively to the carriage of meat products.
- 2.2 The meat export industry operates in a stringent regulatory environment, under prescriptive rules laid down by New Zealand food administrators and their overseas counterparts. Repeated food scares in several key overseas markets in recent years have heightened the sensitivity of regulators, customers and consumers and enhanced their demand that product integrity is assured along the food chain from processing plant to supermarket display cabinet. Meat processors and exporters are very aware of their responsibility to help maintain New Zealand's "clean green" and safe-food record.

Border Security Bill

- 3.1 Inescapably, the heightened international awareness of security issues since September 2001 means that the movement of goods and people is coming under increased scrutiny world-wide. Even countries with a history of perceived low-risk cannot assume they will be immune from this trend. It is critical for a trade-dependant country such as New Zealand to have credible and robust systems in place to provide its trading partners with concrete assurances that it is low-risk and so minimise potential costs and delays to vital New Zealand exports.
- 3.2 MIA therefore supports the principle behind the Border Security Bill, representing the Government's legislative response to our trading partners' increased security requirements. We also endorse the principle behind related developments such as the Secure Exports Partnership, x-ray screening at ports, and the negotiation of a bilateral border security agreement with the United States.

- 3.3 MIA's support for the Bill is contingent on effective arrangements being in place to ensure that the responsible government agencies work together to eliminate duplication and contradictory requirements and to ensure that business compliance costs are minimised. It is not yet clear that the Bill will achieve these important outcomes, and we have concerns about potential duplication among core government agencies with consequential compliance cost implications.
- 3.4 There should be appropriate recognition of the high public benefit of a secure border when the Government considers funding for new border security initiatives.

Summary of Recommendations

- 4 MIA recommends that the Border Security Bill should proceed, but there are a number of issues that need to be addressed and incorporated in order to ensure compliance costs are contained:
- Government agencies, such as the New Zealand Customs Service, New Zealand Immigration Service, Ministry of Agriculture and Forestry, and the New Zealand Food Safety Authority must be required to communicate efficiently, act cost effectively, avoid duplication, share information, and ensure adequate coordination of their operating procedures and standards.
 - The enabling nature of the Bill provides insufficient detail on how the legislation will work in practice and leaves too much of the implementation to the discretion of individual agencies, further amplifying the concerns raised in the above bullet point.
 - The degree of 'risk' that is acceptable must be set at optimum levels – if the thresholds are set too high the compliance costs will become too onerous for meat (and other) exporters.

Border Security Bill – Comment

- 5 The Bill amends the Customs and Excise Act 1996 and the Immigration Act 1987.

Amendments to the Customs and Excise Act 1996

- 6 MIA agrees in principle with the amendments to improve information processes of the New Zealand Customs Service (NZCS) and the New Zealand Immigration Service (NZIS), allowing targeted intervention based on analysis of risk. We support the adoption of the United Nations Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT) standard. New Zealand's adoption of EDIFACT, a universal electronic system for communicating such information, will be important for facilitating trade.
- 7 MIA also supports the principle behind the provisions that provide a framework to support the application of NZCS approved seals to export containers, which will be a key aspect of the Secure Export Partnership (SEP) concept. However, MIA is very concerned about what currently seems as poor communication, a paucity of information sharing and a lack of coordination of operating procedures and standards between NZCS and other government agencies such as the Ministry of Agriculture and Forestry (MAF) and in particular the New Zealand Food Safety Authority (NZFSA). Every opportunity should be taken by the agencies to identify possible competitive advantages for New Zealand exporters from a robust security regime.
- 8 MAF Seal: MIA understand that the Customs approved seal to be used by the "Secure Export Partnership" is the MAF/NZFSA seal but have yet to get confirmation of this. However it is a

generic seal, and whether it will not in itself "attest to the fact that the consignment is shipped by a Secure Export Partner" (SEP) as Customs appear to require, is not yet clear." MIA recommends that the current MAF/NZFSA seal is the NZCS approved seal and that SEP accreditation by NZCS in addition to the MAF/NZFSA seal attests consignment by a SEP.

- 9 While NZCS has assured the meat industry that Customs has been and will be working with other agencies to avoid duplication and minimize compliance costs, there appears to be nothing in this Bill that will commit the agencies to improve their cooperation and collaboration. Part of the problem is the enabling nature of the legislation which, while providing flexibility to agencies such as NZCS, provides little detail on how the regime will operate in practice and gives the potential for significant changes to be made by regulation rather than through the higher level of public scrutiny provided by legislative amendments.
- 10 MIA has been advised that the SEP will be 'voluntary' in that those participating will find their goods certified 'low risk' and will face fewer delays and disruptions than other goods which will be subject to risk assessment and pre-shipment inspection where appropriate. MIA expects its member companies will wish to actively explore the advantages of SEP participation.
- 11 However, there are many significant aspects of the proposed amendments to existing legislation on which meat exporters seek clarification.
- 12 *Delivery order deadline* It seems that the Bill requires delivery orders to be available 48 hours before shipment (which is being interpreted as 48 hours before the goods are loaded on board the vessel). Meat companies need firm clarification of this, as at present they are only getting verbal interpretations of the deadline which is critical to meat exporters ability to comply.
- 13 Meat companies are aware that other interested parties such as ports and shipping companies will put their own interpretation on the deadlines and Customs have been very explicit that, as long as the Bill deadline is adhered to, they will leave it up to the various players (ports, shipping companies exporters etc) to interpret how this can be achieved. The result could be that companies have to load containers out much earlier than they do currently to allow enough time for the Export entry to be raised and delivery order issued before the vessel loads. This in turn will put ports under pressure for storage space, will raise demurrage issues and also impact on equipment availability. If Customs and the government do in fact leave the interpretation up to the export meat industry players, we could end up with a complex matrix of deadlines for Customs delivery orders from different ports and shipping companies (in much the same way as the USA Customs deadline for the transmitting of manifest data has resulted in the shipping companies all having different documentation cut-offs for Bill of Lading).
- 14 *Transmission of the Delivery order to the Port of loading:* When meat companies have asked if the Customs website could automatically forward accepted delivery orders to the relevant port as soon as they are issued there has been no response. We are advised that there is an overall system being investigated that would tie all information together such as Customs information, MAF certs etc but that this is longer term (2004 at the earliest which is too far out). For maximum efficiency and to avoid the obvious pitfalls of faxing or emailing separate delivery order instructions to the ports it is essential that there is at least a link established between the Customs site and the ports prior to the removal of the present derogations. The ports do not want to be processing huge volumes of individual advice and as the Customs website/system is available 24/7 this would ensure the ports received the information as soon as possible to meet their 24/7 sailing requirements.

- 15 Meat exporters can load frozen product earlier to comply with the newly proposed arrangements but seek an extension for the most highly perishable goods such as chilled where the shelf life is reduced by earlier than necessary production and loading. Customs have suggested that by being accepted as a "Secure Export Partner" the exporter will be able to negotiate a reduced timeframe for the lodgement of Export documentation prior to loading. This is presumably stated with perishable commodities like flowers, fish etc in mind but should also include chilled meat. The concern some meat exporters have is that Customs stressed the individuality of these "Secure Export Partnership" agreements and associated negotiations which could potentially disadvantage smaller exporters if there are differing timeframes agreed with various exporters in the same market.
- 16 *Secure Export Partnership applications delayed to 01/01/04:* All exporters who do not fall into the top 200 exporters by value cannot apply to Customs to join this scheme until 01/01/04. Will this squeeze the available time to gain approval prior to the removal of derogations on 01/03/04 if these have not already been removed after the commencement of the 01/09/03 phase out period?
- 17 *Trader (3rd party) Sales:* It appears these will simply have to be loaded earlier to accommodate the longer chain of communication before the Delivery order can be issued. Is this assumption correct?
- 18 *Customs Export Entry on Carriers Note:* If NZ Customs propose that meat exporters have to put the customs export entry number on the carriers note (instead of the current derogation number) to allow entry to the wharf, this could be difficult for the following reasons:
- Companies can only prepare the documents and do the customs entry once the goods are scanned and loaded in to the container. In order to do the export entry they also need the Bill of Lading number from the Shipping company (which is only issued once they have processed the documentation sent to them).
 - Depending on how quickly the coldstore faxed companies the load out information and how quickly they can process this and get the bill of lading (BOL) details back it can take between 2 to 5 working days that varies with workload constraints etc.
 - In contrast the containers only take between half an hour to a few hours to reach the wharf from the coldstore.
 - The option of loading containers and plugging them into power supplies to await documentation (Customs entry) is not viable as coldstores do not have the facilities to hold multiple containers over a number of days and if the integrity of the product was compromised whilst doing so then food safety issues would arise and breach MAF regulations.
 - Additionally, load outs frequently occur outside of normal office hours such as early morning, evening and weekends. For meat exporters who only have a small office team doing documentation as well as other roles, rostering during these additional hours is not feasible and shipping companies are also not available 24/7 to issue BOL numbers.

Comments on Related Initiatives

Possible Border Security Agreement with the United States

- 19 Under the United States' Container Security Initiative (CSI), the United States inspects and certifies individual ports as being compliant with its security requirements (including having x

ray facilities). To date, it has certified fewer than 20 of the world's largest ports as meeting its security requirements.

- 20 For New Zealand, the CSI model is less than desirable as only Ports of Auckland (at number 78) is on the United States' list of 100 top priority ports and the vast majority of New Zealand ports will never be a priority for certification. Those containers sourced from ports that are not certified as being CSI compliant will face the risk of significant delays and disruption when they reach the United States. This could have serious implications for provincial New Zealand economies and internal transport.
- 21 The provisions contained in the Border Security Bill and initiatives such as the Secure Exports Partnership and xray screening should help New Zealand's case for a bilateral agreement with the United States and so ensure that all cargo leaving New Zealand, regardless of the port of departure, will meet its security requirements, thereby avoiding delay and disruption.
- 22 MIA therefore supports the efforts to negotiate a bilateral agreement with the United States, although to be effective it must be more than just a bilateral customs agency agreement – its benefits will be negated if other US government agencies, such as the Department of Agriculture (including its Food Safety Inspection Service), are not party to the agreement.

Secure Exports Partnership

- 23 The Border Security Bill will put in place the legislative framework that will enable implementation of the NZCS Secure Exports Partnership. Rather than focus the attention solely on individual ports, the Secure Exports Partnership seeks to adopt a supply chain strategy. MIA supports the principle behind the Partnership, as it will be a cornerstone of the Government's efforts to assure the United States that New Zealand is a low-risk trading partner.
- 24 MIA has been advised by NZCS that the Partnership will be a voluntary scheme based around an agreement between NZCS and an individual exporter that seeks to secure that exporter's supply chain. Elements of security over people, premises, procedures, packing, and transport will form part of the agreement. It will enable NZCS to recognise the reduced risk posed by secure export partners' cargo and give official assurance to trading partners. MIA is aware that NZCS is currently piloting the scheme with Richmond Meats, one of our member companies.
- 25 It will be critical that the Partnership builds upon existing arrangements to contain compliance costs (eg, the operating procedures and standards administered by MAF and the NZFSA must be recognised). Indeed, there must be an ongoing focus on containing new regulatory hurdles and compliance costs. As discussed (paragraph 9) meat exporters have considerable apprehensions about potential duplication by agencies and associated compliance cost implications, which have yet to be allayed by NZCS, and are not specifically addressed in this Bill.
- 26 Concerns have also been expressed by meat companies about the potential for unreasonable interference in business operations, particularly around the security of premises and companies' employment policies and practices. Again, there is little or no detail in the Bill on how these important issues will be addressed in practice.

Conclusion

- 27 The post-September 2001 environment places obligations on New Zealand to tighten its security measures in order to safeguard its reputation and protect trade access. MIA therefore

agrees that the Border Security Bill should proceed and we support, in principle, the related initiatives, such as a bilateral agreement with the United States, the Secure Exports Partnership, and x-ray screening. It is also appropriate that the taxpayer meets the costs of implementing and operating these initiatives given that border security is a public good.

- 28 However, MIA considers it is important to ensure that a focus is maintained on ensuring that regulatory hurdles and compliance costs are kept to a reasonable minimum. It is particularly important that agencies such as NZCS, NZIS, MAF, and NZFSA communicate efficiently, act cost effectively, share information, and act together to avoid duplication and contradictory operating procedures and standards. The Bill would be much improved if it set in place a regime to improve inter-agency communication and coordination.