

Meat Industry Association of New Zealand (Inc)

Submission to Biosecurity New Zealand on

Discussion Paper 04/01:
Future Funding of Biosecurity Services

10 February 2005

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I: Background/Introduction

1. The Meat Industry Association of New Zealand (Inc) 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 99% of all New Zealand sheepmeat exports and 100% of beef exports. Its member companies are responsible for approximately 21% of New Zealand's total exports by value, equating to approximately \$NZD 5 billion annually.
2. Association member companies operate approximately 80 processing plants dispersed throughout the country. The plants slaughter and process approximately 25 million lambs, 3.8 million sheep and 2 million cattle per annum. Ninety percent of this production is processed into value-added products. Approximately 750,000 tonnes or 85% of the production is exported to overseas destinations. Its 19 affiliate companies 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 Meat Industry Association (MIA) 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, Meat Act 1981, 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 zoo sanitary 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.

II: MIA Submission

7. We thank Biosecurity New Zealand for the opportunity to comment on the 'Future funding of Biosecurity Services'. As the representative body for the meat industry, the Association has focused this submission on proposals in the funding document that relate to the meat industry.
8. The Association acknowledges that the review does not recommend sweeping changes to existing biosecurity funding arrangements and support the review's conclusion that the Crown remains the most appropriate funder of many services. Whilst economic criteria were not explicitly recognised in this context we would expect that any service that has substantial public good components would continue to be funded by Crown.

8. The MIA and its members are fully cognisant of the critical importance of biosecurity services to the economy of New Zealand as highlighted in the paper prepared by the Reserve Bank in 2003, *The Macroeconomic Impacts of a Foot-and-Mouth Disease Outbreak*. Hence when decisions are made on the source of funding consideration needs to be given to all the beneficiaries, which, when economic factors are also taken into account could include all New Zealanders. Accordingly, there will continue to be many instances where the Crown should continue to assume responsibility for funding as the representative of diverse beneficiaries now and in the future.
9. In the case of the meat industry it is the farmer (including dairy farmers, as approximately 50% of New Zealand's beef is sourced from dairy animals) that will ultimately bear any costs imposed on the industry for biosecurity services through the returns that they receive. In most cases, we contend that our farmers are not the best placed to change behaviours, assess whether the benefits outweigh costs, or, influence to ensure optimum efficiency. Given that in many instances biosecurity costs will be passed on, we suggest that user charging may not necessarily be a particularly effective tool for encouraging efficiency gains relative to funding services from general taxation. In the latter case, services that are funded from general taxation ought also to be subject to assessment by all relevant parties, including industry, to ensure that those services are as effective and efficient as possible.
10. In our view, a better approach to promoting behavioural changes and optimising costs and efficiencies is the principle of a partnership between the interested parties and the government. The mechanism for this could be similar to the way the draft New Zealand Animal Disease Response Policy (ADRP) to replace the MAF 153 series of standards has been developed.
11. In many cases the third party spend on biosecurity is difficult to capture or is "in-kind" and may not be currently accounted for in dollar terms. It is critical that these contributions are recognised when assessing what further contributions might be sought from third parties.

III: Comment on Policy Proposals for Each Service

Policy Advice, Publicly Funded Research and Law Enforcement Programmes

12. Over the past 12 months, the pastoral industries have worked together with Biosecurity NZ to develop a draft New Zealand Animal Disease Response Policy (ADRP) to replace the MAF 153 series of standards which have covered how services have been delivered operationally. This has been a partnership approach to date where each of the contributors has been responsible for their own expenses.
13. The MIA supports the continuation of Crown funding for these services but submit that the contributions from third parties to biosecurity policy advice, research and enforcement be recognised.

International Standard Setting and Market Access Work

14. The MIA supports the principle of continued Crown funding for plurilateral, multilateral and specific bilateral market access work. Industry funding of bilateral market access work should be addressed on a case-by-case basis. This principle must be applied consistently across all industries and involve the relevant industries in priority setting.
15. The meat industry currently funds certain market access work through the NZFSA levy applied to slaughtered animals. This contribution from the industry needs to be acknowledged. Furthermore, should any changes be proposed to this existing system, the industry must be provided with sufficient

information to establish that there is a genuine case for change and that there will be no “double dipping” or duplication of activities or roles.

Export Accreditation and Official Assurances

16. For the meat industry, a cost recovery mechanism for export accreditation and the provision of official assurances is in place via NZFSA and the E-Cert system. It is not clear whether or not the approach proposed in the discussion document has any relevance to the meat industry given the existing mechanisms for export accreditation and provision of official assurances. Should any change be proposed, it is our expectation that there would be prior consultation with industry, and that any proposal would not result in any duplication of activity or funding.

Laboratory Diagnostic Work

17. For certain diseases, the international standard setting organisation for animal health and zoonoses (the OIE) requires that official assurances be provided for animals or animal products that are traded internationally and stating that a country is free of a certain disease or that tests have been carried out to address identified risks from certain diseases. New Zealand is required to establish this status as a condition of international trade in relevant products. The general ability to engage in international trade is a good accruing to the New Zealand public. Further, exporters have no control over what requirements the OIE might establish as being necessary to safeguard trade in relevant products. On this basis, we submit that proof of freedom from diseases or the tests specified by the OIE, or other international agreement or arrangement that New Zealand has entered into, as being required to trade internationally (including the surveillance underpinning proof of freedom) should continue to be funded by the Crown.

Import Health Standards

18. The MIA will provide comment on this programme when the discussion document is available for public consultation.

Border Inspection and Transitional /Containment Facility Standards

19. The MIA supports the recommendation.

Border Inspection Services

20. The MIA supports the recommendations for cost recovery for import clearances of cargo and containers, vessel and mail. We further endorse the principle outlined in vessel clearance of reduced inspection for vessels with a good history of compliance.

Transitional and Containment Facility Services

21. The MIA supports the recommendation.

Diagnostic Testing for Border Interceptions on Imports

22. The MIA supports the recommendation.

Surveillance Programmes

23. The MIA supports the recommendation that surveillance programmes relating to public health, conservation, environment and general marine purposes should be funded by the Crown as the Crown or general public are beneficiaries.
24. As noted in paragraph 17, proof of freedom from certain diseases of animals is required by the international standard setting organisation, OIE. As New Zealand is required to meet these obligations for trade under the WTO framework, surveillance for those diseases is a New Zealand-good requirement and thus should continue to be funded by the Crown.
25. We further submit that surveillance programmes that are designed to enable the early detection of pests or disease should not automatically be funded by export industries. While in some cases a particular export industry may benefit from such a programme, it must also be recognised that surveillance programmes are required to mitigate the potential adverse affects of risk goods entering New Zealand (which are matters beyond the control of the production or exporting industry). Further, as noted in the Reserve Bank study referred to in paragraph 8 above, in many instances the beneficiaries of continued export receipts are wider than simply the exporters. Care needs to be taken to fully consider the true beneficiaries of early detection and response before the Crown seeks to transfer surveillance costs to industry.
26. As the production or exporting industry face an acute risk should existing systems fail we recommend that further industry/government (including local government) partnerships be developed to ensure that surveillance programmes are effective and efficient. Again we submit that an 'in kind' contribution such as this should be recognised.
27. For surveillance associated with incursion responses and pest management we support the recommendation that these are funded and managed in the same way as the responses and strategies – subject to these responses and strategies being funded in an equitable manner. These responses and strategies need to be developed and agreed in partnership with the industry in readiness for any incursion.

Incursion Response Programmes

28. The MIA supports the comment in the paper that work on response standards, initial incursion investigation and response, and most contingent response capability is best funded by the Crown. We also agree that the benefits are diffuse but disagree that the Crown is well placed to decide on the level of service appropriate. We submit that this is another area where a partnership approach with industry ought to be developed.

Pest Management Programmes

29. The MIA support the recommendations for continuing the funding systems for pest management programmes and the development of funding pest management strategies in the same way as incursion responses i.e., a partnership approach.

IV: Proposed Timeframes for Implementation

30. The proposed three phase timeframe for implementation is noted. Changes that have a significant fiscal impact require consultation and agreement with those affected well in advance. For the meat industry we recommend that consultation on any proposed changes occurs in parallel with consultation on NZFSA levies in order to minimise any potential duplication of process cost or outcome.

31. We submit that there is no implementation of any significant changes for July 2005 as there will be insufficient time for notification and consultation following the report back to Cabinet.

V: Funding Assessment Template

32. The MIA supports the development of a “funding template” to assess future changes to biosecurity funding. Such a template helps in ensuring that all the relevant facts are gathered and assessed. However we do not support the development of a template that assesses against restrictive criteria, as biosecurity activities are diverse and involve a number of different parties.
33. We note that the proposed template asks the question “Who wants this service?” We suggest that this would be better worded as “Who needs this service?” as this better reflects the intent of identifying potential groups who benefit from the service and may be appropriate to charge for it.
34. Of equal importance is that those “best placed to ensure the benefits of the service outweigh its costs” may not be those that need the service. An example is that the meat industry wants the Quarantine Service to screen cargo, passengers, etc to ensure unwanted diseases do not enter the country. However the importers / border facilities are best placed to ensure an efficient service. Furthermore it is the public of New Zealand that need this service, as if we were to get an unwanted disease, such as foot-and-mouth disease, the public will be significantly affected through the impact on New Zealand’s economy, as is indicated in the Reserve Bank study referred to above.

VI: Conclusion

33. The MIA and its members are fully cognisant of the critical importance of biosecurity services to the meat industry. The detection of BSE (or foot-and-mouth disease) in New Zealand would have a profound impact on our farmers, the meat industry, and on the economy as a whole. The Government’s biosecurity policy is, therefore, of significant interest to our sector.
34. The Association acknowledges that the review does not recommend sweeping changes to existing biosecurity funding arrangements and support the review’s conclusion that the Crown remains the most appropriate funder of many services. Whilst economic criteria were not explicitly recognised in this context we expect that any service that has substantial public good components would continue to be funded by Crown.
35. The Association recognises that resources such as funding are limited and that these must be deployed in the most efficient and effective manner. One way is to apply user charges to encourage the efficient allocation of resources and ensure cost effective provision. However the user is not always the group that needs the service or in fact is best placed to ensure efficiencies. The Association therefore encourages the continued development of industry/government partnerships to determine what is required, what is already in place, what can be counted on in any given situation, what the gaps are and how such gaps would optimally be addressed – across the entire biosecurity continuum.
36. In some situations, policy must be developed before industry will be able to meaningfully consider alternate approaches. An example is compensation policy. The lack of certainty in this area acts as a constraint to the industry in considering what resources might be deployed or provided in any given situation, such as an incursion response, as our members are not able to determine the impact on their shareholders assets of any resources that they might contribute. There is also a need to ensure that

there is no duplication (and thus double charging) of services that might be proposed to be carried out by Biosecurity NZ with those already provided by the NZFSA or other government departments.

37. In some industries, as the paper notes, biosecurity services (and thus costs) are already being provided by other agencies or parties. For example, the meat industry determined that the number of diagnostic tests required by the OIE to demonstrate freedom from BSE were likely to be insufficient to satisfy consumer perceptions and as such agreed to fund a supplementary trade risk mitigation testing regime (co-ordinated and cost-recovered through the NZFSA).
38. Decisions on the source of funding must consider all benefactors - now and in the future – and the framework must be capable of being consistently applied in an equitable manner in all situations.
39. Contributions from industry that are part of good business practice or “in-kind” may not currently be accounted for in dollar terms. A mechanism therefore ought to be developed to ensure that all contributions are fairly represented.
40. Should user-charges form part of any ‘in-principle’ agreement to strengthen existing biosecurity systems then it is imperative that the financial impact of all biosecurity related costs to a sector be known, quantified and agreed, prior to implementation.
41. The Association looks forward to continuing to work with Biosecurity New Zealand on future funding options.

VII: Appendix: MIA Members as at 10 February 2005

| Members |
|---------------------------------|
| Advance Marketing Ltd |
| AFFCO New Zealand Ltd |
| Alliance Group Ltd |
| ANZCO Foods Ltd |
| Auckland Meat Processors Ltd |
| Ballande New Zealand Ltd |
| Bernard Matthews NZ Ltd |
| Blue Sky Meats (NZ) Ltd |
| Brookland (NZ) Ltd |
| Canterbury Meat Packers Ltd |
| Columbia Exports Ltd |
| Crown Marketing Ltd |
| Dairy Meats NZ Ltd |
| Davmet New Zealand Ltd |
| Fern Ridge Ltd |
| Frasertown Meat Company Ltd |
| Garrett International Meats Ltd |
| Glovers Foods Ltd |
| Greenlea Premier Meats Ltd |
| Harrier Exports Ltd |
| Horizon Meats New Zealand Ltd |
| Lanexco Ltd |
| Land Meat NZ Ltd |
| Low Corporation Ltd |

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| Mathias International |
| Pilot (NZ) Ltd |
| Primary Producers Co-operative Society Ltd (PPCS) |
| Progressive Meats Ltd |
| Richmond Ltd |
| Riverlands Ltd |
| 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 |
| Australia-New Zealand Direct Line (ANZDL)/ Contship Containerlines (Divisions of CP Ships UK Ltd) |
| Carter Holt Harvey, Packaging |
| CentrePort Wellington |
| Hamburg-Sud NZ Ltd |
| Hapag Lloyd (NZ) Ltd |
| Meatek Ltd (previously ProAnd) |
| Maersk New Zealand Ltd |
| Meridian Solutions Ltd |
| New Zealand Natural Casing Association Inc |
| Oceanic Navigation Ltd |
| P&O NedLloyd Ltd |
| Port of Napier |
| Port Otago Ltd |
| Rissington Breedline Ltd |
| Thompson Clarke Shipping Pty Ltd (ANZ Marketing Representative for the Port of Los Angeles) |
| Toll Holdings (previously Tranzrail) |
| Vero Marine Insurance |
| Westgate Transport Ltd |