



Meat Industry Association of New Zealand (Inc)

Submission to the New Zealand Productivity Commission

on

The International Freight Transport Services Inquiry Draft Report

February 2012

Introduction

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.

In the year ended December 2011, the meat industry exported more than one million tonnes of product, generating \$6.4 billion in export revenue, which was 13% of our nation's exports by value (and 23% of New Zealand's primary sector export revenue).

The meat industry is highly export-focused, and relies on cost-effective, reliable and timely international freight transport services to distribute products to the 110 countries it exported to in the year ended December 2011.

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Scope

MIA agrees with the majority of findings and recommendations in the report, and is providing comment only on a small number of specific findings and recommendations that it wishes to highlight.

Comments on Specific Findings and Recommendations

Section 4. Freight Transport Costs

MIA would like to emphasize the significant impact that transit times can have on freight transport costs, particularly for products with a limited shelf life.

As noted in the MIA's submission on the Commission's Issues Paper, lengthy transit times add cost - the opportunity cost of capital tied up in goods while in transit. For exporters of perishable goods that have a limited shelf life, such as chilled meat, long transit time also reduces an exporter's ability to service a market with confidence, and if transit times are too long, the export of chilled product is not a viable business model.

As security-related requirements being introduced in a number of major markets have had the effect of increasing transit times for exports to these markets, MIA would like to see **Finding 4.8**¹ strengthened to become a recommendation that government agencies more actively work with trading partners to improve trade facilitation, in order to reduce the impact of these security requirements on transit times.

Section 9. Investment Coordination and Planning

Finding 9.4². MIA believes that the designation of transport corridors may help alleviate issues relating to lack of infrastructure that the Commission has identified that are preventing the greater utilisation of High Productivity Motor Vehicles (HPMVs).

The designation of transport corridors would help to provide certainty for any infrastructure investment required for the use of HPMVs on these corridors.

As with other exporters, the meat industry would potentially benefit from the greater utilisation of HPMVs. Shipping lines are looking to make greater use of 40 foot containers, but moving a fully loaded 40 foot container from processing plants to ports is in many cases not viable given current weight limits. Designation of transport corridors in suitable locations, and the utilisation of HPMVs on these corridors, would improve efficiency and reduce costs.

Section 11. Regulation of International Sea freight Competition

MIA agrees in principle with **Recommendation 11.1**³ and **Recommendation 11.2**⁴, but believes that care needs to be taken to ensure that any removal of exemptions does not make capacity agreements that assist shippers too difficult to operate. Conditions that are too restrictive may increase the risk of reduction in services to New Zealand.

¹ "While New Zealand is performing reasonably well in areas such as customs procedures and documentation requirements, there may still be scope for improvement in these areas. In addition, continuing to work with trading partners to improve trade facilitation could reduce transit times."

² "The designation of transport corridors can create valuable outcomes at a relatively low cost. Corridor designation is a worthwhile activity for central and local government."

³ "Exemptions for the types of agreement with the higher risk of anti-competitive detriment – ratemaking and capacity-limiting agreements – should be removed. These arrangements should have access to the authorisation and clearance mechanisms in the Commerce Act."

⁴ "The exemption for non-ratemaking agreements should be retained in the Shipping Act 1987 and be conditional on filing agreements with the Ministry of Transport for placing on a public register."