

Public Service Association submission to the Productivity Commission on the Issues Paper on International Freight Transport Services

31 August 2011

1 Preamble

- 1.1 The New Zealand Public Service Association: Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand and the largest union in the public sector. We have over 58,000 members.
- 1.2 Our members work in a wide range of occupations and in a wide range of sectors. The largest group of our members is employed in the public service, followed by the district health boards and other state sector agencies, and local government. We also have a significant number of members employed by non-governmental organisations in the delivery of community public services.
- 1.3 The PSA represents members in the Ministry of Agriculture and Forestry, in the New Zealand Customs Service, and in Aviation Security, many of whom have a role to play in both the policy and front line areas of border security and biosecurity management. What they do is crucial for the effective and efficient management and regulation of international trade, and for protecting New Zealand's agricultural, horticultural and pastoral economy and environment from pathogens, pests and other incursions.
- 1.4 The PSA is an affiliate of the New Zealand Council of Trade Unions: Te Kauae Kaimahi, and is part of the CTU's State Sector Council. We have seen the submission of the CTU and we fully support it. Our comments here are confined to the areas where our members work; other issues of concern to us are well covered by the CTU which has consulted extensively with the transport sector unions and with us.
- 1.5 If the Commission needs any further information, or wishes to follow up on any of these points, the contact person is Christine Ross, PSA policy advisor. Email: christine.ross@psa.org.nz; tel: 04 816 5048.

2 Summary of main points

- 2.1 We are concerned that the issues paper does not fully recognise that customs and biosecurity services are public goods and it is therefore incumbent on government to provide and support the framework that ensures that they are delivered well.
- 2.2 The PSA does not believe that our biosecurity and customs laws and functions should be lessened to increase throughput in New Zealand ports.
- 2.3 We believe that the document frames customs and biosecurity as costs to be reduced if possible, rather than public goods that should be delivered in the most effective manner to protect the public and the economy, and the PSA believes that this latter position should be strongly emphasised in the final document.

- 2.4 We would be extremely concerned if the final document takes the view that there should be cost reductions that would impact on border agency staff numbers and their workloads.
- 2.5 The PSA supports ways of doing things better, reducing waste of time and resources, and developing better systems. We submit that the Customs and MAF officers who carry out the services should be a large part of any discussions around innovation and productivity improvements, and whether the costs can be reduced. However, they would expect assurances that there would be no unnecessary job losses, no increased workloads and that jobs would be improved.
- 2.6 We would be happy to arrange for the Commission to meet a group of PSA members in the border agencies, if that would facilitate the Commission gaining a better understanding of the jobs that they do.
- 2.7 We would be glad to brief the Productivity Commission on our thinking and experience in public sector productivity.

3 The costs of border security

- 3.1 Freight costs include fees and costs for customs and biosecurity measures. There is good reason for these charges: they ensure that prohibited or dangerous goods do not enter New Zealand and prevent biosecurity incursions. They also allow our exports to be certificated so that our trade partners can have confidence in the quality of the New Zealand goods and the produce being exported meeting their import requirements.
- 3.2 We are concerned that the issues paper does not fully recognise that these services are public goods and it is therefore incumbent on government to provide and support the framework that ensures that these services are delivered. For example, on p4 of the issues paper there is a statement that: *'Examples of additional costs include customs and biosecurity charges ...'*. The paper emphasises the speed and efficiency of cargo / freight movement through international ports in comparison to New Zealand (p27). One of the reasons for this is that overseas ports have no real quarantine focus on stopping non-containerised or containerised cargo to deal with biosecurity concerns. Our members note that many of these ports (from which many containers come to NZ) are infested with serious regulated pests, such as the Red Imported Fire Ant. The PSA does not believe that our biosecurity and Customs laws and functions should be lessened in any way to increase throughput in New Zealand ports.
- 3.3 It is not until much later in the paper (p45) that there is any statement such as *'...the purpose of these services being to safeguard the security and integrity of New Zealand's inward and outward trade flows'*. We believe that the document thus early on frames customs and biosecurity as costs to be reduced if possible, rather than public goods that should be delivered in the most effective manner to protect the public and the economy, and the PSA believes that this latter position should be strongly emphasised in the final document. Not doing so feeds into negative perceptions of the public service and its role in maintaining necessary standards.
- 3.4 In discussing what affects logistics costs (p19), the paper notes and itemises the charges imposed by customs and biosecurity. However it fails to note that these are necessary MAF and Customs standards – and that compliance leads to less intervention at the New Zealand border and therefore allows standardised charges to be reduced. It is also worth noting that, in the example of costs on p20, the MAF and Customs costs are 7.2% of the total Singapore – Christchurch container costs (\$231 / \$3,197). This would seem to us to suggest that it is not in this area that the Inquiry will find the answer to its search for significant savings though we note that the paper on p45 does indeed take this view.

4 Staff issues

- 4.1 We would be extremely concerned if the final document takes the view that there should be cost reductions that would impact on border agency staff numbers and their workloads. On August 23 MAF announced major job losses, as well as significant change to many other jobs. While the Chief Executive stated that the frontline will not suffer because of reduction in policy/science/standards support, we are sceptical. Many of the roles being disestablished directly interact with the public in advisory, audit or standard-setting roles and these specialists also interact directly with frontline roles by underpinning their work and providing support. The loss of back-office capability and institutional knowledge is likely to impact on the ability of the frontline to function at its best. And the economic and environmental consequences of this could be enormous.

5 The drivers of productivity and the PSA's approach

- 5.1 In the discussion on Biosecurity and Customs (section 4.6, p45), the paper asks for assistance in gaining a better understanding of biosecurity and customs costs, and what drives them. What is missing from this section is any acknowledgement of the ethos of public service, which is a major driver for the work of MAF and Customs officers. They are well aware of the public good aspects of their work, and are proud that their vigilance against incursions and in the application of government regulations is crucial in ensuring that New Zealand's inward and outward trade is not put at risk. The Commission will be aware that the New Zealand public service scores very highly on international measurements of lack of corruption, and of ease of doing business.
- 5.2 The paper asks for ideas about ways to reduce biosecurity and customs costs. We are aware of a number of initiatives already in place or being considered, such as the joint work underway in Customs and MAF to develop the Joint Border Management System for all border agencies to use, and thus have a 'one stop shop' for importers to streamline the process. The PSA supports ways of doing things better, reducing waste of time and resources, and developing better systems. We recognise that there are severe pressures on departmental budgets, and agencies are seeking to reduce costs. Improving agency productivity is therefore important.
- 5.3 More than half of all productivity improvement initiatives wither and die because of a lack of momentum and buy-in from workers. In contrast, experience and research show that unions and employers achieve better results when they work together and pledge to tangibly improve productivity. The PSA has therefore developed Sustainable Work Systems (SWS), a public sector-oriented productivity programme using Lean approaches that have demonstrated results in the private sector and are increasingly being used in New Zealand public sector agencies, particularly in the health sector. SWS allows employers and employees to jointly improve delivery processes, create a better working life for staff, and embed a culture of continuous improvement. We would be glad to brief the Productivity Commission on our thinking and experience in public sector productivity.
- 5.4 The Minister of Finance has said that workers should be encouraged to drive change, saying: "*We believe people who understand their own services are in the best position to make financial trade-offs and to introduce innovation which genuinely improves public services.*"¹ We support this approach.
- 5.6 We submit that the Customs and MAF officers who carry out the services should be a large part of any discussions around innovation and productivity improvements, and whether the costs can be

¹ Bill English, speech to the Institute of Public Administration New Zealand, 29 March 2011, <http://www.beehive.govt.nz/speech/speech-institute-public-administration-new-zealand>

reduced. We know that PSA members in these agencies would be willing to contribute their ideas. However, they would expect assurances that there would be no unnecessary job losses, no increased workloads and that jobs would be improved.

- 5.7 One of our MAF members has provided us with an example of how good systems can work and save industry time and money without reducing biosecurity effectiveness and efficacy. This is included in the appendix.
- 5.8 We would be happy to arrange for the Commission to meet a group of PSA members in the border agencies, if that would facilitate the Commission gaining a better understanding of the jobs that they do. We did this for the Review of Expenditure on Policy Advice in 2010, where the review team met two groups of PSA members for a Chatham House rules discussion of the review focus. The Review Chair noted that he found the meetings very useful.

6 Conclusion

- 6.1 We hope that these comments are useful to the Commission in its inquiry. We would be happy to supply any more information and, as we note above, would be glad to arrange for the Commission to meet PSA members, and also to brief the Commission on our approach to workplace productivity.

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31 August 2011

Appendix 1

Comments from a PSA member in MAF on how good systems can work and save the industry time and money:

There are effective ways to maintain high management control of break-bulk cargo (non-containerised) and containers. For example, MAF runs cooperative programmes with industry that allow MAF's biosecurity concerns to be managed effectively by verification of agreed processes and procedures (usually outlined in agreed systems) and this approach also allows industry to clear their imported goods without extra inspections, cleaning or biosecurity treatments. Examples of these systems are those devised for container importation from high risk countries and vehicles that are predominantly pre-cleared in Japan). I have been directly involved with the Sea Container Hygiene System (SCHS) that has operated out of PNG and the Solomon Islands since 2006 and from Samoa since 2008.

In brief, we have set up a system to clean and treat empty (and full) sea containers being shipped to NZ for filling with export goods. At the ports in PNG, Solomon Islands and Samoa the empty containers are cleaned inside and out to remove trash and pests with a high pressure water blaster (this is important to clean ants from inside rubber door seals). The containers are carefully cleaned underneath and then the containers are sprayed externally with an insecticide to prevent re-infestation. Full containers are cleaned and treated externally only. Once cleaned and sprayed the containers are stored in special areas at the exit ports (that have been baited and sprayed with contact insecticides) before being loaded on vessels. SCHS and no system containers are separated on board the vessels too.

When the system is first established at each port, we ensure the system is working by inspecting 100% of containers on arrival in NZ. We do this for a 3 month period and with good compliance (against set thresholds for pests and contamination and other criteria) the inspection rate drops progressively after each 3 month period. 100% drops to 50% then drops to 20% and then to 10%. With exceptional compliance it can drop to 5%. However, if the agreed thresholds are breached the inspection rates are increased.

This system has seen a greater than 99.5% reduction in pests and contaminants from those countries and associated reduction in the need for MAF to inspect anything other than verification rates of containers at the 10% or 5% rate. This saves MAF time and trouble and prevents the entry of pests and contaminants, it also allows our MAF Inspectors to do other vital work. MAF does not have to run nearly as many eradications for ants infestations as in the past and the use of toxic fumigants has dropped directly in association with these programmes. Quite importantly, this has also saved industry millions of dollars per year. Every container that is inspected incurs a MAF charge (see MAF cost charges - <http://www.biosecurity.govt.nz/regs/fees-and-charges>.) In addition, every time a container is moved by a port worker using a fork lift or straddle crane in NZ there is a \$60 (approximately) charge. For example, if a MAF Inspector sees a container contaminated with soil and ants it must be fumigated first then cleaned. The container will have to be moved to the fumigation bay from the inspection area (\$60), then to the fumigation area (\$60), then to a storage stack before leaving the port. Cleaning costs money and fumigation is expensive in NZ. It is more cost effective to clean the containers in the country of origin. Another plus is that local employment in PNG, the Solomons and Samoa is enhanced as the companies involved need workers to do the cleaning and treatments.

In short, a dirty non-compliant container can attract huge fees on top of the standard MAF charges and take days to clear from the port after approval is finally granted by us. By contrast where a SCHS operates most of the containers arrive at the NZ port and are able to leave without further inspection, cleaning or fumigation because we check and verify the system works and is justified in

allowing rapid exit to destination. This costs industry much less than the old way where most containers coming into our ports were dirty and over-run with pests. The Australian Quarantine and Inspection Service (AQIS) adopted our system last year and other regulatory agencies are interested around the world. Maersk Shipping is working cooperatively with our group to establish a SCHS for the port of Singapore and Pelabuhan Tanjung Pelepas. There are also programmes pending for Fiji and Vanuatu.