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Speech to the Customs Brokers and Freight Forwarders Federation Conference
13 May 2010

Introduction

Good afternoon everyone. I am very pleased to have the opportunity once again to speak to you at your annual conference. I should preface my comments by underscoring just how important our relationships with CBAFF and its members are and how much we appreciate the constructive engagement that exists, and how conscious we are that effective, safe and efficient border processes for the future will rely on us continuing to build trusting and collaborative partnerships.

The topic originally proposed for me was to cover the biosecurity risks associated with free trade agreements, and what CBAFF members should do when operating in the biosecurity system. Those are important topics. I will try to deal with them by discussing some of the broader issues relating to the changing nature of the border environment, how MAF plans to tackle these challenges, and what it could mean for all of us.

The border is steadily becoming a more complex risk-management environment. Trade and travel volumes are increasing, presenting new and diverse types of biosecurity risk along the way. Transport logistics are changing and speeding up. New Zealand consumers are demanding more goods from more countries. In addition, service expectations of MAF from politicians and stakeholders are escalating all the time, while expectations on cost of service are declining. We face the same pressures you face in that respect.

MAF's role is to "Enhance New Zealand's Natural Advantage", by leading the protection and sustainable development of our biological resources for all New Zealanders. Part of this means delivering a world-class biosecurity system that protects our way of life, and the production and environmental assets we value so much. This is not an easy task, and takes a lot of commitment and dedication from MAF staff, in partnership with others, right across the system.

Following the Government's announcement in March 2010, a project is underway to amalgamate MAF and New Zealand Food Safety Authority into a single, integrated, organisation focused on **strengthening the integrity and performance of the biological value chain**. The term "biological value chain" refers to the range of activities – from paddock to plate – related to

animals, plants, food and related sectors and their contribution to New Zealand's economy, environment and social well being. The new organisation has a wide and vitally important mandate.

It is vitally important because growing, transporting, processing and trading animal and plant products is critical to New Zealand's progress. Over 60,000 farms and 35,000 food businesses operate in the sector. Around two-thirds of our merchandise exports are animal and plant products, often traded into the most heavily protected markets in the world. About 40 percent of the food we eat is imported.

The changing face of international trade and travel

Trade is a key driver of the New Zealand economy. And trade inherently involves a two-way process – for every seller there is a buyer, for every importer there is an exporter, and much of what we export could not be produced without the imported products and services that enable us to put that export into some foreign market place. We need to trade to sustain our economy and quality of life. There is a fundamental interdependency within the international trade system and this is at the heart of MAF's core business. Everyday we strive to find the right balance between protecting New Zealand from harmful pests and diseases while at the same time, encouraging and facilitating the trade and travel essential to our economy. Just when we think we have that balance right, the nature of trade and travel changes. More people are travelling to New Zealand, and we are interacting with an increasing number of international partners to establish free trade agreements. These activities, while economically essential, increase the potential for harmful pests and diseases to cross our borders.

Free trade agreements remove and reduce barriers to trade and investment, as well as establish frameworks through which trade and investment linkages can evolve and expand. New Zealand is committed to liberalising trade through a number of regional, bilateral and multilateral trade agreements, here are some examples of trade agreements in force and currently under negotiation:

- The New Zealand and Australia agreement with a regional block of 10 South East Asian countries, estimated to boost the New Zealand economy by over \$4.8 billion before the year 2020.
- The New Zealand-China Free Trade Agreement concluded in 2008. New Zealand is the first developed country to negotiate a free trade agreement with China, intended to keep our exporters in the “game” and help defend existing market shares – particularly in areas where China is already New Zealand's largest international customer – such as milk powder, wool and education.
- A Free Trade Agreement with Chile, Brunei, and Singapore known as the Trans-Pacific Strategic Economic Partnership, concluded in 2005. (We have just commenced

negotiations to expand the trans-Pacific agreement to include the United States, Australia, Peru, and Vietnam). The aim of this agreement is to reduce all trade tariffs between member countries to zero by the year 2015.

Last year, New Zealand and Malaysia signed an agreement and this year we signed one with a Hong Kong, These agreements are expected to enter into force this year, following completion of the requisite domestic implementation procedures in both countries. Negotiations between India and Korea are also under way.

All of our free trade agreements explicitly reference the World Trade Organisation's Sanitary and Phytosanitary Agreement. The SPS Agreement allows member countries to determine what degree of biosecurity protection is appropriate to their circumstances. But it also requires that biosecurity protection must not restrict trade more than necessary to protect human, animal or plant life or health. Even good mates like New Zealand and Australia occasionally find that we have different views on what degree of risk exists with particular products, or how that risk can be mitigated in the least trade restrictive manner.

Feeling the pinch?

Over the past couple of years, international trade has taken the sharpest dip in decades. The Global Financial Crisis changed a lot of things – most notably the whole international landscape for banks. It has knocked unemployment rates back into territory not seen since the 1970's in some cases and, perhaps most tellingly and, in the long term, most damaging, has thrown government borrowing and debt levels in parts of the “most developed” world into highly dangerous territory. We should be planning on having to live with the consequences for a very long time.

Due in no small part to the generally (although decreasingly as we approached 2008) conservative fiscal strategies of successive governments, the New Zealand fiscal and debt situation is uncommonly good at this point. Nevertheless, that is a comparison with basket cases in much of the western world – with the ever fortunate exception of Australia. We have taken a hit, and the belt tightening mantra of Bill English will be heard for some years yet.

All government agencies have been told to expect no new money for the foreseeable future. So like you, we'll be looking to drive productivity gains in order to cope with increasing costs. Biosecurity is a large part of what MAF does – currently about 1000 of our 1300 or so people are engaged in biosecurity tasks – we would be more aptly named the Ministry of Biosecurity, with a bit of agriculture and forestry policy work tacked on the side. So clearly, our biosecurity functions will face the full force of fiscal stringency (and before anyone leaps to the floor, cranking up our cost recovery regime is not an acceptable pathway through the fiscal crunch).

The pressure on us to be more vigilant with respect to border risks grows by the day. We must find new and innovative ways to manage biosecurity risks more efficiently.

MAF's new approach

Biosecurity is a risk management system. And to be successful, risk management at the border must be based on reliable information, it must be forward-looking based on lessons of the past, it must be adaptable to changing risk profiles, cost-effective for users and government, and involve the right people at the right time. Above all, it must be effective. That doesn't mean stopping every pest and disease, because that is impossible, and costs rise exponentially as risk tolerance reduces. But we have to find a level of risk that the public accept as reasonable, and demonstrate that we can operate to that risk tolerance in a systemically robust manner.

In light of this, MAF has been reviewing the way that it operates at the border. We have developed a Border Direction Statement that sets out our approach to managing the biosecurity risks associated with trade and travel into the future.

A key theme in the Statement, is the idea that "the border" is not a single point of intervention, or the thin green line as it's come to be known. Rather, the border is a complete and complex system in which risk can be managed at different points in the supply chain. These points include offshore, en-route, at the border itself, and through biosecurity activities within New Zealand including transitional facilities, surveillance, incursion response, and pest management.

MAF's new approach is based on four "cornerstones": Prioritisation and Targeting, Information, Rules and Compliance, and People. This means that in future:

- Greater use of data, information and technology will help us improve risk targeting so resources will be focussed on the most significant risks;
- There will be clear incentives for compliance and disincentives for non-compliance;
- And biosecurity risk will be managed by those best placed to do so.

Profiling and targeting

At the core of MAF's new approach is a greater reliance on intelligence and risk profiling than ever before. Up until now, MAF staff have had limited information about the different risk profiles associated with the goods crossing our borders (for example, knowledge of compliance histories), and therefore use the same risk management approaches for all.

But we know from experience that not all goods, pathways, suppliers, and importers pose an equal level of biosecurity risk, and it makes no sense that we treat as if they do. Using profiles, we will be able to identify and assess the level of risk posed, and target our resources accordingly.

I want to stress that this new approach does not represent a relaxation in our border controls. The new approach will enable MAF to maintain or improve biosecurity protection by allowing us to focus our efforts where it matters most.

At the frontline, and where it is most likely to be noticeable to you, profiling and targeting will influence how, and when MAF chooses to intervene with specific consignments and / or the broader supply chain.

Information and technology

Profiling is dependent on information. You just heard Minister Williamson talk about the Joint Border Management System. This system will play a vital biosecurity role by providing the technology needed to gather, store and assess the information required to support our profile-based approach.

You have told us that you want MAF to get faster at processing documentation, and provide more certainty about clearance and inspection timeframes. The Trade Single Window component of the Joint Border Management System will make it easier for users to provide the information required for clearance and allow MAF to process trade documentation quickly, and in some cases, in advance of arrival.

For you, these new systems will increase certainty about the clearance status of your transactions, reduce your administration costs, and create faster, transparent, and more efficient movements of goods through the supply chain.

JBMS is a joint system with Customs and other border agencies and intended to increase the coherence of the border regulatory process. It is a large system and an expensive one. Our existing systems are old and pose a substantial and increasing constraint on our capacity to meet the needs of the industry. But it will take some years before we have JBMS in its final form and fully functional, and can turn off finally Cusmod and Quantum. By then, both systems will have long outlived their original life expectancy.

Rules and compliance

MAF is responsible for setting the rules for managing biosecurity risk. We are currently in the process of updating the Biosecurity Act, the legislation that (among other things) allows MAF to impose import and border controls to manage risks associated with imports.

Developing biosecurity rules can be time consuming, with a need to balance the often complex biosecurity requirements of other countries and the risk involved, against importers and exporters' demands for clarity, speed and efficiency.

We are currently making improvements to the way we develop, write and deliver the rules... known as import health standards... which state the requirements that must be met before risk-goods can be imported into New Zealand. We are committed to making the process more efficient and transparent.

As a means of streamlining the import health standard development process, we will in future take a segmented approach to viewing and managing biosecurity risk – and group commodities with similar characteristics together for profiling and rule making. Profiles for each segment will help MAF and other stakeholders understand the nature of the risks that need to be managed and how to do so.

In future these rules will be fit for purpose, easy to access, and written in a way that makes them easily understood by staff and stakeholders.

A big part of our developing rule setting approach focuses on keeping risk offshore, and managing it before it crosses our borders. We do this by working in conjunction with:

- other countries, when we set up free trade agreements;
- overseas government agencies to establish the biosecurity rules under which trade operates;
- importers and off-shore exporters to set up and use systems and equivalence approaches to manage risk; and
- other government agencies in New Zealand to align requirements and international trade rules.

Despite our efforts to keep it offshore, biosecurity risks do turn up at our borders. Many of you have told us you think MAF is too “soft” when it comes to dealing with people who deliberately and repeatedly fail to comply with biosecurity requirements. We agree.

Part of MAF's new approach is to do more to recognise and reward compliant traders with faster and more consistent processing, based on behaviour and performance history. For importers, a good compliance record may mean fewer audits and less intensive interactions with MAF at the border.

The flip-side of this is that we will be focusing our efforts on those who do not comply, and hitting them hard with the consequences. Those who deliberately and / or repeatedly import non-compliant goods will face additional compliance costs due to more severe audit schedules and increased use of prosecutions.

People

People are at the heart of the biosecurity system. I am sure you agree. You have told us that one of the key things CBAFF members want from MAF is to be more actively involved in the biosecurity system. We are pleased to hear that.

We think that the people best placed to manage biosecurity risk should do so, as MAF's mandate is to deliver an effective and efficient biosecurity system, not to do it all ourselves. We want the New Zealand industry, public, and overseas visitors to take responsibility for, and manage their own biosecurity risks where possible.

However, being involved is not just about engaging in the decision making process and contributing to the design of successful policies and standards. It is also about ensuring, as much as possible, that the goods you help bring into New Zealand are subject to a visible, credible and effective system for management of biosecurity risk.

It also means that industry will have more opportunities to input into the biosecurity system. The potential for co-management arrangements, where we share some responsibility for biosecurity risk management with different players in the supply chain, is growing everyday.

Last year I spoke to you about the success of sea container hygiene systems in PNG and Solomon Islands, run between MAF and Swire's Shipping. The same system is now underway in Samoa and covers all containers exported to New Zealand. The five shipping companies involved are now very close to reaching the targets set by MAF thanks to their long term commitment to reducing container contamination. These are great results and we are hopeful for more in the future. This is in our interests. It is in their interests. The interests and incentives are aligned.

In certain parts of the system, MAF will still be best placed to manage risk. But we want you to look for opportunities where biosecurity risks can be better managed. After all, you know your business better than anyone else. If you can help us to find ways which both improve your business efficiency and credibly manage biosecurity risks, we're keen to engage.

Working collaboratively with other government departments is also critical to MAF's success. MAF is already working closely with other border agencies to make the most of opportunities, manage risks, and minimise the impact of regulatory requirements on supply-chains. This will be on-going.

The Border Sector Governance Group, comprising chief executives from Customs, Department of Labour, Ministry of Transport, New Zealand Food Safety Authority, Department of Internal Affairs, and MAF, represents the shared interests of border agencies and contributes to Government's goals of increasing the border sector's overall effectiveness and efficiency, and streamlining services to stakeholders.

With the recent success of the streamlined trans-Tasman travel initiative under its belt, a core priority of this group for 2010 is to streamline trade, with a focus on reducing the barriers to trade across the Tasman.

The recently established Border Sector Ministerial Group comprises the Ministers of Customs, Immigration, and Biosecurity, and strengthens the Government's commitment to delivering results across the border sector. This group will work closely with Chief Executives to provide leadership and direction on the strategy for the border sector, ensure co-ordinated and consistent planning across the system, and proactively drive the border sector work programme.

Decision making

Though it may be implicit in the new approach, it is worth remembering that at times, there may be conflicting interests and views among stakeholders across the biosecurity system. We already know that many in our production sectors feel MAF should be establishing tighter standards on imports through our IHS processes, being tougher on importers with respect to inspections, audits and compliance actions; and that importers should shoulder greater biosecurity costs because they bring things in.

Equally, many importers feel they already carry significant compliance costs and their activities are vital to the economy.

When such conflicts arise, MAF must consider the broad interests of New Zealand as a whole and make decisions that fit with New Zealand's overall requirements. We need to be mindful of our international obligations to impose the least trade restrictive measures available that will manage the perceived risks, and we should be rigorously evidence and science based in our assessments of risk and risk mitigations. We should be transparent about why we make certain decisions and where we choose to put our resources.

Conclusions

So that about sums it up. I have touched on several areas where MAF will be doing things differently and this will undoubtedly affect the work we all do. My take-home messages for you today are that:

- MAF will make increasing use of risk profiles, with the help of better technology and information, to identify and assess levels of biosecurity risk, and target our resources accordingly.
- MAF will come down hard on those who deliberately or repeatedly fail to comply with biosecurity requirements but we will aim to recognise compliant traders and reward them with less MAF intervention, greater flexibility on managing their business.
- We want you to be involved, because often you will be best placed to identify ways in which biosecurity risks can be effectively managed with least impact on supply chain efficiency and costs.

Thanks again for the opportunity to speak here today. We look forward working more closely with the logistics industry / CBAFF members in the future, to make our already 'world class' biosecurity system even better.