

Australian Food and Grocery Council

SUBMISSION

31 OCTOBER 2012

TO:

AUSTRALIAN AND NEW ZEALAND PRODUCTIVITY
COMMISSIONS

IN RESPONSE TO:

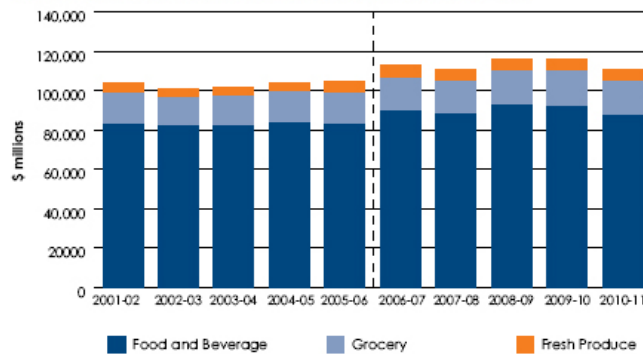
STRENGTHENING TRANS-TASMAN ECONOMIC
RELATIONS: DISCUSSION DRAFT



The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, drink and grocery manufacturing industry.

The membership of AFGC comprises more than 150 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors.

Figure 4.1: Composition of the industry's turnover (\$2010-11)⁴



Source: Based on ABS, catalogue number 8221.0 and 8159.0

With an annual turnover in the 2010-11 financial year of \$110 billion, Australia's food and grocery manufacturing industry makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector¹ is Australia's largest manufacturing industry. Representing 28 per cent of total manufacturing turnover, the sector the second largest industry behind the Australian mining sector and accounts for over one quarter of the total manufacturing industry in Australia.

The diverse and sustainable industry is made up of over 22,600 businesses and accounts for over \$49 billion of the nation's international trade. These businesses range from some of the largest globally significant multinational companies to small and medium enterprises. The industry spends \$466.7 million a year on research and development.

The food and grocery manufacturing sector employs more than 296,300 Australians, representing about 3 per cent of all employed people in Australia, paying around \$11.3 billion a year in salaries and wages.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost half of the total persons employed being in rural and regional Australia². It is essential for the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

Australians and our political leaders overwhelmingly want a local, value-adding food and grocery manufacturing sector.

¹ Fast moving consumer goods includes all products bought almost daily by Australians through retail outlets including food, beverages, toiletries, cosmetics, household cleaning items etc.

² About Australia: www.dfat.gov.au

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1. INTRODUCTION

AFGC welcomes the opportunity to make this submission to the Trans-Tasman Review, in response to the Australian and New Zealand Productivity Commissions' joint discussion draft.

AFGC has long advocated the value of the *Australia New Zealand Closer Economic Relations Trade Agreement 28 March 1983 - Trans-Tasman Mutual Recognition Agreement* and the subsequent establishment of a bi-national harmonised approach to food regulation.

The rationale behind these landmark arrangements was that if Australia and New Zealand were considered to be a single market, benefits would flow to both nations. Feedback from AFGC member companies is that they consider Australia and New Zealand to be a single market for all practical aspects from operational arrangements through to marketing and promotion.

There are, however, several areas where AFGC considers greater alignment could deliver further benefits to both Australia and New Zealand. These are outlined below.

2. COMMENTS ON DISCUSSION DRAFT

2.1. DEVELOPMENT OF A BI-NATIONAL FOOD PLAN

AFGC recognises that the challenges facing the food manufacturing sector in New Zealand are very similar to those in Australia viz:

- a lack of scale for manufacturing operations;
- distance from major markets;
- food regulatory challenges;
- a concentrated retail sector; and
- rising input costs.

Given these similarities, AFGC considers there is a strong argument for creating a Bi-National Food Plan between Australian and New Zealand, or at least ensuring alignment in key areas.

In its submission to the Australian Government's National Food Plan White Paper, AFGC argued that the development of Australia's National Food Plan should consider New Zealand and recognise the 'one market' policy approach already pursued by both countries, with a view to ensuring alignment in of key policy initiatives, and possible a future Bi-National Food Plan.

2.2. REGIONAL TRADE OPPORTUNITIES

AFGC welcomes the Commissions' recognition that a trans-Tasman integration agenda needs to be relevant to the broader regional and global context, particularly the opportunities emerging in Asia.

Even though Australian and New Zealand food manufacturers compete against each other in respective domestic markets and overseas in export markets, the commercial rewards for all

manufacturers in Australia and New Zealand are potentially much greater if both countries work together to secure markets in the wider Asian market.

AFGC considers the current discussion draft is somewhat narrow, with a focus on opportunities for Australian mining and New Zealand food businesses. As has been recognised in recent Government reports, including the PM's Taskforce of Manufacturing, the National Food Plan White Paper, the report from the Food Processing Industry Strategy Group, and the Australia in the Asian Century White Paper, there are significant opportunities in Asia for the Australian food and beverage industry.

AFGC would like to see the Commissions' report reflect these opportunities and considers that the trans-Tasman integration agenda should consider how to best build on Australia and New Zealand's reputation for providing clean, green, safe food, which in part reflects our well regarded regulatory systems and standards for chemicals, food labelling, ingredients and marketing.

The Food Processing Innovation Strategy discusses the concept of a Food Innovation Hub, which connects food companies, research bodies, marketing and design expertise, with a focus on identifying and capturing export opportunities in Asia (and other markets). This includes developing a deeper understanding of Asian consumers and their tastes. AFGC considers there may be merit in extending such a hub to include New Zealand.

2.3. JOINT GOVERNMENT ACTION IN REGIONAL AND MULTILATERAL FORA

AFGC strongly supports proposed initiative DR 5.3: Consider how to facilitate joint action in regional and multilateral fora and considers that this initiative has a greater potential to deliver net benefits than has been identified by the Commissions.

An example of such effective joint action is the APEC Food Safety Cooperation Forum, co-chaired by Food Standards Australia New Zealand and Chinese government agencies. This forum has provided the ability to advocate Australia's and New Zealand's position to Codex, the international food standards body.

AFGC considers that the Australian and New Zealand Governments should continue to fund partnerships and capacity building and work together on regulatory reform and trade promotion in regional and multilateral fora, particularly in the Asian region.

2.4. RULES OF ORIGIN

AFGC welcomes initiatives that reduce the burden of regulation and hence supports the Commissions' proposed initiative DR 4.6: Abolish CER 'Rules of Origin' for all items at tariffs of 5 per cent or less; and reduce remaining tariffs to 5 per cent, which would allow CER 'Rules of Origin' to be abolished.

Given the Australian Productivity Commission's previous findings with respect to the cost of transshipment, and the fact that most tariffs are negligible in both Australia and New Zealand, there appears a low likelihood of third countries using transshipment through either Australia or New Zealand to enter the other Tasman market.

It would therefore be a burden to Australian and New Zealand businesses, with no offsetting policy benefits, to continue to require all exporting businesses to provide evidence of their origin. The

Commissions' proposed initiative would facilitate greater trans-Tasman trade flows by reducing the administrative and compliance costs of such trade.

2.5. SHIPPING AND AIR TRANSPORT

AFGC supports reforms to trans-Tasman shipping and air transport services, through the proposed abolition of competition restrictions in these industries. In particular, AFGC supports the Commissions' proposed initiatives DR 4.8, 4.9, 4.11 and 4.12, though would like to see these reforms all occur in the shorter rather than longer term.

Given a significant proportion of Australia's international trade is carried by sea, liberalisations in international sea freight and coasting shipping will not only increase trade between Australia and New Zealand, but will deliver broader benefits to the Australian economy by lowering costs and improving the Australian manufacturing industry's international competitiveness.

2.6. QUARANTINE AND BIOSECURITY

AFGC supports proposed initiative DR 4.7: Continue to develop common systems and processes for quarantine and biosecurity, where cost effective. AFGC welcomes the Commissions' recognition that Australia and New Zealand have different environmental contexts and biosecurity risks, and hence there are necessarily limits to the degree of integration and reductions in quarantine restrictions that can be achieved.

2.7. ALIGNMENT OF INDUSTRY CODES

In addition to aligning legislation and regulations, where there are net benefits, AFGC considers there may be potential benefits from aligning self regulatory industry codes.

AFGC currently manages the following industry codes:

- Code of Practice for Food Labelling and Promotion
- Responsible Children's Marketing Initiative
- Quick Service Restaurant Initiative for Responsible Advertising to Children
- Allergen Management and Labelling.
- Cold Chain Guidelines
- Crisis Management Guide

AFGC considers that the Government could play a facilitation role to assist industry in assessing the costs and benefits of aligning such codes.

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