

18 December 2012

Mr Ian Dempster
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Dear Ian,

Thank you for forwarding the information regarding the consultation on proposed changes to the CCM Regulations, which arrived yesterday. The Food & Grocery Council (FGC) was not previously aware this consultation was taking place so we very much appreciate the alert.

The FGC is the industry body which represents the major food producers in New Zealand, including NZ Sugar, Goodman Fielder, George Weston, Fonterra, and 200 other companies involved in the production of consumer goods.

Our member companies, along with New Zealand consumers, were significantly affected as a result of the Maui gas outage. They will most certainly be affected by any decision as a result of this consultation, particularly if, as producers of staple foods, some currently categorised as Band 5 in the Essential Services Providers categorisation have this designation removed.

FGC was heavily involved during the outage and during that period advocated successfully for the approval of a number of applications from members producing essential food staples to be designated Essential Services Providers.

In the time available we have not attempted to make a substantive submission in response to the consultation document, but rather seek to make one significant point relating to the discussion of food production and food security in general.

The FGC strongly disagrees with the theory that “there appears to be no justification for exempting food manufacturers from curtailment” with regard to the criteria for essential services providers.

We would argue the opposite. Given that food is essential for human life, for the CCM Regulations to not view basic food provision – the production of staple foods to sustain the populace – as having any importance is not a responsible approach to planning a response to any form of crisis.

In modern New Zealand life the consistent provision of high-quality, available food is assumed by all citizens. You may be aware of the maxim often attributed to MI5 in the UK that the country is just “four meals away from anarchy” at any given moment. Though the likelihood of major food-related unrest in New Zealand remains slim, disruptions to the food supply could still have serious consequences.

Just five days of fuel protests in the UK in 2000 led to panic buying and warnings by supermarkets that they were running out of food, and unable to replenish their stocks. The UK food chain operated then, as does the New Zealand food chain, on a “just-in-time” basis,

meaning that every part of the system needs to run smoothly if the whole system is not to break down.

In the face of all sorts of crises, history demonstrates regularly that citizens can rationalise the lack or loss of many services, such as electricity and roading, over a period of days, but any hint that there will be a food shortage and the thin veneer of civilised life can dissolve rapidly. It would be easy to dismiss this as provocative, but this is exactly what occurred following Hurricane Katrina in New Orleans, the 2010-2011 Queensland floods, and, on a limited scale, with panic-buying in Christchurch after the earthquakes when supermarkets were in limited shutdown. The provision of food, or the potential lack of food, is inevitably a media focus within days as journalists know that food issues are of keen interest to the public, as was demonstrated by the consistent coverage of food shortage fears during the Maui outage, particularly the recurring shots of empty bread trays in local supermarkets

From FGC's perspective, the Maui outage in New Zealand's major food production area demonstrates there is a clear justification for exempting a limited number of food producers involved in the production of basic staples.

There is no doubt that significant gaps were identified in the way gas is allocated in the event of such a crisis, and it has changed the way we view and discuss publicly New Zealand's food supply network. Traditionally, our view has been that New Zealand has a robust food supply and could cope with significant stoppages in food production in certain cities and compensate them from other parts of the country. The Maui outage was a different situation due to the proximity of the outage to the main food production area, and the food industry's reliance on gas for production.

Our members' experience of the Maui outage has required our organisation to temper such comments because in our view the long-term outage exposed a significant weakness in our nation's entire food security network and resource infrastructure.

Those weaknesses include some which can be mitigated, such as alternative fuel supplies, but some which cannot, such as the existence of only one economic source of yeast for all bread production in New Zealand.

I also note that the consultation document does not indicate any understanding of how close the top half of the North Island came to facing significant food shortages.

Because so much food production is still dependant on gas and so much of that production is in the Auckland and Waikato regions, had the outage gone on for just a few more days, the whole country would have seen shortages of many staple food items and rationing of a kind not seen since World War II.

Though the document includes a subtle rebuke of gas users for failing to mitigate risks or gain appropriate designation prior to the outage, our members could equally say that even with their best risk-planning processes in place, they could be forgiven for not knowing of the possibility of a complete shutdown. They could equally ask, "Where was the mitigation plan for the Maui pipeline? How could it be that our nation's largest economic area could be reliant on such Third World infrastructure and be so dependent on one source?"

There is no doubt that the late designation of FGC members producing certain staple items ensured a consistent food supply during the outage.

It is probably forgotten by consumers now, but had some of our member companies not been able to produce bread, there would not have been a single loaf of bread in the upper part of the North Island.

While the consultation document almost glibly states that “the lack of certain foods may give rise to a degree of inconvenience” and that “different brands or different foodstuffs are likely to be available”, this is not the case with certain staple food items which the population views as important – bread and milk, in particular. Civil unrest and food security are integrally linked. To dismiss access to food as “a degree of inconvenience” ignores the social consequences of not appropriately addressing food security as an essential part of Emergency Management Planning.

I would add that there are also a number of strategic food producing manufacturing facilities/factories. I am sure that other stakeholders might look at the list of Essential Services Providers and wonder why a yeast producer, for example, was designated an ESP, not knowing that had that yeast company not been given the appropriate designation, the whole of New Zealand would have been only a few days away from having no bread available anywhere. All fresh yeast for New Zealand is produced in one factory in the Hamilton region, and without yeast all bread factories in New Zealand would have shut down until alternate supplies had been secured offshore.

Also, there are limited stores of sugar kept around New Zealand, but had NZ Sugar not been given the additional approval to return to limited production, their failure to provide sugar for food production to their 200+ food producers would have triggered factory shutdowns throughout New Zealand and brought the provision of food to many local communities to a halt, e.g bread once again.

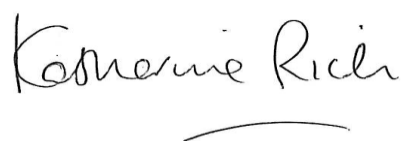
It is a judgment call for your organisation, but should food producers be removed from an Essential Services Providers list we will vigorously pursue the impact of this decision further. No bread, no fresh milk, no staple cereals, and rapidly emptying supermarkets are significant matters that focus any government and the public in the face of emergencies.

We completely understand the need for limiting supply and the need for companies to have contingency plans in place for further outages, but in the event of another significant Maui outage, it is our view that food security and the ability to produce limited basic food staples must be key factors in gas allocation decisions. There must also be recognition of some sites which are single sources for strategic ingredients which the entire country relies on.

Our members do their best to plan for all sorts of scenarios, but we suggest that a recommendation for the complete removal of food will be a decision that the Gas Industry Company may wish to reconsider.

In the throes of another Maui outage, New Zealanders are unlikely to understand that the reason they have no bread or other staples on the shelf is that the GIC didn't think food was an essential to life.

Yours sincerely



Katherine Rich
Chief Executive