

# Review of Biosecurity Border Clearance Charges 2009

Introduction of Ruminant Protein Facility Audit Charge

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## Notes for submitters

The Ministry of Agriculture and Forestry (MAF) invites submissions from all interested parties on the proposed changes to the Biosecurity (Costs) Regulations 2006, Biosecurity Risk Screening and Biosecurity Shipping Container Levies 2006 and a new single Biosecurity System Entry Levy. This paper also introduces a Ruminant Protein Facility Audit charge and invites comment on the possible future implications on the proposed 'Joint Border Management System'.

If you make a submission you will receive a copy of the submissions analysis along with the final proposals. The Minister for Biosecurity will consider submissions before making recommendations to Cabinet.

Please note that submissions may be the subject of requests for information under the Official Information Act 1992 (OIA). The OIA specifies that information is to be made available to requesters unless there are sufficient grounds for withholding it, as set out in the OIA. Submitters may wish to indicate grounds for withholding specific information contained in their submission, such as that the information is commercially sensitive or they wish personal information to be withheld. Any decision to withhold information requested under the OIA is reviewable by the Ombudsman.

The following points may be useful in preparing your comments:

- Wherever possible, refer your comments to the relevant section(s) of the document.
- Please indicate any omissions that you may have noticed in the document.
- Please include where possible, reasons and examples to support your comments.
- The use of examples to illustrate particular points is welcomed.
- Please make sure the comments are clearly hand-written in black or blue ink if sending us a hard copy.

Please include the following information in your submission:

- the title of the discussion document;
- your name and title (if applicable);
- your organisation's name (if applicable);
- your address and contact details (e.g. phone, fax or e-mail); and
- the number(s) of the sections you are commenting on.

Please mail, fax or email your submission by **4 February 2010** to:

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## Executive summary

The Ministry of Agriculture and Forestry (MAF) has completed a review of the border cargo charges comprised of Biosecurity (Costs) Regulations 2006, the Biosecurity Risk Screening Levy and the Biosecurity Shipping Container Levy Orders 2006, and the Biosecurity Gypsy Moth Levy Order 2004. The review was undertaken following Government guidelines to review charges in the public sector at least every three years.

The 2009 review has found some under-recovery, inequitable application of charges and operational difficulties in administering the current regime. It has also found gaps in charging for the biosecurity risk screening of imported goods leading to cross-subsidisation of this activity by other revenue sources and also some over-recovery.

The under-recovery of biosecurity clearance costs and a decline in import volumes due to the recession has produced a revenue deficit in border cargo operations of \$5.1 million. In spite of a deficit, MAF is not seeking to increase its charges to compensate for this. Rather, it is reducing its expenditure and trying to match resources to activity levels.

MAF is choosing not to increase fees to address this deficit. Savings have already been identified from within by cutting expenditure and reducing staff. The charges proposed in the paper will only collect the same amount of revenue that MAF would have received from the current charging regime. The average annual cost to be recovered from industry over the next three years is estimated to be \$23.0 million. The changes proposed in the discussion paper are about trying to find a more efficient and easier way of collecting the charges for MAF and industry equally.

Following discussions with affected industry parties, MAF has developed two options for charging under the revised biosecurity costs regulations and is seeking feedback on these options:

- **Option 1:** Modify the existing structure of fees and charges by amending the existing costs regulations and revising the rates for the risk screening and shipping container levies.
- **Option 2:** Simplify the charging regime by recovering a greater share of the costs via a single biosecurity system entry levy on all imported goods crossing the border and removing the shipping container and gypsy moth levies.

Comparison of charges under the two proposed options with the existing charging regime is provided in Table 1.

Option 2 (a new charging structure and a single biosecurity levy) will likely be more favourable than Option 1 (modify the existing charges and revise levy rates) for the majority of large importers and some small importers who now pay three levies, zone fees and hourly inspection charges on each consignment of imported goods. These importers will pay less due to the elimination of cross-subsidisation of biosecurity border clearance for those importers/industry parties that were not previously charged.

MAF will analyse submissions on this paper and intends to present a final proposal for reviewed regulations and levies to Government in February 2010, for implementation by 1 July 2010.

**Table 1: Fee structure of two options as compared to current (2006) Biosecurity Costs Regulations and levies (all charges include GST)**

Current fee structure	Option 1 Continue with the 2006 levies and 2004 Gypsy Moth levy	% Increase over 2006 Regs	Option 2 Integrate levies	% Increase over 2006 Regs
Biosecurity Risk Screening levy <b>\$4.00</b>	Biosecurity Risk Screening levy <b>\$5.65</b>	41%	<b>Biosecurity System Entry Levy \$12.50</b>	
Biosecurity Shipping Container with goods <b>\$20.00</b>	Biosecurity Shipping Container with goods <b>\$10.00</b>	Decrease by 50%	<b>No Shipping Container levy</b>	
Biosecurity Shipping Container empty <b>\$10.00</b>	Biosecurity Shipping Container empty <b>\$5.00</b>	Decrease by 50%		
Biosecurity Gypsy Moth levy <b>\$ 0.65</b>	Biosecurity Gypsy Moth levy <b>\$ 0.65</b>	0 %	<b>No Gypsy Moth levy</b>	
Hourly rate <b>\$100.00</b>	Hourly rate <b>\$118.00</b>	18%	Hourly rate <b>\$100.00</b>	0%
<b>Zone fees</b>	<b>Zone fees</b>		<b>Zone fees</b>	
Zone 1 (0-10 km) <b>\$45.00</b>	Zone 1 (0-10 km) <b>\$87.00</b>	93%	Zone 1 (0-10 km) <b>\$72.00</b>	60%
Zone 2 (11-25 km) <b>\$70.00</b>	Zone 2 (11-25 km) <b>\$118.00</b>	69.0%	Zone 2 (11-25 km) <b>\$100.00</b>	43%
Zone 3 (26-50 km) <b>\$140.00</b>	Zone 3 (26-50 km) <b>\$196.50</b>	40%	Zone 3 (26-50 km) <b>\$163.00</b>	16%
Zone 4 (51-75km) <b>\$200.00</b>	Over 50 km - Hourly rate (charged on return trip) <b>118.00</b>	18%	Over 50 km - Hourly rate (charged on return trip) <b>\$100.00</b>	0%
Over 75 km - Hourly rate (applied to return trip) <b>\$100.00</b>				
<b>Used vehicles</b>	<b>Used vehicles</b>		<b>Used vehicles</b>	
Motor cycles <b>\$15.00</b>	Motor cycles <b>\$20.00</b>	33%	Motor cycles <b>\$16.00</b>	7%
Vehicles <3,500 kg <b>\$25.00</b>	Vehicles <3,500 kg <b>\$49.00</b>	96%	Vehicles <3,500 kg <b>\$40.50</b>	62%
Vehicles >3,500 kg <b>\$50.00</b>	Vehicles >3,500 kg <b>\$69.00</b>	38%	Vehicles >3,500 kg <b>\$57.00</b>	14%
<b>Other fees</b>	<b>Other fees</b>		<b>Other fees</b>	
Permits issued under IHS and amendments to permits <b>Per permit \$105.00</b>	Permits issued under IHS and amendments to permits <b>Per permit \$163.00</b>	56%	Permits issued under IHS and amendments to permits <b>Per permit \$163.00</b>	56%
	<b>New fees</b>		<b>New fees</b>	
	Annual transitional and containment facility fee <b>Per annum \$160.00</b>	No charge currently	Annual transitional and containment facility fee <b>Per annum \$160.00</b>	No charge currently
Specific live animal inspection fee determined by EC agreement <b>\$28.70</b>	Inspection of Domestic Pet Animals <b>Per animal \$40.00</b>	39%	Inspection of Domestic Pet Animals <b>Per animal \$40.00</b>	39%
<b>Total Cost Recovered in 2008/09 \$21.7 m (GST excl)</b>	<b>Average annual Cost to be Recovered under Option 1 \$23.0 m (GST excl)</b>		<b>Average annual Cost to be Recovered under Option 2 \$23.0 m (GST excl)</b>	
<b>Deficit (\$4.6 m) (GST excl) Plus past period (0.5 m)</b>				

Should the Government approve the development of the “Joint Border Management System” (ref p. 25), then it is proposed that the Biosecurity System Entry Levy (if Option 2 goes ahead) be reviewed next year to help fund MAF’s share of this new system’s costs. The new fees would come into effect from 2012 when the first phase of the new system is implemented. Further consultation with industry will be taken during the development phase once actual costs are known.

MAF and Customs propose that the additional costs of the Joint Border Management System be shared between the Crown and industry. The additional operating costs to be recovered from industry after full implementation are expected to be approximately \$18 million per annum. Fees would need to increase across both agencies by approximately 30 percent with the implementation of the first phase in 2012 and rising to approximately 47 percent from 2014 when the system is fully implemented. Other fees would not be affected.

## Purpose

The purpose of this discussion paper is to:

- propose amendments to the Biosecurity (Costs) Regulations 2006, the Biosecurity Risk Screening and Biosecurity Shipping Container Levy Orders 2006, and the Biosecurity Gypsy Moth Levy Order 2004;
- recommend changes to the existing charges, fees and levies;
- introduce a Ruminant Protein Facility Audit Charge;
- outline the possible future implications of the proposed 'Joint Border Management System';
- provide supporting data on the costs of biosecurity clearance services at the border; and
- seek feedback from stakeholders on the proposed changes.

Your comments are welcome and due by **4 February 2010**.

## Introduction

The Ministry of Agriculture and Forestry (MAF) has completed a review of the Biosecurity (Costs) Regulations 2006. The review was undertaken in line with earlier MAF commitments and the Treasury<sup>1</sup> and Office of the Auditor-General guidelines<sup>2</sup> to review charges in the public sector at least every three years.

The review team has endeavoured to ensure that charges under the proposed options for biosecurity border clearance services will:

- accurately and equitably recover the actual costs incurred by MAF in providing the service;
- not be unnecessarily high or excessive;
- remain sustainable over the next three years when the revised regulations are in place; and
- not adversely affect the import industry during the global economic recession.

## WHAT IS INCLUDED IN THE REVIEW

MAF's biosecurity border services are designed to prevent or manage the entry of goods that are likely to cause harm or contain material that is likely to cause harm to New Zealand's economy, environment and human health, and/or affect trade in international markets.

Cost recovery of biosecurity border clearance services provided by MAF to third parties occurs under the Biosecurity Act 1993, Biosecurity (Costs) Regulations 2006 and three biosecurity levy orders – the Biosecurity Risk Screening Levy and the Biosecurity Shipping Container Levy Orders 2006 and the Biosecurity Gypsy Moth Levy Order 2004.

This review covers the Biosecurity (Costs) Regulations 2006 and the three levy orders. The Biosecurity Gypsy Moth Levy Order 2004 was not intended for the review initially, however it is now considered in Option 2 of the proposed changes to the regulations.

The Biosecurity (Costs) Regulations 2006 set charges for the following services provided by MAF to third parties:

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<sup>1</sup> *Guidelines for Setting Charges in the Public Sector*. The Treasury, December 2002. - <http://www.treasury.govt.nz/publications/guidance/finmgmt-reporting/charges>

<sup>2</sup> *Charging Fees for Public Sector Goods and Services*. Good practice guide. Office of the Auditor-General, June 2008. - <http://www.oag.govt.nz/2008/charging-fees/docs/charging-fees.pdf>

- Inspection of all imported biosecurity risk goods including unaccompanied personal baggage and effects, used vehicles and machinery.
- Inspection of off shore craft and shipping containers, which do not meet entry requirements.
- Call-outs, travel and waiting time for MAF inspectors to carry out a biosecurity clearance activity.
- Monitoring controls on new organisms in containment facilities.
- Approval and audit of transitional and containment facilities and facility operators.
- Approval of permits issued under Import Health Standards.

The Biosecurity Risk Screening Levy is applied to all imported goods that attract a Customs import entry transaction fee and are processed through the New Zealand Customs Service system (CusMod). The levy was introduced in October 2006 to fund screening of the imported goods for biosecurity risk and clearing goods that do not require further action by MAF.

Importers also pay a Biosecurity Shipping Container Levy introduced in October 2006 to cover the costs of biosecurity clearance of all sea containers landing in New Zealand. The levy is payable for every discharged sea container and is charged to the shipping company at the time of importation.

The Gypsy Moth Levy is charged on all shipping containers and used vehicles imported into New Zealand. The levy was introduced in 2004 to fund a surveillance programme for gypsy moth.

The 2009 biosecurity costs regulations and levy orders review defines the biosecurity services to be charged for, the method of calculating the charges, the fees and levy rates payable and the persons who will be charged and levied.

## CHANGES EXPECTED FROM THE REVIEW

The 2009 review has identified changes that need to be made to the biosecurity costs regulations and levy orders, and assessed charges, fees and levy rates for the 2009/10, 2010/11 and 2011/12 financial years.

MAF has developed two options for charging under the revised biosecurity costs regulations and biosecurity levies that are detailed in Section II of this discussion paper.

The proposed changes are based on a new cost model that uses the actual activity cost, time, and volume data to determine required operational resources and future charges. The input data for the model has been collected from MAF Biosecurity New Zealand, New Zealand Customs Service and import industry associations.

The review project team has been communicating with industry stakeholders from early stages of the project via monthly newsletters. Industry stakeholders were involved in forecasting the expected volumes of imported cargo including the number of containers, used vehicles and other goods of biosecurity interest.

From October 2008 to May 2009 the project team met with port and shipping companies and representatives of:

- Customs Brokers & Freight Forwarders Federation (CBAFF);
- MAF/Industry Cargo Consultative Committee (MICCC);
- Conference of Asia Pacific Express Carriers (CAPEC); and
- Tomorrow's Cargo Logistics Group (TCL)/ Employers and Manufacturers Association.

The changes proposed in this discussion paper are consistent with the:

- cost recovery principles set in the Biosecurity Act 1993;
- government guidelines on cost recovery;
- findings of the Biosecurity Funding Review 2005 and the Review of Biosecurity Compliance Costs 2005.

## Structure of the discussion paper

This discussion paper consists of five sections and contains three appendices.

- Section 1 outlines legislative requirements and government guidelines for cost recovery.
- Section 2 describes the main findings of the review and the proposed changes to the biosecurity costs regulations.
- Section 3 describes the proposed changes to the biosecurity levies.
- Section 4 provides brief comparison of regulatory impact and compliance costs of the changes proposed under two options.
- Section 5 describes possible implications of the proposed Joint Border Management System for cost recovery of cargo border clearance services.
- Appendix A provides a schedule of the proposed revised charges and fees.
- Appendix B provides costing information and details of calculating fees, charges and levies.
- Appendix C defines the main terms used in the regulations.

The discussion paper can be found on MAF Biosecurity New Zealand's website at <http://www.biosecurity.govt.nz/search/node/consultation> or is available on request.

# 1. Legislative framework

## 1.1 BIOSECURITY ACT 1993 REQUIREMENTS

MAF administers the Biosecurity Act 1993 and is obliged under the Act to recover costs for the administration of functions not funded by Government. The Act sets out provisions for making biosecurity costs regulations (by Order in Council) that prescribe matters, in respect of which costs are recoverable.

Section 135 (1) of the Biosecurity Act defines key principles of cost recovery under the Act:

*The Director-General,.... shall take all reasonable steps to ensure that so much of the costs of administering this Act,... , as are not provided for by money appropriated by Parliament for the purpose are recovered in accordance with the principles of equity and efficiency in accordance with this section and the regulations.*

Section 135 (2) also prescribes how the recoverable amount of costs of performing a biosecurity function or providing a service should be calculated:

*...ensure that there is recovered any amount by which—*

*(a) The sum of—*

*(i) The costs of the function in the current year; and*

*(ii) Any shortfall in the recovery of the costs in the preceding year; exceeds*

*(b) Any over-recovery of costs in respect of the preceding year.*

Section 135 (3) of the Act allows MAF as a recovering authority to:

*recover costs of administering this Act and performing the functions, powers, and duties provided for in this Act by such methods as he or she or it believes on reasonable grounds to be the most suitable and equitable in the circumstances, including any one or more of the following methods:*

*(a) Fixed charges:*

*(b) Charges fixed on an hourly or other unit basis:*

*(c) Estimated charges paid before the provision of the service or performance of the function followed by reconciliation and an appropriate payment or refund after provision of the service or performance of the function:*

*(d) Actual and reasonable charges:*

*(e) Refundable or non-refundable deposits paid before provision of the service or performance of the function:*

*(f) Charges imposed on users of services or third parties:*

*(g) In the case only of the Director-General or some other chief executive, liens on property in the possession of the Crown.*

The Biosecurity Act 1993 also specifies the purposes for which biosecurity costs regulations may be made and the criteria that should be applied when making such regulations. Section 165 (1) of the Act states:

*The Governor-General may from time to time, by Order in Council..., make regulations for all or any of the following purposes:*

*.....*

*(s) Prescribing matters in respect of which costs are recoverable under this Act and the regulations,... the amounts of those costs or the method by which they are to be assessed, the persons liable for payment of the costs, and the circumstances in which the recovery of costs may be remitted or waived (in whole or in part).*

Section 165 (2) of the Act requires the Minister to consult persons representative of those affected prior to recommending the regulations:

*Before making any recommendation for the purposes of subsection (1), the responsible Minister must consult to the extent that is reasonably practicable, having regard to the circumstances of the particular case, such persons as the responsible Minister has reason to believe are representative of interests likely to be substantially affected by the regulations.*

This discussion paper has been prepared in accordance with the relevant requirements and cost recovery principles of the Biosecurity Act.

## 1.2 AUDITOR-GENERAL AND TREASURY GUIDELINES

In developing the proposals for this Discussion Paper, MAF has followed the recommendations of the *Treasury Guidelines for Setting Charges in the Public Sector* (The Treasury Guidelines) and the Office of the Auditor-General Good Practice Guide<sup>3</sup> *Charging fees for public sector goods and services* (The Auditor-General guide).

The Auditor-General guide directs public entities/government departments to apply three principles when setting fees for providing services to third parties:

- authority;
- efficiency; and
- accountability.

**Authority** here means a legal authority to charge a fee for the services that a public entity (MAF) is legally obliged to provide to third parties. For MAF's biosecurity services this authority is endowed by the Biosecurity Act 1993.

**Efficiency** means providing the service to the desired level of quality from a given quantity of resource and thereby achieving value for money. To gain efficiency MAF needs to have an adequate understanding of the costs (both direct and indirect) of providing biosecurity services and a good discipline of monitoring the costs.

**Accountability** means ensuring that MAF's processes for identifying costs and setting fees are transparent. To achieve this, MAF consults the public on any proposed new fees and records the surpluses and deficits associated with the existing fee regime.

The Treasury Guidelines<sup>4</sup> outline policy considerations such as who should be charged a fee and whether a public entity should recover less than the full costs of providing a good or service. The Guidelines state that:

- Charges should in general be set at the full cost of providing the service, where full cost includes all overheads and non-cash (such as capital charges), measured in accrual accounting terms.
- Charges should not be excessive in relation to the costs incurred.
- Charges can be set to vary by the location where the service is provided or by the time at which the service is provided but a balance needs to be struck between the gains from complex fee structures and the costs in terms of a loss of simplicity.
- The process for setting charges should be clear and appropriate.

<sup>3</sup> *Charging Fees for Public Sector Goods and Services*. Good practice guide. Office of the Auditor-General, June 2008. <http://www.oag.govt.nz/2008/charging-fees/>

<sup>4</sup> *Guidelines for Setting Charges in the Public Sector*. The Treasury, December 2002. <http://www.treasury.govt.nz/publications/guidance/finmgmt-reporting/charges>

- Transaction costs in setting and collecting the charges should be kept as low as practicable.
- Appropriate consultation with those affected should be undertaken when setting and changing the charges.
- There should be a robust basis for any charges.
- There should be fair treatment for taxpayers, beneficiaries of the service and risk exacerbators.

### 1.3 BIOSECURITY FUNDING REVIEW AND REVIEW OF BORDER COMPLIANCE COSTS

The Biosecurity Funding Review<sup>5</sup> recommended that a given biosecurity service is most appropriately funded by the group or individual that is best placed to do at least one of the following:

- change their behaviour to reduce the costs of the service or the risks that give rise to the need for the service;
- assess whether the benefits of the service at its current level of provision outweigh costs and consequently influence the level of service provided; and/or
- determine whether the service at its current level of provision is being delivered most cost effectively.

The Biosecurity Funding Review concluded that:

- the Crown remains the most appropriate funder of many services largely due to public health, conservation, environmental or national economic reasons;
- the existing cost recovery regimes for cargo clearances and laboratory fees should continue; and
- costs should be based on consistent recovery of an appropriate share of overheads, and be designed more rigorously to avoid over or under-recovery.

In 2005 the Government approved the adoption of the above funding principles for assessing any future changes to the funding of biosecurity services. Consequently, these funding principles were applied to reviews of biosecurity border charges in 2006 and the current review.

In 2005 PricewaterhouseCoopers completed the review<sup>6</sup> of the costs to the New Zealand economy of complying with biosecurity requirements on imported goods. The review concluded that compliance costs were not unduly onerous or excessive and that they are lowest when obligations are clear and relatively stable over time. Compliance costs increase when obligations are not clear and if:

- requirements are not consistently applied;
- requirements are enforced in an inflexible (or “letter of the law”) manner;
- international standards equivalent to those in New Zealand are not adequately recognised;
- border personnel lack relevant experience and/or do not have the resource to process goods in a timely manner.

In developing the proposed changes to Biosecurity (Costs) Regulations 2006, the 2009 cost regulations review has taken into account the findings of both the Biosecurity Funding Review and Review of Border Compliance Costs.

<sup>5</sup> Future Funding of Biosecurity Services - Biosecurity New Zealand Discussion Paper No: 04/01 <http://www.biosecurity.govt.nz/bio-strategy/papers/biosecurity-funding-review.htm> #P147\_11406

<sup>6</sup> Costs of Compliance for Achieving Biosecurity Clearance. MAF Information Paper No: 2005/03. Prepared for MAF Biosecurity Strategic Unit by PricewaterhouseCoopers. September 2005. <http://www.maf.govt.nz/mafnet/publications/biosecurity-compliance/>

## 2. Main findings of the 2009 review and proposed changes

### 2.1 MAIN FINDINGS

MAF annually spends about \$88.0 million to run the biosecurity system at the border. Total costs of biosecurity border clearance activities (including cargo, passenger, vessels and mail clearance) were \$65.4 million in 2007/08 and \$68.0 million in 2008/09.

Cost recovery of MAF's biosecurity border services involves mainly cargo/ imported goods clearance. Importers and other third parties contributed about 93 percent (\$23.0 million) of the revenue received for MAF's cargo border clearance services in the 2008/09 financial year. The balance of 7 percent (\$1.7 million) was provided by the Crown for the biosecurity clearance of vessels.

The 2009 review of Biosecurity (Costs) Regulations has found that charges under the existing 2006 regulations do not reflect the true costs to MAF of providing biosecurity clearance services. The review has identified the following problems in the existing cost recovery regime:

- inconsistent application of charges;
- the system of fees and charges is still too complex to administer;
- shipping companies find it an administrative burden to recover a shipping container levy from importers;
- significant uncertainty and fluctuations in cost recovery of variable charges for MAF;
- gaps in charging for the biosecurity risk screening of imported goods leading to cross-subsidisation of this activity by other revenue sources.

The under-recovery of biosecurity clearance costs and reduced import volumes due to the recession produced a revenue deficit in cargo border clearance activities of approximately \$5.1 million by the end of the 2008/09 financial year. This figure includes past deficits carried forward via memorandum accounting implemented after the 2006 review of biosecurity costs regulations.

To address the problem of under-recovery MAF has reduced its cargo operation expenditure by cutting back on allowances and discretionary expenditure, reviewing operating costs and reducing border operations to match activity levels.

MAF expects that over the next three years its costs of biosecurity clearance service at the border will match the anticipated revenue that it would have received from the current charging regime. The average annual cost to be recovered from industry is estimated to be about \$23.0 million.

### 2.2 PROPOSED OPTIONS

The proposed changes to the regulations and levies have been developed using two new models (Cost Recovery Model and Resource Allocation Model) and the actual cost, time, and volume data collected from the business units of MAF Biosecurity New Zealand, New Zealand Customs and import industry associations.

MAF has developed two options for charging for its border clearance services under the revised regulations and levies and is seeking feedback on these options:

- **Option 1:** Modify the existing structure of fees and charges by amending the existing costs regulations and revising the rates for the risk screening and shipping container levies.
- **Option 2:** Simplify the charging regime by recovery of variable costs via hourly rate-based charges and fixed costs via a single biosecurity system entry levy on all imported goods crossing the border.

The project team involved stakeholders throughout the review and in the development of the options and kept them updated on the progress of the 2009 review via monthly newsletters.

Both options propose the same changes to the existing biosecurity costs regulations and the same new fees to be added to the regulations schedule. The main difference between the options is in the levy structure. The list of proposed changes to the revised regulations is provided in Subsections 2.4.2 to 2.4.10 and Appendix A of this discussion paper.

Both options activate the same trigger points in the New Zealand Customs Service information management system (CusMod) where the existing biosecurity risk screening levy and the new proposed biosecurity system entry levy is to be collected. These points in the CusMod are:

- imports entries;
- simplified import entries;
- electronic customs interface reports;
- temporary import entries; and
- private import declarations/entries.

Total costs to be recovered from industry under both options are the same and are estimated to average \$23.0 million per annum excluding GST. Details of the cost structure of the two options are provided in Table 1 of the Executive Summary.

MAF recognises that it is difficult to accurately forecast the revenue and expenditure for the next three years especially during global economic recession. However, memorandum accounts introduced after the 2006 review will enable MAF to take into account actual operating surpluses or deficits and adjust charges for future years.

## 2.3 OPTIONS COMPARISON

Both options would simplify the charging structure, reduce the number of different fees and charges listed in regulations cost schedule and set the same hourly rates for biosecurity and veterinary inspectors.

The two new fees proposed to be added to the regulations schedule under both options are the Annual Transitional and Containment Facility Fee and a fee for inspection of domestic pet animals.

Option 2 differs from Option 1 in the following ways:

- It integrates three biosecurity levies (risk screening, shipping container and gypsy moth levy) into a single biosecurity system entry levy.
- It uses the fixed component of MAF's service costs to calculate the single levy rate.
- It applies the variable component of costs to define an hourly rate and unit fees charged under the biosecurity costs regulations.

The amalgamation of three levies would reduce administration costs of collecting each of these levies and will relieve shipping companies from collecting the shipping container levy from importers. In contrast, Option 1 would still require separate collection of the biosecurity shipping container and gypsy moth levies.

MAF believes that the charging regime under Option 2 will be more efficient and less administratively burdensome for industry than Option 1.

## 2.4. SPECIFIC CHANGES PROPOSED UNDER TWO OPTIONS

Changes to the regulations and levies proposed by the 2009 review under both options are designed to reduce compliance costs to importers, simplify the current charging system and apply charges consistently.

### 2.4.1 Inspection hourly rate charges

MAF charges a single inspection hourly rate of \$100.00 for the majority of biosecurity services that are subject to cost recovery in the regulations. However, inspection services carried out by MAF veterinarians are currently charged at the rate of \$96.10 per hour.

This veterinary inspection charge has remained unchanged since 1996 when it was included in the Agreement between the European Community and New Zealand on Sanitary Measures Applicable to Trade in Live Animals and Animal Products (the Agreement). Although the Agreement prescribes the \$96.10 charge to the “veterinary inspection of a live animal at transitional (quarantine) facility”, the 2006 Biosecurity Costs Regulations also applied this charge to other biosecurity activities performed by MAF veterinary inspectors.

MAF proposes a single rate charge per hour for any function, power or duty required to be undertaken under the Biosecurity Act either by a general inspector, veterinary inspector, or a biosecurity adviser with the exception of veterinary inspection of an animal directly imported from the European Community, at transitional (quarantine) facility, which will continue to be charged at NZ \$96.10 per hour.

The proposed hourly rate charge for inspection services has been calculated using the actual activity and volume data for the 2008/09 financial year and the average annual forecast data for the next three years (to June 2012).

Table 2: Average hourly rate calculation for MAF inspectors

	3 year average (forecast)
MAFBNZ frontline Full Time Equivalent (FTE) staff (allocated to activities at variable costs)	108
<i>Hours per FTE:</i>	
Annual hours (365 days @ 8 hours per day)	2 920
Less weekends, statutory holidays, sick leave, shift leave, etc.	(1 232)
<b>Total available hours per FTE</b>	1 688
Total available hours for inspection activities for all FTEs	181 685
Total chargeable hours for inspection activities for all FTEs	76 838
Total costs of inspection activities	\$6,654,043
Hourly rate excluding GST	\$86.60
Hourly rate including GST	\$97.42
<b>Proposed hourly rate</b>	<b>\$100.00</b>

MAF proposes that costs payable at an hourly rate continue to be calculated by the same method as in the 2006 Regulations, that is, by:

- a) summing the total number of 15-minute units spent by an inspector or a biosecurity adviser on an activity, travel, waiting, or a call-out, as the case may be; and
- b) multiplying the total number of units by 25 percent of the applicable hourly rate.

For the avoidance of doubt, a minimum charge of 25 percent of the hourly rate is payable, if the time spent by an inspector or a biosecurity adviser is 15 minutes or less.

#### 2.4.2 Travel costs for MAF Inspectors

Currently travel costs are payable for any activity that requires MAF inspectors or biosecurity advisers to leave their base or, in the case of a call-out, any other place (e.g. home).

Under the 2006 Biosecurity Costs Regulations, travel costs are charged as:

- a) a fixed fee for the four zones up to 75 km radius from the base; and
- b) a variable charge for travel to a site that is more than 75 km from the base.

MAF proposes to reduce the number of fixed-fee zones from four to three and apply an hourly rate charge for travel over 50 km.

The proposed changes to zone fees are presented in Table 3 below. The calculation of a zone fee is based on the distance travelled from the inspector's base and the estimated travel time involved in a return trip.

Table 3: Travel zone fees

Zone	Radius from base	Current Fee	Option 1 Fee	% change	Option 2 Fee	% change
Zone 1	0-10 km	\$45.00	\$87.00	93%	\$72.00	60%
Zone 2	11-25 km	\$70.00	\$118.00	69%	\$100.00	43%
Zone 3	26-50 km	\$140.00	\$196.50	40%	\$163.00	16%

Details of calculating the new zone fees are given in Table 6 of Appendix B.

The new proposed travel charge for an activity at a site located more than 50 km from the inspector's base is \$118.00 per hour in Option 1 and \$100.00 per hour in Option 2. The charge applies to the time spent away from the base including a return trip.

The person who requires the service would also pay:

- (b) any actual and reasonable costs associated with the activity, including motor vehicle operating costs of 69 cents per kilometre, airfares, accommodation and meals, or an equal share of those associated costs if more than one activity is carried out at the same site.

#### 2.4.3 Call-out and additional hours costs for MAF Inspectors

Call-out costs are payable for an inspector or a biosecurity adviser who, having left the place of work, has been recalled for duty to carry out an activity.

Additional hours are those hours for which MAF has to pay overtime rates.

Under current (2006) regulations, the call-out costs are payable at the general hourly rate of \$100.00 –

- a) for each inspector or biosecurity adviser that has been recalled; and
- b) for the duration of the recall period, including the return trip to the place from which an inspector or adviser was recalled for duty.

Call-out costs are payable —

- a) by the person responsible for paying the costs of the activity; and
- b) in addition to any other costs required to be paid under these regulations.

Under the existing regulations, importers pay call-out costs at the same rate as normal working hour costs. However, MAF's direct costs of an inspector's time include additional overtime, weekend and statutory holiday payments. MAF proposes to reinstate differential payments (that existed in the 2003 biosecurity costs regulations) for the work carried out by biosecurity inspectors or advisers, if importers request a biosecurity inspection of their goods outside of normal working hours.

The proposed hourly rates for call-outs and additional hours of work under Option 2 are as follows:

- (a) \$114.00 for each inspector or a biosecurity adviser working at a 1.5-times rate;
- (b) \$128.00 for each inspector or a biosecurity adviser working at a 2-times rate; and
- (c) \$224.00 per day for each inspector or a biosecurity adviser working on a statutory holiday.

The call-out rates will be higher for Option 1, where the baseline hourly rate is estimated at \$118.00.

The charge for inspection on a statutory holiday would be a 2-times rate plus a day-off cost. The day-off cost applies even if the job takes only an hour on a statutory holiday.

Details of calculations of call-out and additional hours charges for MAF inspectors under Option 2 are presented in Table 7 of Appendix B.

#### **2.4.4 Inspection of goods in international mail and goods in possession of passengers and crew**

Biosecurity clearance of international mail and inspection and clearance of passenger and crew luggage is funded by the Crown. However, inspection of imported goods, other than those for the personal use of the importer (e.g. commercial consignments such as seeds or trade samples) will continue to be charged at an hourly rate for a MAF inspector. The estimated hourly rate under Option 1 is \$118.00 and the proposed hourly rate under Option 2 is \$100.00.

#### **2.4.5 Inspection of used vehicles and machinery**

In the 2006 Regulations review MAF reduced 15 categories of charges for used vehicles down to 4 categories as follows:

- Used motor cycles and mopeds;
- Used motorcars and motor vehicles (not exceeding a gross laden weight of 3 500 kg);
- Used heavy motor vehicles (having a gross laden weight exceeding 3 500 kg);
- Used machinery, craft, operator-propelled vehicles and parts.

An importer of a used vehicle belonging to the first three categories now pays a fixed fee for the inspection of each vehicle in a consignment irrespective of the total units in the consignment. Each re-inspection of a used vehicle is charged the same amount as the initial

inspection. Inspection of used machinery, craft, operator-propelled vehicles and parts are charged at an hourly rate.

Currently the majority of the used vehicles imported to New Zealand (>70 percent) are inspected in Japan. Japan’s operations structure and the time spent on biosecurity inspection differ from those in New Zealand.

The 2009 biosecurity costs regulations review proposes that Japan operations would not be covered by the revised regulations. These operations would continue to be subject to contractual agreements.

Therefore, calculations of fees for biosecurity inspection of used vehicles are based on the costs of performing the associated activity in New Zealand. These new fees (or specific amount charges) would apply only to inspections performed at approved places of the first arrival. All vehicles inspected at other places will be charged at an hourly rate.

The proposed new fees for inspection of used vehicles are listed in Table 4 below. The difference in fees between Option 1 and Option 2 is due to different hourly rates used to calculate unit fees under the two options.

**Table 4: Used vehicles inspection fees for approved places of first arrival only**

Used vehicle category	Current Fee	Option 1 Fee	% change	Option 2 Fee	% change
Motorcycle or moped	\$15.00	\$20.00	33%	\$16.00	7%
Motor vehicle with gross laden weight up to 3 500 kg	\$25.00	\$49.00	96%	\$40.50	62%
Motor vehicle with gross laden weight over 3 500 kg	\$50.00	\$69.00	38%	\$57.00	14%

Data on the average time and costs of inspecting used vehicles in New Zealand and fee calculations based on inspection time standards for each vehicle category are provided in Table 8 of Appendix B.

MAF proposes to continue charging for the inspection of used machinery, craft, operator-propelled vehicles and parts at an hourly rate because of significant variations in time and costs of inspecting these items. Since an hourly rate is the same for inspection of all biosecurity risk goods, the revised regulations do not contain a separate cost item for used machinery. The charge for this inspection activity is covered by item 7 of the revised regulations schedule, namely “*Inspection of goods not prescribed elsewhere in Schedule*”.

**2.4.6 Inspection of unaccompanied personal baggage and effects**

The 2006 Biosecurity Costs Regulations prescribed an hourly rate charge for inspecting of unaccompanied personal baggage and effects or household goods. The hourly charge was supposed to substitute for a set of various rates charged depending on a consignment volume and on whether a full inspection of the consignment or an item only inspection is performed.

However, the representatives of the Overseas Movers Association requested a waiver that was granted by the Director General of MAF in December 2006 and later extended to 30 June 2009. Under the waiver the importer is charged according to the voluntary schedule detailed in Table 9 of Appendix B.

On review, MAF considers that the specific-amount charging structure under the existing waiver is complicated and does not drive efficiencies for MAF and industry. MAF proposes

to re-instate an hourly rate charging for inspection and clearance of personal effects. MAF's view is that the hourly rate charge will significantly simplify the fee structure and create incentives for improved efficiency.

The hourly charge for the biosecurity inspection of unaccompanied personal baggage and effects is covered by item 7 of the revised regulations schedule, namely "*Inspection of goods not prescribed elsewhere in Schedule*".

If some industry parties prefer to have an indicative unit charge, Table 9 in Appendix B can be still used under Option 2, as the hourly rate for this option has remained the same as in the 2006 regulations.

#### 2.4.7 Inspection of animals or animal material

Currently inspection of animals and animal material is charged at two different hourly rates for a biosecurity and a veterinary inspector, and at two different fees, irrespective of the actual costs and time it takes to clear these risk goods.

The existing fixed fees for these items are:

- \$28.70 per animal;
- \$28.70 for each consignment of trade samples that are not veterinary medicines, biological products, or agricultural compounds; and
- \$57.40 for each consignment in every other case.

The above fees are the same as the fees listed in Annex VIII of the Agreement between the European Community and New Zealand on Sanitary Measures Applicable to Trade in Live Animals and Animal Products (the Agreement) signed in 1996. Although the agreement was amended in 2006, the schedule of fees remained unchanged. The fees for inspecting consignments of live animals and animal material set by the Biosecurity Costs Regulations need to comply with New Zealand's international obligations/agreements.

However, the activity-based cost analysis of the inspection and clearance of biosecurity risk goods has revealed that the average cost of inspecting animals or animal material often exceeds charges specified in the existing regulations. This means a significant under-recovery of the actual costs incurred by MAF in providing the service.

MAF proposes a single charge at the average hourly rate of \$100.00 for the biosecurity inspection of animals or animal material by a (biosecurity) inspector or veterinary inspector. This biosecurity inspection charge would apply to all animals and animal material imported to New Zealand except live animals or animal material directly imported from the European Community. The latter would continue to be charged at the rates indicated in the Agreement.

#### 2.4.8 Inspection of domestic pet animals and assistance animals

MAF proposes to introduce a fixed fee of \$40.00 for the inspection of a domestic pet animal intended to be cleared, or directed to a transitional or containment facility. The fee is based on the hourly rate in Option 2 and can be paid by the owner/importer on the animal's arrival.

Animals assisting travellers (e.g. guide dogs for the visually impaired) will be exempt from the fee. However, the inspection of assistance animals in training or accompanying other persons will be cost recovered.

#### 2.4.9 Permits issued under Import Health Standards

MAF proposes that permits issued under import health standards continue to be charged as a fee per permit rather than at an hourly rate to keep the charging structure simple and provide certainty for an applicant about the cost.

The proposed new fee for the issue and re-issue of a permit is \$163.00. The fee reflects the actual costs of performing relevant biosecurity activities including direct and indirect costs. The fee calculation is based on the activity analysis of the Border Standards Directorate staff involved in processing an application for a permit or an amendment to a permit. Details of calculating this fee are provided in section 5 of Appendix B.

#### 2.4.10 Transitional and containment facilities

The 2006 Biosecurity Costs Regulations contain two different hourly rates that are charged for approving, and inspecting or auditing transitional or containment facilities or operators. MAF charges \$100.00 per hour for each general inspector or biosecurity adviser, and \$96.10 for each veterinary inspector involved in providing this service.

As mentioned previously, the charge for a veterinary inspector was applied to this service from the European Community /New Zealand Agreement on sanitary measures.

MAF proposes to charge a single hourly rate (\$118.00 under Option 1 or \$100.00 under Option 2) for processing an application for approval of a transitional or containment facility and for inspection and compliance auditing of facilities or their operators, irrespective of whoever performs this activity – either a biosecurity adviser or inspector, or veterinary inspector. The proposed single rate is a more equitable and accurate reflection of the actual costs incurred by MAF in providing this service.

MAF also proposes to introduce an Annual Transitional and Containment Facility Fee of \$160.00. This fixed annual fee will cover MAF's costs of issuing certification (after MAF's annual audit) that confirms to facility operators that the facility complies with the Biosecurity Act 1993 and import health standard requirements.

### 2.5 MEMORANDUM ACCOUNTS

Since the 2006 Regulations review, MAF has implemented memorandum accounting. This allows MAF to carry forward any under, or over-recovery of costs into subsequent years and, if necessary, to adjust fees, charges and levy rates accordingly. Memorandum accounting enables MAF to monitor if the monies collected from the users of a service are used for the purpose for which they are collected.

MAF will continue operating memorandum accounts for the corresponding cost recovered activities and levies (or a new levy). If Option 2 goes ahead, MAF will review the current memorandum accounts and establish new ones. The memorandum accounts will be presented in MAF's Statements of Intent and Annual Reports and will reflect movements in each account with all positive/negative accumulated balances.

### 2.6 TIMELINE FOR POTENTIAL CHANGES

MAF expects to implement the proposed regulations and levy changes from 1 July 2010.

The review project team will continue communicating with industry stakeholders after the date of the new regulations come into force to assist with any issues of interpretation and implementation.

## 2.7 RUMINANT PROTEIN FACILITY AUDIT CHARGE

The proposed charge does not belong to biosecurity border clearance cost recovery. This charge is for auditing facilities that produce animal feed containing ruminant protein.

The charge is proposed to be included in the revised Biosecurity Cost Regulations following Cabinet's approval (Cabinet EGI Min (09) 8/3) of amendments to the Biosecurity (Ruminant Protein) Regulations 1999. The amended ruminant protein regulations would require that Ruminant Protein Control Programmes are audited by persons appointed as Inspectors under the Biosecurity Act and that the audits are cost recovered from operators of these programmes.

Since the audits of facilities with ruminant protein control programme are likely to be carried out by the New Zealand Food Safety Authority (NZFSA), MAF proposes that this service will be charged at the current NZFSA hourly rate of \$133.00 excluding GST or \$149.60 including GST applied to other inspections and compliance auditing<sup>7</sup> performed by the NZFSA.

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<sup>7</sup> <http://www.nzfsa.govt.nz/consultation/fees-and-charges/discussion-paper/approvals-fees-march-2009.pdf>

### **3. Biosecurity risk screening and shipping container levies and the proposed single biosecurity system entry levy**

As mentioned in subsection 2.2 of this discussion paper, Option 1 proposes to reduce the number of different fees and charges in the 2006 regulations schedule, but continue with the existing levies. The levies would be charged at the new assessed rates. Proposed amendments to levy orders and changes in levy rates under Option 1 are described below.

#### **3.1. BIOSECURITY RISK SCREENING LEVY (TO REMAIN UNDER OPTION 1)**

The biosecurity risk screening levy was introduced after the 2006 review of the Biosecurity Costs Regulations. The levy funds the biosecurity activities related to:

- primary biosecurity risk screening of all imported goods that attract the import entry transaction fee (Customs fee); and
- determining whether or not the goods present a biosecurity risk and need further follow-up and inspection.

The biosecurity risk screening levy is collected on behalf of MAF by the New Zealand Customs Service when it collects its import entry transaction fee.

The levy rate in the 2008/09 and 2009/10 levy years was set at the cap rate of \$4.00.

##### **3.1.2 Proposed amendments to the Risk Screening Levy Order (under Option 1)**

The Biosecurity Risk Screening Levy is currently charged only on imported goods that attract the New Zealand Customs import entry transaction fee. The collection of the Customs entry fee is based on the value of a consignment of imported goods. However, the biosecurity risk of these goods is not defined by their dollar value but the nature of the goods.

MAF screens about three million consignments of goods arriving in New Zealand by air via express/courier companies each year. Consignments with the value of less than \$400.00 do not attract the Customs import entry fee. Therefore no biosecurity risk screening levy is charged regardless of whether these goods pose a biosecurity risk.

MAF proposes to add the following paragraph to section 4 of the Biosecurity Risk Screening Levy Order:

“The levy is also imposed on all importations of goods for which Electronic Customs Interface reports are created in the Customs information system (currently CusMod, may be upgraded in the future to the Joint Border Management System)”

The estimated levy rate under Option 1 for the 2009/10 financial year is \$5.65.

#### **3.2. SHIPPING CONTAINER LEVY (TO REMAIN UNDER OPTION 1)**

The shipping container levy was first introduced after the 2006 review of the Biosecurity Costs Regulations to pay for the costs of the biosecurity clearance activities related to implementing and administering the import health standard for shipping containers.

The levy is payable for every discharged sea container and is charged to the shipping company at the time of importation.

Under the Shipping Container Levy Order 2006, the levy rate is capped at \$20.00 for shipping containers containing goods and at \$10.00 for empty containers. During 2008/09 and 2009/10 the levy has been at the cap rate.

The levy funds the following activities:

- monitoring and verifying container compliance by using the quarantine declaration and other documentation and authorising biosecurity clearance for compliant containers;
- identifying high risk containers and notifying the port company;
- directing uncleared ‘conforming’ containers with a Biosecurity Authorisation/Clearance Certificate to transitional facilities for devanning when they have uncleared goods in them;
- notifying the port company when the container can be moved to a transitional facility;
- auditing the biosecurity clearance of sea containers as per MAF standard for the audit of sea containers;
- responding to accredited persons’ enquiries and identifying organisms intercepted by accredited persons;
- analysing data sourced from accredited persons and other sources (e.g. CusMod system) to develop container risk profiles.

### 3.2.1 Estimated shipping container levy rate for 2009/2010 and out years

The activities related to implementing and administering import health standards for shipping containers in the 2009/10 levy year are estimated to cost \$4.3 million excluding GST and \$4.8 million including GST.

The shipping container levy rate under Option 1 for the 2009/10 financial year has been estimated (see Appendix B, subsection 6) to be:

- \$10.00 per shipping container containing goods; and
- \$5.00 per empty shipping container.

MAF expects that the levy cap rates would remain at the same level as in the 2006 Levy Order.

## 3.3 PROPOSED SINGLE BIOSECURITY SYSTEM ENTRY LEVY (OPTION 2)

Option 2 proposes to abolish three existing levies (biosecurity risk screening, shipping container and gypsy moth levies) and introduce a single Biosecurity System Entry Levy that would cover the fixed portion of costs incurred by MAF in providing biosecurity border clearance services.

Most fixed costs of cargo border clearance are related to clearance activities common for all consignments of goods irrespective of the way (by air or sea) they arrive in New Zealand. These activities include:

- primary risk screening to identify consignments of interest;
- secondary assessment of consignments of interest to determine biosecurity risk status;
- developing profiles and placing alerts; and
- directing the movement of goods from the place of arrival (either an airport or a sea port).

Managing the risks associated with sea and air containers are part of “basic costs” of importing goods. Imported air and express freight consignments have to be screened manually because the goods arrive prior to lodging an import entry. This takes more time to clear than imported containerised consignments where risk assessment is carried out almost entirely electronically.

The proposed single biosecurity entry levy would cover only the basic risk profiling and secondary screening for import consignments of biosecurity risk, estimated to take 15 minutes. Any further time spent on subsequent interactions with MAF would be charged at an hourly rate.

The proposed single biosecurity entry levy would also cover the cost of the surveillance activities around sea and air ports and high risk places of establishment of exotic pests that may be introduced into the country via imported goods. The costs of the surveillance activities are expected to remain at the same level over the next three years and will equate to approximately 3 percent of the costs recovered by the proposed single levy, or \$0.33 per each import entry. Import entries may contain many consignments meaning that a cost per individual imported goods item would be even less.

### 3.3.1 Goods to which the proposed Biosecurity System Entry Levy would apply

MAF proposes to impose the biosecurity system entry levy on all importations of goods irrespective of the type of entry, under which the import entry is lodged into the CusMod (or the proposed future Joint Border Management System):

- imports entries;
- simplified import entries;
- electronic customs interface reports;
- temporary import entries; and
- private import declaration/entries.

The proposed single biosecurity system entry levy will fund the following biosecurity activities:

- obtaining and analysing data to develop and monitor risk profiles and place alerts;
- primary screening of sea and air cargo manifests for biosecurity risk goods;
- intervention monitoring programmes, slippage surveys and baseline auditing of the compliance of imported goods/items with import health standards;
- surveillance activities around sea and air ports and high risk places of establishment of pests that may be introduced via imported goods/items;
- facilitating the movement of consignments away from ports and airports of first arrival;
- the first 15 minutes of secondary risk assessment for consignments identified at primary screening and issuing Biosecurity Authorisation/Clearance Certificates.

### 3.3.2 Calculation of the Biosecurity System Entry Levy rate

MAF proposes that the biosecurity system entry levy would be calculated by dividing:

- a) the estimated annual fixed costs incurred by MAF in performing primary risk screening and secondary risk assessment associated with import consignments; by
- b) the estimated total number of annual leviable importations.

In the next three years the costs of biosecurity clearance activities to be funded by the levy are estimated to average \$13.5 million per annum. The average number of import entries is expected to be 1,200,000 per annum. The proposed levy rate is \$12.50. Details of the levy rate calculation are provided in subsection 6.3 of Appendix B. MAF proposes to cap the levy rate at \$18.00.

## 4. Regulatory impact and compliance costs of proposed changes

The proposed changes to the Biosecurity (Costs) Regulations 2006 will not increase the recovery of costs from industry overall, although some importers will pay more while others will pay less.

The single Biosecurity System Entry Levy proposed under Option 2 would be a new cost to some importers. With the existing Biosecurity Risk Screening Levy collection method and the current set-up of the Customs information system, no levy is charged on some cargo entries including:

- 70 000 air cargo entries cleared via electronic Customs interface; and
- 130 000 simplified import entries for goods with value between \$400 and \$1 000.

Under Option 2 of the revised regulations, express/courier companies would be charged \$12.50 on each import report entry cleared via electronic Customs interface. Under the current cost recovery regime they are not charged a biosecurity risk screening levy. However, it would cost individual importers only about \$0.29 per consignment, taking into account that over three million consignments per annum are brought to the country under approximately 70 000 electronic Customs interface reports.

Option 2 will be more favourable than Option 1 for the majority of large importers and some small importers who now pay three levies, zone fees and hourly inspection charges on each consignment of imported goods. These importers will be paying less due to the elimination of cross-subsidisation of biosecurity border clearance for those importers/ industry parties that have not been charged before.

The charging structure proposed under Option 2 that integrates three biosecurity levies into a single levy will enable easy implementation through CusMod and the future Joint Border Management System, should the Government approve the latter. This structure will also allow those stakeholders who will require less MAF services at the border under the developing MAF and industry partnerships, to pay the true costs of the services provided by MAF. This means the more compliant they are, the less they will pay.

Both options propose to increase the fee for issuing permits under import health standards from \$105.00 to \$163.00 per permit issued or reissued to reflect the actual costs of the service including direct and indirect costs.

Both options propose to introduce two new fees to the regulations Schedule:

- Annual Transitional and Containment Facility Fee of \$160.00 payable for issuing an approval for a transitional or containment facility to all approval holders; and
- Domestic Pet Animal Inspection Fee of \$40.00 per animal.

Note: Assistance animals (e.g. guide dogs for visually impaired) accompanying the person being assisted will be exempt from the fee.

### 4.1 BUSINESS COMPLIANCE COSTS

Business compliance costs are the costs to businesses associated with identifying and understanding government regulatory requirements and performing administrative paper work to meet these requirements.

MAF believes that changes proposed to the Biosecurity (Costs) Regulations 2006 under both options will reduce compliance costs by simplifying the fee structure and reducing the number of charges in the regulations' schedule. There will be additional administration cost savings under Option 2 due to a single biosecurity entry levy collected by the CusMod system.

The review project team has involved industry stakeholders into the 2009 review process and development of options from early stages of the project. Industry stakeholders provided data on expected volumes of imported cargo including number of containers, used vehicles and other goods of biosecurity interest.

The main industry associations that were preliminarily consulted on the options and briefed on progress were:

- Customs Brokers & Freight Forwarders Federation (CBAFF);
- MAF/Industry Cargo Consultative Committee (MICCC);
- Conference of Asia Pacific Express Carriers (CAPEC); and
- Tomorrow's Cargo Logistics Group (TCL)/ Employers and Manufacturers Association.

#### Questions to Submitters

1. What is your preferred option for charging under the revised biosecurity regulations and levies – Option 1 or Option 2?
2. Should Option 2 (with a single biosecurity entry levy) be approved and implemented, what impact will it have on your business and those with whom you do business?
3. Should the two new proposed fees (Annual Transitional and Containment Facility Fee and Inspection of Domestic Pet Animal Fee) be introduced, what impact will these two new fees have on your business and those with whom you do business?
4. What impact will the proposed Ruminant Protein Facility Audit charge have on your business and those with whom you do business, if you are an affected party?

## 5. Possible implications of joint border management system

The New Zealand Customs Service (Customs) and MAF are seeking Cabinet's approval to replace their aging computerised border clearance systems (CusMod and Quantum, respectively) with a single 'Joint Border Management System'. Should the proposed system be approved, it is likely to impact MAF's and Customs' cost recovery charges for border clearance and will require a further review of the corresponding charges following the system implementation.

The Joint Border Management System will enable Customs and MAF to move to a more progressive border clearance system that shares processes, data, and technology between border agencies and industry. The agencies will have a common electronic platform that will be faster, more flexible, reliable, and easier to use. The new system will support new border initiatives, protect tax revenue collection, and facilitate trans-Tasman passenger travel.

The proposed system will deliver a 'trade single window', allowing importers and exporters to electronically submit all information required for the clearance of goods and craft through a single government channel. For industry, this will increase certainty about the clearance status of their border transactions, reduce administration costs, and create faster, more transparent and efficient movement of goods through the supply chain.

The key benefits for industry of the proposed system will be:

- A single government channel ('trade single window') through which industry can submit all regulatory documentation to facilitate the processing and clearance of goods at the border.
- Earlier provision of goods clearance data to support logistics leading to increased supply chain efficiencies for imports and exports.
- Increased assurance of trade transactions making New Zealand a safer and more desirable country to trade with.
- Better and earlier visibility of compliance costs for border clearance transactions.
- Better visibility of import and export compliance criteria giving industry more confidence that their compliant goods can be facilitated quicker across the border.

In recognition of the current economic climate, Customs and MAF are proposing to split full implementation of the Joint Border Management System into two main 'tranches' to provide Government with investment choices. This will allow Government to delay further expenditure on full system replacement if necessary, and mitigate project and technology risks.

As both Customs and MAF are currently reviewing their cost recovery policies and fees, Ministers have asked the two agencies to consult industry on options for recovering industry costs resulting from the future Joint Border Management System at the same time. Should the new system be approved, the first tranche will be ready for use from **1 July 2012** and it is likely that any increase in industry fees to fund its operation will apply from that date.

Both agencies are collaborating to rationalise and streamline their cost recovery regimes. Rather than introduce a separate transaction fee for the Joint Border Management System, Customs and MAF wish to use existing fee structures to the extent possible.

Customs and MAF propose that the total capital cost of the new system be Crown funded, and that the ongoing operating costs be apportioned across the two agencies according to the

degree to which each agency's business is supported by the system. As is the case with the existing border clearance systems, Customs and MAF propose that the additional costs of the Joint Border Management System be shared between Crown and industry.

Savings have already been identified within both agencies, i.e. from reduced expenditure, including staffing. Further savings are expected once the Joint Border Management System is fully implemented.

Based on existing cost recovery policies, implementing the new system would require an increase in fees recovered from importers and exporters for cargo clearance services. Passenger clearance services are currently Crown funded. The estimated share of ongoing operating costs that would need to be recovered is approximately 50 percent, that is, the share of the development costs that are attributable to the delivery of improved cargo clearance services (including trade single window).

Annual revenue collection from cargo clearance services (indicative figures excluding GST)			
	Current	Estimated after tranche 1 (i.e. from 2012)	Estimated after tranche 2 (i.e. from 2014)
Customs	\$27 million	\$33 million	\$39 million
MAF	\$23 million	\$28 million	\$29 million
<b>Total</b>	<b>\$50 million</b>	<b>\$61 million</b>	<b>\$68 million</b>
<i>Additional amount (over current base) to be cost recovered after implementation of Joint Border Management System</i>		<i>\$11 million</i>	<i>\$18 million</i>

Customs and MAF propose to recover the industry share of the future system operating costs via an increase in import and export entry fees. Fees would need to increase across both agencies by approximately 30 percent with the implementation of Tranche 1 only and rising to approximately 47 percent when Tranche 2 is implemented. Other fees would not be affected. MAF and Customs have estimated that the entry fees for cargo border clearance would need to increase as follows:

Subsequent impact on fees of increased revenue collection (indicative figures excluding GST)			
	Current	Estimated after tranche 1 (i.e. from 2012)	Estimated after tranche 2 (i.e. from 2014)
Customs import transaction fee	\$22.00	\$25.00 - \$27.00	\$29.00 - \$32.00
MAF average import transaction fee	\$11.20	\$15.00 - \$16.00	\$16.00 - \$18.00
<b>Total import fees</b>	<b>\$33.20</b>	<b>\$40.00 - \$43.00</b>	<b>\$45.00 - \$50.00</b>
<i>Approximate percentage increase from current average import entry fee</i>		<i>30%</i>	<i>47%</i>
Customs export transaction fee	\$12.67	\$15.00 - \$16.00	\$17.00 - \$18.00

The current fees charged for the equivalent service in Australia are at least A\$64 (NZ\$78.30).

Customs and MAF consulted industry on the drivers and benefits of the proposed system, and have signalled to industry that costs for the new system will likely be recovered through third parties. Industry group responses have indicated general support for the proposed system, particularly for the Trade Single Window, but stress that any costs must be justified by tangible benefits and that the total cost environment for industry needs to be recognised.

Further consultation with industry will be undertaken during the development phase once the exact costs are known.

The Department of Labour is also proposing to replace its immigration IT system. If approved, this will largely be funded through future increases in the fees paid by applicants for immigration visas and permits.

#### Questions to Industry

5. What value do you see in replacing the existing aging border clearance systems (i.e. CusMod and Quantum) with a new "Joint Border Management System"?
6. What is your perceived value from a "trade single window"?
7. In your view, what opportunities are there to enhance supply chain efficiencies (if there is a need for this at all)?
8. Would your industry be willing to contribute to the costs of the proposed Joint Border Management System, as suggested above?
9. What other methods can you suggest for recovery of industry's share of costs of the new Joint Border Management System?

## Appendix A. Schedule of proposed revised charges and fees

This appendix defines functions, powers or duties for which costs are payable, describes suggested amendments to individual regulations and proposed charges, and compares these with the existing charges under the Biosecurity Costs Regulations 2006.

Details of calculations of new charges are provided in Appendix B. Glossary/definitions used for the revised regulations are given in Appendix C.

**Table 5: Schedule of proposed charges under revised (2009) regulations as compared to current (2006) biosecurity costs regulations**

Item No	Biosecurity Costs Regulations 2006		Revised Regulations 2009		Costs payable by
	Function, power, or duty for which costs are payable	2006 charges (GST incl.)	Function, power, or duty for which costs are payable	New charges (GST incl.)	
	Inspection at International Mail Centre		Inspection of Goods in International Mail, with Passengers and Crew		
(1) 1	Inspection of goods (other than goods imported for the personal use of the importer) at the International Mail Centre for the purpose of ascertaining whether or not they should be cleared.	\$100.00 per hour per hour for each general inspector involved.	Inspection of goods (other than goods imported for the personal use of the importer) in international mail, with passengers and crew for the purpose of ascertaining whether or not those goods should be cleared.	\$100.00 per hour for each inspector involved.	Importer
(2) 2	Tests, examinations, and treatments of imported goods, that harbour or may harbour, an organism, that are – (a) carried out by the Ministry's Quarantine Service; and (b) necessary to identify the organism, so as to enable an inspector to decide whether the goods should – (i) be cleared; or (ii) be moved from a transitional facility to a containment facility, or (iii) continue to be held in a transitional or containment facility (as the case may be).	\$100.00 per hour per hour for each general inspector involved; and actual and reasonable costs of the tests, examinations and treatments.	Tests, examinations, and treatments of imported goods, that harbour, or may harbour, an organism, that are— (a) carried out by the MAF Biosecurity New Zealand ; and (b) necessary to identify the organism, so as to enable an inspector to decide whether the goods should – (i) be cleared; or (ii) be moved from a transitional facility to a containment facility; or (iv) continue to be held in a transitional or containment facility (as the case may be).	\$100.00 per hour for each inspector involved; and actual and reasonable costs of the tests, examinations, and treatments.	Importer
(3) 3	Surveillance of discharge of goods, for the purpose of ascertaining whether or not the goods should	\$100.00 per hour for each general inspector involved.	Surveillance of discharge of goods, for the purpose of ascertaining whether or not the goods should be cleared.	\$100.00 per hour for each inspector involved.	Importer.

	Biosecurity Costs Regulations 2006		Revised Regulations 2009		
Item No	Function, power, or duty for which costs are payable	2006 charges (GST incl.)	Function, power, or duty for which costs are payable	New charges (GST incl.)	Costs payable by
	be cleared.				
	<b>Inspection of motorcycles, mopeds, and motor vehicles</b>		<b>Inspection of motorcycles, mopeds, and motor vehicles at Approved Places of First Arrival only</b>		
(6) 4	Inspection, and each re-inspection after treatment, of a consignment, of a single used motorcycle or moped, for the purpose of ascertaining whether or not the consignment should be cleared.	\$15.00 per motor cycle or moped.	Inspection and each re-inspection after treatment, of a single used motorcycle or moped, for the purpose of ascertaining whether or not the consignment should be cleared.	\$16.00 per motor cycle or moped.	Importer.
(7) 5	Inspection, and each re-inspection after treatment, of a consignment, of a single used motor vehicle having a gross laden weight not exceeding 3 500 kg (other than a motorcycle or moped), for the purpose of ascertaining whether or not the consignment should be cleared.	\$25.00 per motor vehicle.	Inspection, and each re-inspection after treatment, of a single used motor vehicle having a gross laden weight not exceeding 3 500 kg (other than a motorcycle or moped), for the purpose of ascertaining whether or not the consignment should be cleared.	\$40.50 per motor vehicle.	Importer.
(8) 6	Inspection, and each re-inspection after treatment, of a consignment, of a single used motor vehicle having a gross laden weight exceeding 3 500 kg, for the purpose of ascertaining whether or not the consignment should be cleared.	\$50.00 per motor vehicle.	Inspection, and each re-inspection after treatment, of a consignment, of a single used motor vehicle having a gross laden weight exceeding 3 500 kg, for the purpose of ascertaining whether or not the consignment should be cleared.	\$57.00 per motor vehicle.	Importer.
	<b>Inspection of biosecurity risk objects and goods not prescribed elsewhere in Schedule</b>				
(9) 7	Inspection, and each re-inspection after treatment, of any goods that are required to be inspected under the Act for the purpose of ascertaining whether or not the goods should be cleared, and for which costs are not prescribed elsewhere in Schedule.	\$100.00 per hour for each general inspector involved.	Inspection and each re-inspection after treatment, of any biosecurity risk objects <i>and</i> goods that are required to be inspected under the Act for the purpose of ascertaining whether or not the items and goods should be cleared, and for which costs are not prescribed elsewhere in the Schedule.	\$100.00 per hour for each inspector involved.	Importer, or craft owner, or container owner, or the person or entity presenting a biosecurity risk object for inspection.
	<b>Monitoring controls on new organisms and inspection of animals or animal material</b>				
(10) 8	Monitoring controls on new organisms in containment facilities.	\$100.00 per hour for each general inspector involved; and \$96.10 for each veterinary	Monitoring controls on new organisms in containment facilities.	\$100.00 per hour for each inspector involved.	Person holding an approval (issued under the Hazardous Substances and

	Biosecurity Costs Regulations 2006		Revised Regulations 2009		
Item No	Function, power, or duty for which costs are payable	2006 charges (GST incl.)	Function, power, or duty for which costs are payable	New charges (GST incl.)	Costs payable by
		inspector involved.			New Organisms Act 1996) to import the organism into containment, or to hold the organism in containment; or (where there is no approval) the importer or owner of the organism or the goods that harbour the organism.
9			Inspection of a <b>domestic pet animals</b> intended to be cleared, or directed to transitional or containment facility, on arrival.	\$40.00 per animal.	Importer.
(11) 10	Inspection of an animal that is intended to be cleared, or directed to a transitional or containment facility, on arrival.	\$28.70 per animal.	Inspection of all other animals intended to be cleared, or directed to transitional or containment facility, on arrival or (a) is on board craft within New Zealand territory; and (b) is not intended to be cleared.	\$100.00 per hour for each inspector involved.	Importer.
(13) 11	Inspection and monitoring of an animal held in a transitional or containment facility, for the purpose of ascertaining whether or not the animal should – (a) be cleared; or (b) moved from a transitional facility to a containment facility; or (c) continue to be held in a transitional or containment facility, as the case may be.	\$100.00 per hour for each general inspector involved; and \$96.10 for each veterinary inspector involved.	Inspection and monitoring of animal held in transitional or containment facility, for the purpose of ascertaining whether the animal should— (a) be cleared; or (b) be moved from a transitional facility to a containment facility; or (c) continue to be held in a transitional or containment facility, as the case may be.	\$100.00 per hour for each inspector involved.	Importer.
(14) 12	Inspection of a consignment of animal material (other than fish meal) for the purpose of ascertaining whether or not it should be cleared	\$28.70 for each consignment of trade samples that are not veterinary medicines, biological products, or agricultural compounds; and \$57.40 for each consignment in every other case.	Inspection fees on consignments of live animals and animal products <b>directly imported from the European Community</b> are subject to relevant agreements.	\$28.70 per animal; \$28.70 for each consignment of trade samples that are not veterinary medicines, biological products, or agricultural compounds; and \$57.40 for each	Importer.

	Biosecurity Costs Regulations 2006		Revised Regulations 2009		
Item No	Function, power, or duty for which costs are payable	2006 charges (GST incl.)	Function, power, or duty for which costs are payable	New charges (GST incl.)	Costs payable by
				consignment in every other case.	
<b>Treatment, destruction or disposal of risk goods</b>					
(16) 13	Treatment, before being cleared, of risk goods imported – (a) in a person's baggage (whether or not the baggage is accompanied); or (b) through the mail; or (c) among personal effects.	Actual and reasonable costs of the treatment; And any costs of packaging, storing, forwarding, and returning the goods before and after treatment.	Treatment, before being cleared, of risk goods imported – (a) in a person's baggage (whether or not the bag is accompanied); or (b) through the mail; or (c) among personal effects.	Actual and reasonable cost of the treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment.	Importer.
(17) 14	Treatment of imported risk goods, other than risk goods specified in item 16 of the schedule.	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment.	Treatment of imported risk goods, other than risk goods specified in item 12 of the Schedule.	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment.	Importer.
(18) 15	Destruction, transportation, reshipment, or other disposal of goods	Actual and reasonable costs of destruction, transportation, reshipment, or other disposal.	Destruction, transportation, reshipment, or other disposal of goods.	Actual and reasonable costs of destruction, transportation, reshipment, or other disposal.	Importer.
(19) 16	Supervising, or advising on, destruction, transportation, reshipment, or other disposal of goods.	\$100.00 per hour for each general inspector and biosecurity adviser involved; and \$96.10 per hour for each veterinary inspector involved.	Supervising or advising on destruction, transportation, reshipment, or other disposal of goods.	\$100.00 per hour for each inspector involved.	Importer.
<b>Permits issued under Import Health Standards</b>					
(20) 17	Processing an application for a permit under Import Health Standards.	\$105 for each application processed.	Processing an application for a permit under import health standards, or Processing an application for an amendment to a permit issued under import health standards.	\$163.00 for each Application processed.	Applicant.
<b>Transitional and containment facilities</b>					
(22) 18	Processing an application for approval of a transitional or containment facility.	\$100.00 per hour for each general inspector or biosecurity adviser	Processing an application for approval of a transitional or containment facility, or Processing an application for	\$100.00 per hour for each inspector and	Applicant.

	Biosecurity Costs Regulations 2006		Revised Regulations 2009		
Item No	Function, power, or duty for which costs are payable	2006 charges (GST incl.)	Function, power, or duty for which costs are payable	New charges (GST incl.)	Costs payable by
		involved; and \$96.10 per hour for each veterinary inspector involved.	approval as a facility operator.	biosecurity adviser involved.	
(23) 19	Inspecting and compliance auditing of a transitional or containment facility, to ascertain whether or not it should be approved, or continue to be approved, under section 39 of the Biosecurity Act.	\$100.00 per hour for each general inspector or biosecurity adviser involved; and \$96.10 per hour for each veterinary inspector involved.	Inspecting and compliance auditing of a transitional or containment facility, to ascertain whether or not it should be approved, or continue to be approved, under section 39 of the Act.	\$100.00 per hour for each inspector and biosecurity adviser involved.	Applicant or facility operator (as the case may be).
20			Annual transitional and containment facility fee	\$160.00 per annum for each facility.	Applicant or facility operator (as the case may be).
(24) 21	Processing an application for approval as a facility operator.	\$100.00 per hour for each general inspector or biosecurity adviser involved; and \$96.10 per hour for each veterinary inspector involved.	Investigating and compliance auditing of a facility operator, or proposed operator, to ascertain whether or not the operator or proposed operator should be approved, or continue to be approved, under section 40 of the Act.	\$100.00 per hour for each inspector and biosecurity adviser involved.	Applicant or facility operator (as the case may be).
<b>Functions, powers, and duties not prescribed elsewhere in Schedule</b>					
(24) 22	Performing a function, power, or duty – a) required to be undertaken under the Act; and b) not prescribed elsewhere in the Schedule.	\$100.00 per hour for each general inspector or biosecurity adviser involved; and \$96.10 per hour for each veterinary inspector involved.	Performing a function, power, or duty— (a) required to be undertaken under the Act; and (b) <b>not prescribed elsewhere in the Schedule.</b>	\$100.00 per hour for each inspector and biosecurity adviser involved.	Person whose actions result in the function being required.

## Appendix B. Costing information

### 1. ZONE FEES AND CHARGES

Zone fees are calculated on the basis of the distance travelled from the inspector's base and the estimated travel time involved in a return trip. Table 6 provides details of calculating zone fees for Option 2 based on the hourly rate of \$100.00.

Table 6: Calculation of travel zone fees

Travel zone	Kilometres travelled	Number of trips	Total Revenue (GST excl.)	Travel Charge (GST excl.)	Travel Charge (GST incl.)
Zone one	0-10	24 340	\$1,1557,800	\$64.00	\$72.00*
Zone two	11-25	3 750	\$333,000	\$88.89	\$100.00*
Zone three	26-50	880	\$128,100	\$145.33	\$163.00*

\*Rounded

The table above does not detail the zone fee calculations for Option 1. The indicative zone fees for Option 1 were calculated assuming an hourly rate of \$118.00. They were calculated at the earlier stages of the review and were not subjected to a similar sensitivity analysis that was undertaken for Option 2.

### 2. CALLOUT AND ADDITIONAL HOURS COSTS

Call-out and additional hours worked in excess of an inspector's normal hours will be charged at a corresponding overtime rate, i.e. at a 1.5-time and 2-times the hourly rate for normal working hours.

Call-out charges for MAF inspectors were calculated using the data presented in Table 7. The table does not contain details of call-out cost calculations for Option 1 that would be based on the baseline hourly rate of \$118.00 as compared to the \$100.00 baseline hourly rate for Option 2.

Table 7: Call-out costs for MAF Inspectors (under Option 2)

Cost elements	Cost
Three-year average inspector salary (to 2012)	\$58 000
Average hourly rate of inspector FTE	\$28.00
Half of hourly rate of inspector FTE	\$14.00
Cargo Directorate hourly cost (including overheads)	\$100.00
Time and a half callout rate (direct FTE hourly rate x1.5)	\$114.00
Two times callout rate (direct FTE hourly rate x2)	\$128.00
Day-off cost (\$28.00 x 8 hours)	\$224.00

The cost of inspection on a statutory holiday under Option 2 will be charged at the rate of \$128.00 for each hour worked by a MAF inspector plus a day-off cost of \$224.00. This day-off additional charge applies even if an inspector has been called out for an hour of work on a statutory holiday.

### 3. CALCULATION OF INSPECTION FEES FOR USED VEHICLES INSPECTED AT PLACES OF FIRST ARRIVAL

Inspection of used vehicles consists of three main activity types:

- information management and risk assessment;
- inspection;
- clearance and reporting.

Data on the average time and costs of inspecting used vehicles in New Zealand is presented in Table 8.

The calculations are based on the costs of performing the associated activity, forecast volumes of vehicles to be inspected in New Zealand, and resources required to perform the activities for each type of vehicles. The average number of vehicles to be inspected annually at approved places of first arrival in New Zealand has been estimated at 13 500.

Details of calculating fees for biosecurity inspection of used vehicles (Table 8) are presented for Option 2 only. Inspection fees under Option 1 were calculated at the earlier stages of the review

and were not subjected to a similar sensitivity analysis that was undertaken for Option 2. Therefore, they are now considered as indicative only and are not presented in this table.

**Table 8: Used vehicle inspection charges by vehicle type at Places of First Arrival**

Used vehicles inspected in New Zealand	Information management and risk assessment (minutes)	Inspection (minutes)	Clearance and reporting (minutes)	Total time (minutes)	Proposed inspection charges (GST Excl)	Proposed Inspection charges (GST Incl)
Used motor cycles and mopeds	1.3	5.4	3.3	10.0	\$14.22	\$16.00*
Used vehicles with gross laden weight up to 3,500 kg	3.3	14.7	7.0	25.0	\$36.00	\$40.50*
Used heavy motor vehicles with gross laden weight over 3,500 kg	4.6	24.7	5.7	35.0	\$50.67	\$57.00*

\*Rounded

#### 4. MOVING INDUSTRY VOLUNTARY SCHEDULE OF CHARGES FOR BIOSECURITY INSPECTION OF PERSONAL EFFECTS AND HOUSEHOLD GOODS

This section provides information on indicative charges for the biosecurity inspection of personal effects and household goods. These indicative charges have been used by international moving companies since the Director General of MAF granted (in December 2006) a waiver from hourly rate charges for the inspection and clearance of personal effects.

The indicative charges in the industry voluntary schedule (Table 9) may be still used, as the inspection hourly rate under Option 2 of the revised regulations is the same as in the current (2006) biosecurity costs regulations.

Table 9: Moving companies' voluntary schedule of specific charges

Items inspected	Charge
Single item only	\$25.00 (15 minutes)
Up to 4 items	\$50.00 (30 minutes)
5-12 items	\$100.00 (1 hour)
13- 20 items	\$130.00
21-28 items	\$155.00
29-36 items	\$180.00
Each additional 8 items or part	\$25.00

#### 5. CALCULATION OF FEES FOR PERMITS ISSUED UNDER IMPORT HEALTH STANDARDS

The fee for processing an application for a permit under import health standards (or an amendment to a permit) has been calculated separately from calculations of other charges that are subject to the current regulations review. The fee calculation is based on the costs incurred within the Border Standards Directorate that provides this service. These costs include (Table 10 below):

- Direct costs of 2.5 FTEs within Import Health Permits group constituting \$235,672.
- Indirect costs of \$164,954 (including allocation of costs from Directorate Management, Business Support, Programme Development, Plant Group Management, Animal Group Management, Operations and Facilities Group Management)
- Expected increase of direct FTE costs by \$14,063 over the next three years, assuming 2.5 percent increase in salary costs per annum.

Table 10: Costs of assessing applications and issuing permits under Import Health Standards

Cost components	Cost
Direct costs	\$235,672
Indirect costs	\$164,954
Total costs of permits issued under Import Health Standards	\$400,626
Assume 2.5% annual increase in salaries for 3 years (7.5% total)	\$14,063
<b>Total costs of issuing permits over 3 years</b>	<b>\$414,688</b>
Total 3 year average permits	\$2,856
Cost per permit (GST Excl)	\$145.18
Cost per permit (GST Incl)	\$163.33

The activity analysis has shown that the average time spent per permit issued or re-issued is 1.3 hrs. At the average cost to the business of \$107.50 per hour, the cost per permit is \$145.20 excluding GST and \$163.33 including GST. The proposed fee per permit is \$163.00.

## 6. CALCULATION OF LEVY RATES UNDER TWO OPTIONS

### 6.1. Biosecurity Risk Screening Levy (under Option 1)

In the 2009/10 levy year, the activities related to biosecurity risk screening and assessment are estimated to cost \$6.0 million excluding GST and \$6.8 million including GST.

The estimated levy rate under Option 1 for the 2009/10 financial year and out years is **\$5.65**.

Supporting information for calculating the average risk screening levy rate over the next three years (to 2011/12) is provided in two tables below. Table 11a contains data on the actual revenue and expenditure on relevant biosecurity activities in the 2008/09 levy year.

Table 11a: Risk Screening Levy revenue and expenditure 2008/09

Risk screening volumes (actual)	Levy rate (GST excl.)	Revenue (GST excl.)	Expenditure (GST excl.)	Net Operating Result
1 075 000	\$3.56	\$3.8 million	\$5.0 million	-\$1.2 million

Table 11b provides 3-year average estimates of the risk screening revenue and expenditure to 2011/12 and compares expected net operating result at the current and proposed levy rate.

Table 11b. Risk Screening Levy revenue and expenditure (3-year annual average to 2011/12)

Forecast	Risk screening volumes	Levy rate (GST excl.)	Revenue (GST excl.)	Expenditure (GST excl.)	Net Operating Result *	Proposed Levy rate (GST incl.)
At the current levy rate	1 200 000	\$3.56	\$4.3 million	\$6.0 million	-\$1.7 million	
At the proposed levy rate	1 200 000	\$5.02	\$6.0 million	\$6.0 million	\$0.00	\$5.65

\* Forecast based on the 2009/10 projected volumes.

### 6.2. Biosecurity Shipping Container Levy (under Option 1)

In the 2009/10 levy year, the activities related to implementing and administering import health standards for shipping containers are estimated to cost \$4.3 million excluding GST and \$4.8 million including GST. The average levy rate for the next three years is estimated to be \$5.00 for empty containers and \$10.00 for loaded containers.

Table 12a: Shipping Container Levy revenue and expenditure in 2008/09

Shipping containers	Number of shipping containers	Levy rate (GST excl.)	Revenue (GST excl.) Forecast*	Expenditure (GST excl.) Forecast*	Net Operating Result
Containers with goods	386 827	\$17.78	\$6.8 million	\$5.7 million	
Containers empty	215 120	\$8.89	\$1.9 million	\$3.2 million	
<b>Total</b>	<b>601 947</b>		<b>\$8.8 million</b>	<b>\$8.9 million</b>	<b>-\$0.1 million</b>

**Table 12b: Shipping Container Levy revenue and expenditure estimates  
(3-year average to 2011/12)**

Shipping containers	Number of shipping containers	Levy rate (GST excl.)	Revenue (GST excl.) Forecast*	Estimated Levy rate (GST excl.)	Estimated Levy rate (GST incl.)	Current Levy rate (GST incl.)	Change from current
Containers with goods	410 000	\$17.78	\$3.7 million	\$8.96	\$10.00	\$20.00	-\$10.00
Containers empty	170 000	\$8.89	\$0.6 million	\$3.71	\$5.00	\$10.00	-\$5.00
<b>Total</b>	<b>580 000</b>		<b>\$4.3 million</b>				

### 6.3. Biosecurity System Entry Levy (under Option 2)

In the next three years the fixed costs of activities related to primary risk screening, basic risk profiling and secondary biosecurity risk assessment are estimated to average \$13.5 million per annum. The average number of import entries is expected to be 1 200 000 per annum.

On dividing the estimated costs by the expected number of entries, the estimated levy rate is \$11.2 excluding GST and \$12.6 including GST. Therefore, MAF proposes to set the levy rate at \$12.50.

A forecast of the average annual Biosecurity System Entry Levy operating expenditure to 2011/12 is presented in Table 13 below. The table also contains comparative financial data for the 2008/09 levy year.

**Table 13: Biosecurity System Entry Levy forecast to 2011/12 as compared to 2008/09 expenditure**

Expenditure Item	3-Year Average to 2011/12	2008/09 Actual
Personnel	\$5,816,500	\$5,613,054
IT Service	\$2,316,884	\$2,235,846
Financial, Legal and Other Fees	\$769,498	\$742,583
Overheads	\$4,565,208	\$4,405,529
Other Operating Expenses	\$17,699	\$17,079
<b>Total Costs</b>	<b>\$13,485,788</b>	<b>\$13,014,091</b>

## Appendix C. Glossary

**activity** means the exercise, by a general inspector, a veterinary inspector, or a biosecurity adviser, of any function, power, or duty prescribed in the second column of the Schedule

**animal** means anything that is—

- (a) a living stage of an organism that is a member of the animal kingdom; or
- (b) the carcass, egg, or semen of an organism that is a member of the animal kingdom

**animal material** —

- a) means organic material that is derived from, or is an excretion or secretion of, an animal; but
- b) does not include organic material if an inspector is satisfied that it has been treated so that it is free of any unwanted organism

**approved place of first arrival**

means any place notified as an airport or port in the Biosecurity Act 1993

**biosecurity adviser** means a person whose role includes—

- a) issuing permits required under import health standards; or
- b) approving transitional and containment facilities and their operators

**cleared** means given a clearance, under section 26 of the Act, for the entry of goods into New Zealand

**consignment** means all goods listed on the documentation accompanying the goods

**containment facility** is a place approved for holding organisms (plants or animals) that should not, whether for the time being or ever, become established in New Zealand

**domestic pet animal** means any animal that is maintained as a household domestic pet

**inspection** means the same as activity

**inspector** means a person appointed under the Biosecurity Act as a general inspector or a veterinary inspector

**machinery** has the same meaning as in section 2(1) of the Health and Safety in Employment Act 1992

**moped** has the same meaning as in section 2(1) of the Transport (Vehicle and Driver Registration and Licensing) Act 1986

**motorcycle** has the same meaning as in section 2(1) of the Transport (Vehicle and Driver Registration and Licensing) Act 1986

**motor vehicle** has the same meaning as in section 2(1) of the Transport (Vehicle and Driver Registration and Licensing) Act 1986 but does not include—machinery; or agricultural vehicles (including tractors, combine harvesters, and other vehicles designed primarily for use on a farm)

**off shore**, in relation to a craft, means situated within the limits of the territorial sea (as described in section 3 of the Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977) and not berthed or moored at a wharf or similar structure

**plant** means a member of the plant kingdom

**reasonable costs** means costs that have been calculated to cover a number of business expenses that cumulatively can be associated with a particular activity or service provided, e.g. wrapping and packaging

**shipping container** means an air sea container, and includes a standardised device used to contain or hold goods while being—  
loaded for carriage by air or sea; or  
carried by air or sea; or  
unloaded after carriage by air or sea

**transitional facility** is a place approved for holding, inspection, treatment or destruction / disposal of uncleared risk goods imported into New Zealand

**veterinary inspector** means an inspector who is registered as a veterinarian or a specialist under the Veterinarians Act 2005 **veterinary medicine** has the same meaning as in section 2(1) of the Agricultural Compounds and Veterinary Medicines Act 1997.

**NOTE:** Any term or expression used in these regulations that is defined in the Biosecurity Act and used, but not defined in these regulations, has the same meaning as in the Act.