



Cabinet Legislation Committee

Summary

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Biosecurity (Response - Milksolids Levy) Order 2019

Portfolio	Biosecurity
Purpose	This paper seeks authorisation for submission to the Executive Council of the Biosecurity (Response - Milksolids Levy) Order 2019 (the Order).
Previous Consideration	In 2012, the previous government confirmed the policy framework for the Government Industry Agreement for Biosecurity Readiness and Response (GIA) [CBC Min (12) 2/6].
Summary	<p>The Biosecurity (Response - Milksolids Levy) Order 2019 will enable the dairy industry to meet its financial commitments under the GIA. The dairy and beef industries have together committed to pay a 32 percent share of the overall costs incurred in responding to the cattle disease <i>Mycoplasma bovis</i>, subject to a fiscal cap (see paragraphs 15-20). The industries will contribute \$289.2 million in total over 10 years towards the expected \$913 million total cost of the response.</p> <p>DairyNZ proposes to levy dairy farmers up to a maximum rate of 3.9 cents per kilogram of milk solids each year (see paragraphs 21-26). DairyNZ's assessment is that at its maximum rate, the levy would increase costs on a dairy farmer producing the average quantity of milk solids (158,733 kilograms) by approximately \$6,216 per year. This amount will lower the annual operating profit of the average dairy farmer by 2 percent (see paragraphs 27-30).</p>
Regulatory Impact Analysis	Not required, as the government has limited statutory decision making discretion or responsibility for the content of proposed delegated legislation.
Compliance	<p>Parliamentary Counsel certified the Order on 26 July 2019 as being in order for submission to Cabinet, subject to a waiver of the 28-day rule.</p> <p>Under section 100ZB(6) of the Biosecurity Act, the Minister for Primary Industries must be satisfied that the proposed levy payers have been consulted and their views taken into account, before recommending that a levy order be made. The Minister for Biosecurity confirms this statutory requirement has been met.</p>
Timing Issues	The Order comes into force on 1 September 2019.

A waiver to the 28-day rule has been sought on the grounds that:

- the levy needs to be in place as soon as possible so that DairyNZ can meet its commitment under the Operational Agreement to repay Phase 1 costs within two years of the levy's establishment;
- it is also important that the levy is in place before Spring milking begins, so that the levy can be applied to all dairy farmers over their full season.

Announcement DairyNZ will continue to lead the stakeholder communication ensuring all participants are aware of the new requirements and can adjust their business practices in readiness for the implementation of the levy on 1 September 2019.

Proactive Release The attached paper will be proactively released.

Consultation Paper prepared by MPI (Biosecurity), MBIE (Economic Development), Treasury, MoJ and MFAT (Trade and Export Growth) were consulted. TPK and DPMC (Prime Minister) were informed. DairyNZ were also consulted.

The Minister for Biosecurity indicates that New Zealand First and the Green Party and the Labour Party were consulted.

The Minister for Biosecurity recommends that the Committee:

- 1 note that the Minister for Biosecurity has agreed to a levy being drafted to enable the dairy industry to meet its financial commitments under the Government-Industry Agreement on Biosecurity Readiness and Response, as a routine matter that does not require a new policy decision;
- 2 note that the Biosecurity (Response – Milksolids Levy) Order 2019 will give effect to the decision referred to in paragraph 1 above;
- 3 authorise the submission to the Executive Council of the Biosecurity (Response – Milksolids Levy) Order 2019 [PCO 22277/2.0];
- 4 note that a waiver of the 28-day rule is sought:
 - 4.1 so that the regulations can come into force as soon as possible, and the levy can be applied to all dairy farmers over their full season;
 - 4.2 on the grounds that early commencement is necessary to avoid the defeat of the purpose of the regulations in recovering payments;
- 5 agree to waive the 28-day rule so that the regulations can come into force on 1 September 2019.

Vivien Meek
Committee Secretary

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