



Regulatory Impact Statement: National Pest Management Plan *Pseudomonas Syringae* pv. *actinidiae* (Psa-V) and Psa-V Levy Order

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Regulatory Impact Statement: National Pest Management Plan *Pseudomonas Syringae* pv. *Actinidiae* (Psa-V)

Agency Disclosure Statement

This Regulatory Impact Statement (RIS) has been prepared by the Ministry for Primary Industries (MPI).

It provides an analysis of options for managing the ongoing response to the kiwifruit vine disease *Pseudomonas syringae* pv. *Actinidiae* (Psa V) and also options to fund the response.

The RIS assesses three options for managing the response to Psa-V. These are:

- the status quo;
- co-ordination of the response through Regional Pest Management Plans (RPMPs);
- co-ordination of the response through a National Pest Management Plan (NPMP).

The analysis relies on information held by MPI and/or supplied by the kiwifruit industry. It highlights the following constraints and assumptions:

- mandatory industry funding would require a grower levy under the Biosecurity Act 1993; and
- implementing a National Pest Management Plan will require the management agency to be delegated powers under the Act.

Implementing a National Pest Management Plan will impose costs on businesses and impinge on some property rights and freedoms for individuals to take actions with kiwifruit plant material. However, an NPMP would be designed to effectively manage Psa-V and enable the recovery of the industry.

None of the options will impact on market competition, incentives on businesses to invest, or override fundamental common law principles.

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Date: 11 April 2013

Agency Disclosure Statement

1	Background, Status Quo and Problem Definition	1
1.1	background	
1.2	status quo	
2	Problem Definition	1
3	Objectives	2
3.1	statutory basis of policy constraints	
4	Regulatory Impact Analysis	2
4.1	Mechanisms to manage Psa-v	
4.2	Funding options	
4.3	analysis of options	
4.4	Funding	
5	Consultation	6
5.1	Early consultation	
5.2	Grower poll	
5.3	Formal submissions (KVH)	
5.4	Additional consultation (MPI)	
6	Conclusions and Recommendations	7
6.1	Recommended options for Psa-V management and funding	
7	Implementation	8
8	Monitoring, evaluation and review	8
8.1	Monitoring	
8.2	Review	

1 Status Quo

1.1 STATUS QUO

1.1.1 Joint Industry/Government Response

Pseudomonas syringae pv. *actinidiae* (Psa-V) is a disease causing bacterium that damages Actinidia (Kiwifruit) species. It infects kiwifruit vines, colonising tissues and lives within the vine. There are several forms of Psa-V found in kiwifruit vines around the world. A virulent form, known as Psa-V in New Zealand, was first detected in Te Puke in November 2010.

In November 2010, the initial response to the detection of Psa-V in New Zealand was co-ordinated by the Ministry for Primary Industries (MPI) and ZESPRI. Soon after, an independent pan-industry organisation, Kiwifruit Vine Health Inc (KVH) was established to lead and coordinate the response. The Crown allocated \$25 million to support the response, matched by \$25 million from the kiwifruit industry.

KVH is governed by a Board comprising members representing New Zealand Kiwifruit Growers Incorporated (NZKGI), ZESPRI and kiwifruit growers. The Crown is also represented through a MPI representative on the KVH Board. KVH's mission statement is to minimise the impact of Psa-V on the New Zealand kiwifruit industry and enable affected growers to re-establish their orchards. KVH has been co-ordinating the response to Psa-V to meet its objectives using the government/industry funding.

1.1.2 Impact of Psa-V on the Kiwifruit Industry

The disease has had a devastating impact on the industry. Around 70% of kiwifruit orchards in New Zealand, and 70% of the total area planted in kiwifruit are infected with Psa-V.

The disease is expected to cost the industry between \$310 and \$410 million over the next five years, and, if the disease continues to spread at its current rate, \$740 to \$885 million over the next 15 years. These estimates do not include impacts on the capital value of land or welfare of growers.

2 Problem Definition

The recovery and future viability of the kiwifruit industry requires effective control measures to be available and implemented to manage Psa-V. Funding will be required for management of Psa-V as the Crown will not provide additional funding beyond the original \$25 million appropriated. Effective co-ordination of the response to Psa-V is necessary to mitigate the cost to the kiwifruit industry.

3 Objectives

The Government's overall objective with respect to the policy initiatives proposed is to: *Encourage, support and enable the timely recovery of the kiwifruit industry from the impacts of Psa-V.*

There are a series of specific objectives that support different parts of this overall objective. These include:

- Ensuring that there is an effective management agency in place with the responsibility for responding to the impacts of Psa-V and supporting the recovery of the kiwifruit industry.
- Ensuring the management agency has the direction, tools and resources it requires to operate effectively. These include:
 - clear and agreed objectives for responding to Psa-V;
 - the necessary powers to enable it to manage the disease effectively and meet objectives;
 - the necessary funding and other resources that it requires to manage Psa-V for the foreseeable future;
 - management of Psa-V in a way that is effective, cost efficient and has the minimum necessary regulatory and other impacts on kiwifruit growers and others in the industry.
- Ensuring that the management of Psa-V is undertaken in a way that is consistent and fair throughout New Zealand.
- Encouraging a partnership approach in the response to Psa-V including kiwifruit growers, post harvest operators, the wider kiwifruit industry and government.
- Ensuring that ongoing funding and resourcing arrangements for responding to Psa-V are transparent, equitable and secure.

These outcomes need to be achieved during autumn, due to the need to set up the crop for the next year's growing season, and because the spread and impacts of Psa-V increase substantially in autumn.

4 Regulatory Impact Analysis

4.1 OPTIONS FOR MECHANISMS TO MANAGE THE RESPONSE TO PSA-V

Much of the consideration and analysis of options for managing Psa-V was undertaken by the KVH Board in consultation with MPI officials. Three options have been identified, as follows:

- Status quo – KVH would continue to coordinate and manage the Psa-V response as it is currently doing;
- Co-ordinating the response to Psa-V using the provisions of Regional Pest Management Plans (RPMP). These plans are provided for in the Biosecurity Act 1993 and are generally implemented by, or in association with, Regional Councils. They are approved by a Regional Council.
- Co-ordinating the response to Psa-V using the provisions of a National Pest Management Plan (NPMP). These plans are provided for in the Act and are generally implemented by an industry based management agency. They are approved by the Minister for Primary Industries, and made by an Order in Council. This is MPI's preferred option.

4.2 FUNDING OPTIONS

KVH reviewed the options available to provide secure funding for managing the disease. The primary options considered and consulted on were:

- direct funding by Zespri;
- direct funding by the Crown;
- funding through the existing kiwifruit commodity levy; and
- funding through a new biosecurity levy (MPI's preferred option).

4.3 ANALYSIS OF OPTIONS

4.3.1 Status Quo

This option would see KVH continue to lead and coordinate the kiwifruit industry's PsA-V response to date. It has focussed on its objectives; to contain and effectively manage the disease, to prevent its spread to new areas, to respond promptly to disease in new areas, and to assist the longer term recovery of the industry. KVH has been resourced through the initial funding package made available from government of \$25 million, which was matched by the kiwifruit industry.

This option, along with the other two has been assessed against the government objectives. A summary table of each option is at the end of the discussion of individual options.

There are two specific difficulties with this option. The first is that KVH will not have access to powers under the Act that will be required to ensure that those in the industry support management actions that effectively control PsA-V, and its spread. KVH would have to continue to rely on voluntary compliance with control measures and best management practices by growers and the wider kiwifruit industry to manage the disease. Even if there is a high level of voluntary compliance, the action or inaction of an individual can allow the disease to spread and place many other growers at risk.

The second is the security of funding to enable KVH to continue to lead the response and industry recovery. Once the current funding runs out, KVH will have to source alternative funding from the industry. This will be at a time when the wider industry is facing considerable financial challenges from the reduction in the kiwifruit crop caused by PsA-V. Without sustainable funding sources, KVH will have difficulty planning and implementing the measures needed to manage PsA-V.

4.3.2 Management through Regional Pest Management Plans

The Act provides for the development and approval of Regional Pest Management Plans. These RPMPs list animal and plant pests which Regional Councils manage. These pests are primarily those which have impacts on public lands or have adverse environmental impacts, and control of which will have benefits for the wider community. Councils do not have strong interests in pests with primarily economic impacts. Nevertheless, a RPMP does give the management agency powers and these plans could be used for managing the disease.

PsA-V is now found in 14 different areas of the North Island. These areas fall within the boundaries of seven different regional authorities, which brings a number of practical difficulties in using regional plans to manage PsA-V. At least seven different regional councils would need to assess, approve and co-ordinate a RPMP for PsA-V for their region.

As noted earlier, Psa-V is an economic rather than an environmental pest and it would be simpler for the kiwifruit industry to initiate and manage a management plan.

Consistent management of Psa-V is important for both management effectiveness and equity reasons. It is likely to be difficult to get consistent approaches to the management of the disease across regions with RPMPs. The administration of seven or more plans will also require duplication of permissions, reporting, auditing etc. This is likely to cost more than a single agency involvement. And overall there is likely to be a differing management focus between regions, reflecting the preferences of different councils or of different individual sections or managers in a council. Funding for implementing plans could also be more complex if different regions chose to approach funding differently and not through a standard biosecurity levy.

The possible inconsistencies inherent in the development of RPMPs are likely to reduce overall levels of compliance and thus the effectiveness of Psa-V management.

4.3.3 Management through a National Pest Management Plan

The Act provides for the development and approval of NPMPs. These plans can be initiated by a Minister or an individual or agency. They are assessed and approved by the Minister for Primary Industries, and are made by an Order in Council.

The trigger for undertaking this analysis was the presentation to the Minister for Primary Industries of a formal proposal for a National Psa-V Pest Management Plan, developed by KVH in line with the provisions in sections 59-66 of the Act. These sections outline the content, rationale and consultation requirements of the proposed plan and also prescribe the process the Minister must follow in the consideration and approval of the plan.

While individual and group actions can assist growers to control the disease within and between adjacent orchards, effective management of the disease requires decisive, concerted and complementary actions from all growers and others in the industry throughout New Zealand. An NPMP provides coordination at a national level, and a uniting goal and set of objectives and measures that manage the disease.

The effective management of Psa-V also requires that a large number of individuals and kiwifruit industry groups across the country play their part to manage Psa-V and reduce the risk of spread. These include:

- growers;
- post-harvest operations (packhouses);
- contractors; and
- beekeepers.

4.3.4 Costs and benefits of a National Pest Management Plan

KVH expects that implementing the proposed national pest management plan will cost \$1.5 million annually. With the costs of Psa-V assessed to affect the industry to the tune of between \$310 and \$410 million over the next five years, and between \$740 and \$850 million over 15 years, KVH states that the national pest management plan needs only to provide a 6% reduction in the impacts of the disease to break even.

Table 1: Summary of government objectives against Psa-V management options

Overall objective	Status quo	Regional PMP	National PMP
Encourage, support and enable the timely recovery of the kiwifruit industry from the impacts of Psa-V (based on meeting specific objectives below)	Partly	Partly	Yes
Specific objectives			
Effective management agency in place	Yes	Yes	Yes
Agency has clear agreed objectives	Yes?	Yes	Yes
Agency has necessary powers	No	Maybe	Yes
Secure ongoing funding	No	Maybe	Yes
Effective, cost efficient and minimum regulation	Yes	Maybe	Yes
Consistent approach to management	Yes	Maybe	Yes
Partnership encouraged in response	Yes	Yes	Yes

4.4 FUNDING OPTIONS

4.4.1 Direct funding by Zespri

Psa-V affects all kiwifruit varieties and all industry participants, not just ZESPRI growers and ZESPRI varieties. The response to Psa-V is a pan-industry plan and all parts of the industry which benefit directly should contribute.

4.4.2 Direct funding by the Crown

The government has already contributed up to \$25 million toward the costs of the response and has signalled that it will not be contributing additional funds. While the government and the national and regional economies benefit indirectly from the management of Psa-V, the primary benefits of a healthy kiwifruit industry accrue to growers. The government has no obligations to contribute to further costs of management, other than as a landowner required to control wild kiwifruit vines – an obligation the Crown currently meets.

4.4.3 Funding through the existing kiwifruit commodity levy

There is an existing commodity levy supporting the activities of New Zealand Kiwifruit Growers Inc (NZKGI). The purpose of this levy is to fund research, product development, quality assurance, crop health and protection, education and grower representation. The purpose of this levy does not include pest management or control and extending this levy for a dual purpose would require different governance arrangements. The existing levy would have

to be revoked and remade. There would be no efficiency gain through this approach and reduced transparency about the purpose of the levy.

4.4.4 Funding through a new biosecurity levy (MPI's preferred option)

The rationale for the proposed allocation of costs by way of a levy identifies growers as the primary beneficiaries of the plan, and in its implementation they will be able to:

- reduce their risks from the disease and influence the level of control;
- reduce the costs of disease control and find the most effective control measures; and
- make commercial decisions on the best management approaches for their orchards.

The rate of the proposed levy is to be 0.28 cents per kg for green fruit varieties, and 0.56 cents per kg for gold and red varieties. The different rates reflect the higher susceptibility of gold and red varieties to the disease, and the consequent higher benefits to growers of those varieties from the effective management of the disease.

The proposed levy would increase the cost per kiwifruit hectare from \$334 to \$668 for green kiwifruit and \$429 to \$1,288 for gold varieties. Given the financial hardship that many kiwifruit growers are experiencing as a result of Psa-V, higher levy rates would be inappropriate at this time.

Table 2: Summary of Government objectives against funding options

	ZESPRI Funds	Crown funds	NZKGI funding (Commodity levy)	Biosecurity levy
Objectives				
Transparent	Yes	Yes	No	Yes
Equitable	No	No	Mostly	Mostly
Secure	Maybe	No	Maybe	Yes

5 Consultation

KVH undertook extensive consultation during the development of the proposal. The content, rationale and provisions evolved during this process as ideas were explored and tested with growers and others in the kiwifruit industry.

5.1 EARLY CONSULTATION

KVH held two initial workshops to identify the potential goal, objectives, measures, actions and approaches to funding and implementation for the National Psa-V Pest Management Plan. The workshops brought together a wide range of participants with expertise from across the kiwifruit industry, as well as representatives from central government, regional government and the beekeeping industry. These resulted in a broad framework for a NPMP which could be tested and refined in wider consultation.

A series of 17 regional presentation and discussion meetings were held by KVH in the kiwifruit growing regions around New Zealand to present the concept for the NPMP. In particular, KVH sought to confirm the practicality and likely effectiveness of the proposal and discussed the proposed funding through a biosecurity levy on exported fruit.

In addition to regional meetings, KVH had individual meetings with particular interest groups and individuals to listen to their specific issues and concerns and work through a solution.

5.2 GROWER POLL

KVH carried out a Grower Poll between 23 and 31 August 2012, to quantify the level of grower support for implementation of the *Proposed National Psa-V Pest Management Plan*. The results of the poll indicated 77 percent of growers who voted supported the plan; ten of the 17 kiwifruit growing regions had over 90 percent support.

5.3 FORMAL SUBMISSIONS (KVH)

KVH emailed or wrote to a number of organisations during late August / early September informing them of the opening of the formal submission period. Organisations included:

- All Regional Council Chief Executives and Biosecurity Managers, for the councils whose boundaries include Psa-V regions;
- New Zealand Nursery and Garden Industry Association;
- Floral Art Society of New Zealand;
- New Zealand Professional Florists Inc;
- FloraMax (Turners & Growers Fresh Ltd);
- Academy New Zealand (School of Floristry);
- Beef + Lamb New Zealand;
- Dairy NZ;
- NZ Wine; and
- Pipfruit NZ.

Twelve submissions were received; none opposed the proposal. Five submissions expressed support for the proposal, and seven were neither for nor against, but raised specific issues or concerns.

5.4 ADDITIONAL CONSULTATION (MPI)

After KVH formally presented the proposal for the NPMP for Psa-V to the Minister for Primary Industries, KVH advertised a further two week submission period when submitters could present their views on the plan to the Minister for Primary Industries through MPI.

These were analysed by MPI and the results presented to the Minister. Seven submissions were received by MPI in total. Six were in support and one was opposed, in the belief that it is too late for Psa-V to be controlled, given its widespread distribution. An individual also wrote to the Minister directly outlining their concerns about the proposed plan.

6 Conclusions and Recommendations

6.1 RECOMMENDED OPTIONS FOR PSA-V MANAGEMENT AND FUNDING

MPI's preferred option for managing Psa-V is through a dedicated NPMP. This option provides for a single management agency with clear objectives and management powers needed to be effective. The single agency can focus its attention on addressing the challenges of Psa-V and finding cost-effective ways to do this.

Managing Psa-V through alternatives such as the current system or through regional pest management plans would not be as effective as through a NPMP.

MPI's preferred option for funding the implementation of a pest management plan is by way of a dedicated biosecurity levy. The levy will provide secure and ongoing funding to implement the plan. It is also transparent in that it is paid by those who benefit directly from the plan and equitable as costs to growers relate to the risks their orchards face from Psa-V. In addition it is simple as it can mirror the existing mechanisms for collection and payment of the commodity levy. This mechanism is well understood by growers and exporters.

7 Implementation

The implementation of this policy initiative requires several steps by both KVH and MPI. These include:

- Development and submission to the Minister for Primary Industries of a formal proposal for a National Psa-V Pest Management Plan;
- Assessment of the plan by the Minister against the content, rationale and consultation requirements in the Biosecurity Act;
- Drafting and approval of two Orders in Council to provide for:
 - the formal pest management plan with its specific objectives, rules and powers; and
 - the imposition of the biosecurity levy to fund the plan.

MPI will continue to work in partnership with KVH to help it to enable the recovery of the kiwifruit industry. MPI considers that KVH has the technical capability to implement the provisions outlined in the Orders including collecting and administering the funding.

8 Monitoring, evaluation and review

8.1 MONITORING

Continued monitoring and research are critical elements of this plan, which focus on building our understanding of a sustainable recovery pathway, and fine-tuning this over time to minimise the impacts of Psa-V on kiwifruit production long term. The plan also focuses on the consistent application of measures that are required to implement a successful recovery pathway, including managing risks associated with unmanaged orchards, abandoned orchards and wild kiwifruit populations.

Key measurements that relate to whether objectives of the plan are being achieved include:

- number of exclusion regions, containment regions and recovery regions, and how these have changed over time;
- number of new incursions, and the most likely cause of spread;
- rate and pattern of spread within containment regions, and the most likely cause of this; and
- estimated impact of Psa-V on production.

8.2 REVIEW

The Act requires plans to be reviewed every ten years, however, KVH has committed to conducting a review after years three and seven, or at any other time determined by KVH. Operational management can be fine-tuned at any time in response to the results of the monitoring, to ensure that it is meeting its objectives within the wider scope of the NPMP.