



# Consultation Paper on Proposed Revisions to the Cost Recovery Regimes

Biosecurity, Animal Products, Agricultural Compounds  
and Veterinary Medicines, Wine and Animal Welfare

Biosecurity proposals and fee updates

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## 4 Cost recovery under the Biosecurity Act 1993

### 4.1 OVERVIEW

The New Zealand biosecurity system provides the basis for New Zealand's official assurances to its trading partners about the safety and provenance of exports, and helps protect against biosecurity incursions which could damage the environment and the primary industries. The biosecurity system adds significant value to the returns New Zealand producers receive for their exports.

This is the first review of fees since 2010. The review covers 40 fees under the Biosecurity regulations, as well as seven policy proposals.

MPI provides a range of services under the Biosecurity Act 1993, including screening incoming cargo for risk goods and surveillance activities. Revenue for 2014/15 in the biosecurity sector is \$30.4 million, and the total proposed increase is \$6.0 million. This covers improvements such as the use of dogs in cargo pathways, and better controls around transitional and containment facilities.

### 4.2 ACTIVITIES UNDER THE BIOSECURITY ACT 1993

Under the Biosecurity Act, MPI is the lead agency for the New Zealand biosecurity system. The biosecurity system consists of overlapping 'layers' of activities that manage risk at different points, including offshore, en route, and at the border itself, and through biosecurity activities within New Zealand (including transitional and containment facilities, readiness activities, incursion response, and pest management). These layers are described in Table 4.

**Table 4: Layers of the biosecurity system**

<b>International plant and animal health standards</b>	Developing international standards and rules under the World Trade Organisation Sanitary and Phytosanitary Agreements
<b>Trade agreements and bilateral arrangements</b>	Negotiation of agreements and processes for future biosecurity cooperation and trade
<b>Risk assessment and import health standards</b>	Identification of risk, and specification of requirements, for people and goods coming into New Zealand
<b>Border interventions</b>	Educating and auditing to encourage compliance, inspecting to verify compliance and taking action to manage non-compliance
<b>Surveillance</b>	General and targeted programmes to detect harmful pests and diseases
<b>Readiness and response</b>	Regular testing of the biosecurity system's capability to respond, responding to detected harmful pests and diseases
<b>Pest and disease management</b>	National, regional & industry actions to manage established pests and diseases

The biosecurity system is constantly evolving to protect New Zealand from changing and increasing risks.

The Ministry's biosecurity activities and services are largely funded by the Crown. In essence:

- All policy work, public good research, enforcement, audit, most international work, and most import health standard development is Crown-funded.
- Exporters pay for most but not all export accreditation and assurance work.
- Importers pay some of the costs of border services and other prevention work (such as cargo clearances).

- The Crown currently pays for all readiness and response work<sup>10</sup> and most surveillance work.

MPI's biosecurity services and activities are outlined in section 4.15, Appendix 1

### **4.3 LEVIES, FEES, AND CHARGES**

Cost recovery for the third party-funded activities that are the subject of this review is given effect through the Biosecurity (System Entry Levy) Order 2010 and the Biosecurity (Costs) Regulations 2010.

#### **4.3.1 The Biosecurity (System Entry Levy) Order 2010**

The Biosecurity System Entry Levy (BSEL) funds a proportion of the fixed costs common to all activities associated with managing the biosecurity risks of imported goods at the border. This includes:

- the costs of obtaining and analysing data to develop and monitor risk profiles and place alerts;
- the costs of primary screening of sea and air cargo manifests for biosecurity risk goods;
- the costs of intervention monitoring programmes, slippage surveys, and baseline auditing of the compliance of imported goods with import health standards;
- the costs of certain surveillance activities around sea and air ports and high-risk places (such as for the Asian gypsy moth);
- the costs of the 15 minutes of secondary risk assessment for consignments identified in primary screening, and issuing authorisation of movement and biosecurity clearance documentation.

These activities are considered to be 'industry goods'.

#### **4.3.2 The Biosecurity (Costs) Regulations 2010**

The Biosecurity (Costs) Regulations 2010 (the Regulations) set charges for a range of activities and services provided by the Ministry to third parties, including:

- inspection of imported biosecurity risk goods, including unaccompanied personal baggage and effects, used vehicles and machinery;
- inspection of offshore craft and shipping containers that do not meet entry requirements;
- testing, treatment, destruction and disposal of risk goods;
- call-outs and other work outside standard working hours, travel and waiting time for MPI inspectors to carry out 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 proposed biosecurity levy, fees and charges are stated in section 4.15, Appendix 2.

### **4.4 COST RECOVERY FOR THE JOINT BORDER MANAGEMENT SYSTEM**

The Joint Border Management System (JBMS) is a set of integrated information technology products that New Zealand Customs Service and MPI use jointly to manage risk at the border. It will provide greater consistency and certainty in the end-to-end border clearance process for all goods, and will allow border agencies to target risk more accurately.

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<sup>10</sup> Though this will change under the Government Industry Agreement on Biosecurity Readiness and Response (GIA).

The JBMS will also ultimately provide a single channel, the Trade Single Window, for local and international traders and carriers to comply with New Zealand's border requirements.

In 2012, following public consultation, the Government agreed to increase certain New Zealand Customs Service transaction fees and the biosecurity levy to meet industry's share of the operating costs of the first tranche of the JBMS through to 30 June 2016.

The biosecurity levy is currently charged at the following rates:

- \$15.33 per importation for which an import entry transaction fee is payable, including a JBMS component of \$4.22;
- \$11.11 per importation for which an inward cargo transaction fee is payable in respect of cargo or goods carried on a ship or boat;
- \$11.11 per importation for which an inward cargo transaction fee is payable in respect of goods or cargo carried on an aircraft.

The lower levy rate of \$11.11 is payable in relation to sea and air inward cargo transaction fees because the JBMS functionality associated with the inward cargo report transaction type is not yet available. This rate, therefore, does not include the JBMS component of \$4.22.

The JBMS component of the biosecurity levy payable for import entries will remain unchanged until the end of the first cost recovery period on 30 June 2016. Further JBMS cost recovery arrangements will be considered in the next review of biosecurity cost recovery, which will take place over 2015/16 and result in new fees from 1 July 2016.

## **4.5 RELATED BIOSECURITY COST RECOVERY WORK**

### **4.5.1 Cost recovery under the GIA on biosecurity readiness and response**

The Biosecurity Act 1993 was amended in 2012 to provide a framework that enables government and industry to work together in partnership through the GIA to achieve the best possible outcomes from readiness or response activities by:

- making joint decisions on the activities;
- jointly funding the costs of the activities in shares that take into account the public benefits and industry benefits that the activities deliver.

This review of biosecurity cost recovery does not include funding and cost recovery issues relating to the GIA. That work is progressing separately and will cover:

- Development of levy orders to fund particular industry organisations' commitments to readiness and response activities under the GIA.
- A proposal to recover, where equitable and efficient to do so, the costs of GIA readiness or response programmes from non-signatories. MPI anticipates that consultation on the proposal will take place in the first half of 2015.
- A proposal to recover, where practicable and equitable to do so, the costs of GIA readiness or response programmes attributable to exacerbators of incursions of unwanted organisms. Consultation on this proposal may take place in the second half of 2015.

### **4.5.2 Cost recovery regulations under the Airports (Processing of International Travellers) Act 2014**

The Airports Act 2014 provides for the recovery, for an initial period, of the costs of border processing at new and re-starting international airports. The development of cost recovery regulations under the Airports Act 2014 is not included in the scope of the current fee review.

## 4.6 POLICY PROPOSALS

*Biosecurity#1 – Recover for activity outside standard working hours*

*Biosecurity#2 – Update charges for import permit applications*

*Biosecurity#3 – Recover for biosecurity advisor time*

*Biosecurity#4 – Amend charges for additional travel zone and travel costs for veterinary professionals*

*Biosecurity#5 – Align veterinary professional rates for goods imported from the European Union*

*Biosecurity#6 – Update cost recovery for transitional and containment facilities*

*Biosecurity#7 – Increase maximum rate of system entry levy*

## 4.7 BIOSECURITY#1 – RECOVER FOR ACTIVITY OUTSIDE STANDARD WORKING HOURS

### 4.7.1 Background

Activities that take place outside standard working hours impose a higher cost on MPI as we must pay staff over-time and penal rates.

While the Regulations allow for call-outs (when staff are called back to work) to be recovered for at higher hourly rates to reflect the additional costs, other activity outside standard working hours that does not constitute a call-out is currently recoverable only at the standard hourly rates.

### 4.7.2 Problem definition

Activities undertaken by staff outside of standard working hours (those that are not call-outs) impose a higher cost than MPI currently recovers because staff must be paid overtime and penal rates. Out-of-standard-working-hours services for border clearance staff (quarantine inspectors) are infrequent. There is, however, substantial under-recovery (about \$0.3 million a year) currently occurring for veterinary professional services undertaken to clear live animals at the border and in transitional and containment facilities.

The options considered to address this under-recovery were:

- increasing the BSEL or (standard) hourly rates to recover the higher costs;
- increasing quarantine inspector and veterinary inspector rates;
- increasing veterinary inspector rates only;
- ceasing to provide rostered veterinary professional services outside of standard working hours.

Changes to the BSEL or hourly rates are not considered appropriate solutions since both would result in cross-subsidisation and would therefore be inequitable. Providing the veterinary professional services in question outside of standard working hours where required is also not considered to be discretionary.

### 4.7.3 Proposed charges

MPI proposes to amend the Regulations to allow recovery at the higher rates that MPI pays veterinary professionals for rostered work outside of standard working hours (being either 1.5 times or 2.0 times normal rates). These rates would equally apply to any periods of 'waiting time' experienced during a call-out. This would apply to both veterinary inspector services provided, and to veterinary inspector travel during this time (see also Biosecurity #4 –

Additional travel zone and travel costs for veterinary inspectors). The proposed veterinary inspector hourly rates are:

- standard T1.0 hourly rate — \$186.30;
- hourly rate incorporating T1.5 staff costs — \$252.17;
- hourly rate incorporating T2.0 staff costs — \$318.04.

Given the administrative complexity associated with differential charging and the relatively low volume of work that is done outside standard working hours by (non-veterinarian) border clearance staff, we propose that the hourly rate for quarantine inspectors undertaking rostered work outside standard working hours remains the same as now (that is, at the regular hourly rate).

The proposal to recover costs at higher rates for veterinary inspectors would support efficiency, as it would mean the users of these services would be paying their actual costs, and would be equitable, as it would not involve cross-subsidisation by BSEL payers and/or those requiring services during standard working hours.

#### 4.7.4 Questions for consideration

Question 4.7:

- 1) Should these out-of-hours services be offered as standard and instead recovered through the BSEL or standard hourly rates?
- 2) What is your preferred option for cost recovery of outside of standard working hours for veterinary services?

## 4.8 BIOSECURITY#2 – UPDATE CHARGES FOR IMPORT PERMIT APPLICATIONS

### 4.8.1 Background

Importers of certain goods require an ‘import permit’ under the relevant import health standard. Applications for import permits are submitted to and processed by MPI.

The Regulations currently provide for a unit charge that incorporates a standard amount of time allotted to the processing of applications.

### 4.8.2 Problem definition

Some applications for import permits require MPI staff time beyond that anticipated by the current unit charge of \$144.89, either because of problems with the standard of the application (requiring additional time to resolve) or complexity.

While most permits take around the standard time, a significant minority exceed this, with approximately five percent taking around eight hours.

Options considered were:

- introducing an hourly charge for those permits that exceed the standard time;
- setting a maximum charge of eight hours staff time above the unit charge;
- introducing a higher unit charge or a second unit charge for other more complex ‘classes’ of application.

Introducing an hourly charge would mean those cases where applications take much longer than the standard time could be cost recovered on the basis of the actual time taken. That would provide an incentive for applicants to ensure their applications are in order when they are submitted.

Setting a maximum charge of eight hours additional above the unit charge time would provide some of the assurance associated with a fixed unit charge. However, it would still mean that some permit application processing costs could be under-recovered.

A higher unit charge would over-recover from most applicants and not provide an incentive to ensure applications were completed correctly. There was also no consistently identifiable ‘class’ of permit that would suit a second tier of unit charge.

#### 4.8.3 Proposed charges

The Ministry proposes to retain the single unit charge, at the proposed new rate (reflecting increased costs) of \$191.95, and introduce charging at the proposed new inspector/advisor hourly rate of \$102.27 after the standard allotted time is exceeded.

#### 4.8.4 Questions for consideration

Question 4.8:

- 1) Would you prefer the certainty of a second unit charge instead of an hourly rate, even if it would over-recover costs on many applications?
- 2) Would you prefer all applications to be charged on an hourly rate basis (that is, no unit charge)?

## 4.9 BIOSECURITY#3 – RECOVER FOR BIOSECURITY ADVISOR TIME

### 4.9.1 Background

MPI biosecurity advisors undertake a range of activities, including risk analysis, import health standard development, processing of import permit applications, approving and providing advice on transitional and containment facilities and their operators, and providing advice on Chief Technical Officer Directions under section 27 of the Biosecurity Act.<sup>11</sup>

### 4.9.2 Problem definition

At present, MPI has no clear mechanism in the Regulations to recover the costs of certain activities undertaken by biosecurity advisors that constitute ‘private goods’. This includes time spent working on Chief Technical Officer Directions and other cases of non-compliance, and on answering queries and providing advice to importers. This is time that biosecurity advisors cannot spend on ‘public goods’ such as biosecurity risk analysis and import health standard development.

Importers often seek advice from biosecurity advisors directly, instead of liaising with front-line border clearance staff because quarantine inspector time is cost-recovered, while biosecurity advisor time is not.

Not charging for biosecurity advisor time in relation to cases of non-compliance also means importers may not carry out required measures (including obtaining all the requisite documentation) prior to import, as they may feel any non-compliance can be resolved at the border. This takes up biosecurity advisor time, and does not deal with risk offshore.

The options considered were charging for:

- certain types of biosecurity advisor time;
- ‘abuse’ of biosecurity advisor time;

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<sup>11</sup> These “directions” refer to directions or guidelines issued by a Chief Technical Officer on measures that may be applied to effectively manage the biosecurity risks arising from an importation of goods that is non-compliant with the requirements of the relevant import health standard.

- biosecurity advisor time taken beyond the first 15 minutes.

It has not been possible to formulate a satisfactory definition of ‘abuse’ of advisor time that did not either over-capture or under-capture costs. A similar problem exists for attempting to specify only certain types of advisor activities.

#### 4.9.3 Proposed charges

We propose amending the Regulations to allow cost recovery for biosecurity advisor time at the proposed new rate of \$102.27 where time is spent:

- a) working on equivalences or Chief Technical Officer Directions owing to an individual’s or company’s non-compliance with import health standards or other import requirements;
- b) providing advice in relation to the importation of goods in excess of 15 minutes.

Where possible, those involved would be alerted before incurring a charge. Judgement would be required, and there will always be cases where charges may be waived.

#### 4.9.4 Questions for consideration

##### Question 4.9

- 1) Should all time spent providing advice on importations be recovered for instead of providing the first 15 minutes free?
- 2) When should the 15-minute period ‘reset’ on a particular issue or query about which advice is being sought – daily, weekly, or monthly?

## 4.10 BIOSECURITY#4 – AMEND CHARGES FOR ADDITIONAL TRAVEL ZONE AND TRAVEL COSTS FOR VETERINARY PROFESSIONALS

### 4.10.1 Background

The Regulations currently provide for fixed charges (zone charges) to recover the travel costs of quarantine inspectors, biosecurity advisors, and veterinary inspectors travelling to undertake activities at sites away from base. The current zone charges are:

- 0 to 10 kilometres from base — \$64.00 (Zone 1);
- 10 to 25 kilometres from base — \$88.89 (Zone 2);
- 25 to 50 kilometres from base — \$144.89 (Zone 3).

The travel costs of trips 50 kilometres or more from base are recovered via a charge per hour for time away from base, plus a per kilometre charge, plus the actual and reasonable costs associated with the activity being undertaken (such as accommodation costs).

The zone charges include a staff time component and a vehicle mileage component.

### 4.10.2 Problem definition

MPI considers the Zone 1 charge applying to trips of 0 to 10 kilometres (\$64.00) to be too high in many cases where trips are of a shorter duration (for example, only one or two kilometres). As a consequence, the charge is often waived (with the result that MPI is under-recovering some of its travel costs).

MPI also considers a zone charging approach for the biosecurity-related verification functions of veterinary professionals is not appropriate. Veterinary professionals undertaking biosecurity inspections of live animal imports often undertake food safety-related activities on

the same trips. Travel costs for veterinary professionals under the food safety legislation are calculated on a 'time plus mileage' basis. A travel zone approach for biosecurity (import) activities is therefore not consistent with the approach for exports, and often involves calculating travel costs for, and invoicing, the same customer in two different ways for the same travel undertaken.

Also, a lot of biosecurity-related veterinary inspection is done outside of standard working hours (on a call-out or other basis). The current zone charges do not incorporate, and cannot readily incorporate, the higher rates paid to veterinary professionals during this time (1.5 and 2.0 times hourly rate).

Options considered:

- maintaining the status quo.
- introducing a 0 to 2 kilometre zone charge and maintaining a zone charge approach for quarantine inspectors, biosecurity advisors, and veterinary professionals.
- maintaining the current zone charge approach (including a new 0 to 2 kilometre zone charge) for quarantine inspectors and biosecurity advisors, but moving to a 'time plus mileage' approach for veterinary professionals.

#### **4.10.3 Proposed charges**

*For quarantine inspectors and biosecurity advisors*

MPI proposes to amend the Regulations to provide for an additional travel zone charge for activity at a site 2 kilometres radius or less from base, and amend the current 0 to 10 kilometre to a 2 to 10 kilometre charge.

The other existing zone charge categories will remain (10 to 25 kilometres, 25 to 50 kilometres), as well as the 'time plus mileage' charging approach for trips of over 50 kilometres.

The proposed revised zone charges are:

- Zone 1: 0 to 2 kilometres from base — \$34.86;
- Zone 2: 2 to 10 kilometres from base — \$70.75;
- Zone 3: 10 to 25 kilometres from base — \$109.24;
- Zone 4: 25 to 50 kilometres from base — \$149.19.

A zone charge approach for quarantine inspectors and biosecurity advisors is simpler administratively, both for importers and MPI, and better suits the nature and frequency of the trips they undertake

*For veterinary professionals*

MPI proposes to amend the Regulations to provide for a 'time plus mileage' approach to recovering all travel costs of veterinary professionals. This would better suit the nature of veterinary professional activities, align with the charging approach for exports under food safety legislation, and allow MPI to fully recover travel costs. The basis for calculating charges would be:

- a charge per hour for time spent away from base (at the normal, time and a half, or double time rate, as appropriate), plus
- a per kilometre charge for distance travelled — being the per kilometre rate published by the Commissioner of Inland Revenue in accordance with section DE 12 (3) of the Income Tax Act 2007, currently \$0.77. See section 9.4 for further information on a proposal to link all vehicle mileage rates to the rate calculated by the Inland Revenue Department (IRD), plus
- the actual and reasonable costs associated with the activity being undertaken.

#### 4.10.4 Questions for consideration

##### Question 4.10:

Should the fixed zone charge for quarantine inspectors and biosecurity advisors be replaced by 'time plus mileage' approach for travel costs?

### 4.11 BIOSECURITY#5 – ALIGN VETERINARY PROFESSIONAL RATES FOR GOODS IMPORTED FROM THE EUROPEAN UNION

#### 4.11.1 Background

The Agreement between the European Community (EU) and New Zealand on sanitary measures applicable to trade in live animals and animal products (the EU-NZ Sanitary Agreement) provides for agreed rates for veterinary inspection and other charges for activities in relation to animal and animal products imported into New Zealand from the European Union.

These provisions, and the associated proposals below, also apply to Switzerland. For brevity, references to the EU-NZ Sanitary Agreement should be taken to include Switzerland.

#### 4.11.2 Problem definition

The EU-NZ Sanitary Agreement is due to be updated, and revised rates will be in place by 1 July 2015. MPI's fees for veterinary inspection and other activities involved in clearing animal and animal products imported from the EU need to be increased in line with accumulated inflation since they were last set in 2010.

#### 4.11.3 Proposed charges

We propose updating the fees in the Regulations to align with the re-negotiated rates in the EU-NZ Sanitary Agreement. These proposed rates are:

- \$94.38 per hour for inspecting an animal/animal material imported directly from an EU country;
- \$28.19 unit charge for an animal imported from an EU country;
- \$28.19 unit charge for inspection of documents for a consignment imported from an EU country;
- \$56.37 unit charge for other types of inspection for consignments imported from an EU country.

### 4.12 BIOSECURITY#6 – UPDATE COST RECOVERY FOR TRANSITIONAL AND CONTAINMENT FACILITIES

#### 4.12.1 Background

Transitional facilities and containment facilities are areas that are approved to hold and manage imported risk goods that are brought into New Zealand. Transitional facilities are generally for imported goods such as food products, things made from wood or plant material, sea containers, used machinery or vehicles, and other products that might have some associated biosecurity risk. These goods may undergo an inspection or treatment of some kind at the transitional facility before they can be 'cleared' by MPI.

Containment facilities are places approved for holding organisms (plants or animals) that should not, whether for the time being or ever, become established in New Zealand. For example, zoos are containment facilities for animals. Some laboratories are also containment

facilities that import micro organisms and biological products for testing which are later destroyed.

MPI approves applications for approval as a transitional or containment facility, and undertakes ongoing verification, inspection and auditing of facilities. Facilities are a key component of the biosecurity system and help MPI manage the biosecurity risk associated with cargo. As risk profiles become more dynamic, MPI requires all facilities to be working to an appropriate level of protection.

Cost recovery for transitional and containment facilities covers:

- processing of applications — charge per hour;
- verification, inspection, and auditing — charge per hour;
- overall assessment of the results of inspection and compliance audits and issuing confirmation documentation — an annual fee.

#### **4.12.2 Problem definition**

MPI needs to ensure that the processing of applications for new facilities and new operators is thorough and comprehensive. We are taking a more robust approach to the assessment of such applications to provide national consistency, ensure biosecurity risks will be effectively managed, and facilitate ongoing supervision and inspection by MPI staff.

To ensure biosecurity risks are effectively managed, MPI needs to ensure that the processing of applications for new transitional and containment facilities, and their ongoing verification, inspection, and auditing, is thorough and comprehensive.

MPI has reviewed its approach to transitional facilities and containment facilities. This review has recommended an increased level of MPI activity in relation to these facilities, to ensure that facilities and the potential biosecurity risk associated with them are appropriately managed. A key deliverable of the review was also to ensure that costs are fully recovered for the time and other resources associated with application processing, auditing, inspection, and approval.

The current regime involves activities which the current Regulations did not anticipate and which are therefore not being cost recovered. Costs have also risen since fees were last set, in 2010.

This means current arrangements do not enable full cost recovery of services being delivered, either for current activities or the proposed new activities. This does not support efficiency and is inequitable.

#### **4.12.3 Proposed charges**

MPI proposes to:

- Introduce an application fee of \$887.70 (replacing the current approach of charging at an hourly rate for the time taken to process applications), with provision for further charging at the hourly rate for more complex applications.
- Increase the annual fee to \$298.05 to provide for increased costs and expanded/enhanced activities. These activities include follow up on corrective actions from audits, facility and operator administrative systems and processes, and training and provision of advice to facility staff and operators.

This proposal supports efficiency, in that facility operators will pay the full cost of the services provided by MPI, and equity, in that cross-subsidisation (by taxpayers) of the currently under-recovered costs is eliminated.

MPI is also proposing that the Regulations be amended to clarify that the costs of support staff supporting transitional and containment facilities can also be recovered.

#### 4.12.4 Questions for consideration

Question 4.12:

Would you prefer all fees for transitional and containment facilities to be charged as hourly rates instead of set fees?

### 4.13 BIOSECURITY#7 – INCREASE MAXIMUM RATE OF SYSTEM ENTRY LEVY

#### 4.13.1 Background

The Biosecurity (System Entry Levy) Order 2010 (the Levy Order) provides for a maximum biosecurity levy rate of \$16. This is the maximum rate up to which the Director-General can fix the levy rate or rates prior to the start of each levy year.

The proposed new levy rates from 1 July 2015 are:

- \$13.15 per importation for which an Inward Cargo Transaction Fee (ICTF), sea or air, is payable;
- \$17.37 per importation for which an Import Entry Transaction Fee (IETF) is payable.

As noted above, at some point during the 2015/16 levy year, the \$13.15 levy rate will increase to \$17.37 when the JBMS functionality relating to inward cargo reports becomes available.

#### 4.13.2 Problem definition

The maximum rate (\$17.37) provided for in the Levy Order needs to be amended to provide for the increased levy rate applying to importations for which an IETF (and in due course, an ICTF) is payable.

#### 4.13.3 Proposed charges

MPI proposes to increase the maximum levy rate prescribed in the Regulations to \$18.00.

The Levy Order provides that any proposed increase to the levy, or change to the things on which the levy is spent, by the Director-General requires consultation, and must be in accordance (as per statutory requirements) with the principles of equity and efficiency. Increasing the maximum levy rate in the Levy Order to \$18.00 does not mean the levy *will* increase to that amount, but only that it *can* — after consultation — in accordance with statutory obligations, with industry and other affected parties.

#### 4.13.4 Questions for consideration

Question 4.13:

Do you agree that the *maximum* rate for the Biosecurity Entry Levy should be set at \$18.00?

### 4.14 CROSS-CUTTING PROPOSALS AFFECTING THE BIOSECURITY AREA

There are also a number of ‘cross-cutting’ proposals impacting across multiple cost regimes that are relevant to biosecurity. These are:

- use of Inland Revenue Department vehicle mileage rates (Common#2);
- cost recovery for support staff involved in specialist services (Common#3);

- other costs (Common#4);
- alignment of veterinary professional rates across biosecurity and food regulations (Common#8).

Further information on these proposals is contained in Part 9 of this document.

## **4.15 APPENDIX 1- BIOSECURITY ACTIVITIES**

### **4.15.1 Policy advice, publicly funded research, and law enforcement programmes**

Policy advice includes advice on legislation and decision-making frameworks, interventions, and how services should be delivered operationally. It also includes ministerial services and various other administrative functions. Law enforcement refers to the investigation and prosecution of those in breach of biosecurity laws and regulations.

### **4.15.2 International standard setting and market access work**

International standard setting relates to work undertaken by MPI staff in multi-lateral or international forums to influence or determine international sanitary and phytosanitary standards affecting the trade of goods and services. Market access work refers to bilateral work with specific foreign governments relating to trade access.

### **4.15.3 Laboratory diagnostic work**

This work includes testing of export animals to assure their freedom from particular pests or diseases that are unwanted in the importing country, as well as virology testing for veterinary practitioners, and testing of some export animal products.

### **4.15.4 Import health standards**

Under the Biosecurity Act, MPI regulates, through import health standards, what may be imported into the country and how. International sanitary and phytosanitary and trade laws require any prohibitions or import health standards to be supported by scientific or technical evidence of a perceived biosecurity risk.

Every year MPI prepares new risk analyses and import health standards at the request of importers seeking the importation of new products. We also review existing import health standards as a result of requests from importers and foreign governments or changes in international or domestic circumstances.

### **4.15.5 Border inspection and transitional and containment facility standards**

MPI develops and maintains standards for the delivery of border inspection services, for transitional and containment facilities and for facility operators.

### **4.15.6 Border inspection services**

MPI risk screens all cargo entering New Zealand and ensures that any biosecurity risk goods are treated in accordance with the relevant standards. Inspection and clearance activity includes:

- **Cargo and container clearances** – This work includes inspection and clearances of containers, personal effects, and used vehicles and machinery, and offshore inspections (primarily of used vehicles and machinery) before they are shipped to New Zealand.
- **Vessel clearances** – MPI inspects vessels on arrival at, or on their way to, a New Zealand port, to ensure any biosecurity risk goods on board (including those carried by passengers and crew) are treated in accordance with the relevant standards, and that ballast water is exchanged in accordance with relevant standards.
- **Mail clearances** — MPI screens all letter post and international mail parcels entering New Zealand and intercepts and treats restricted or prohibited goods. Mail clearance

includes detector dog and X-ray screening of mail, physical inspection of mail containing suspected risk goods, treatment of risk goods, and management of treated mail.

#### **4.15.7 Transitional and containment facility services**

These services include approval and inspection of transitional and containment facilities and their operators against the relevant standards, regular audits of facilities and operators to ensure continued compliance with standards, and clearances of plants and plant material.

#### **4.15.8 Diagnostic testing for border interceptions on imports**

This work involves testing to identify a suspected unwanted organism or disease found on goods being imported, on packaging or on a container. It primarily involves identifying insects detected on commercial consignments of fresh produce and timber and, occasionally, air passenger baggage.

#### **4.15.9 Surveillance programmes**

Biosecurity surveillance is the process of systematically collecting, analysing and interpreting information about the presence or absence of pests, diseases and unwanted organisms. That means finding out whether they are already present — and if they are, where exactly they are — and if they are not, being able to detect them early if they arrive. The Ministry's surveillance programmes include:

- targeted surveillance programmes designed to look for a specific organism (or sometimes a group of related organisms) in specified hosts or regions;
- pathway surveillance programmes that target high-risk sites;
- passive surveillance, or keeping watch for unwanted pests and diseases, which involves investigating notifications of suspected unwanted pests and diseases, and monitoring and analysing trends in information relating to pests and diseases.

#### **4.15.10 Incursion response programmes**

These programmes involve the investigation and control of specific pests or diseases that have been discovered in New Zealand. They include:

- the development of standards related to pest and disease responses;
- initial incursion investigation and response to suspected unwanted pests and diseases newly detected in New Zealand;
- preparedness capability, or maintaining and continually improving our ability to diagnose and respond to unwanted organisms — includes both generic capability that can be used to respond to any pest or disease, and capability specific to particular high-risk pests and diseases (such as foot and mouth disease);
- specific incursion response — includes all specific programmes that are individually funded to eradicate particular organisms, plus the associated support programmes.

#### **4.15.11 Pest management programmes**

Pest management includes the eradication, containment or management of pests that are established in New Zealand. There are a number of programmes in operation in New Zealand, the most significant of which have conservation purposes (pest and weed management) or agriculture purposes (bovine Tb and Psa-v).

## 4.16 APPENDIX 2 - BIOSECURITY FEES AND CHARGES SCHEDULE

Fees are shown as GST exclusive.

Shaded columns and headers are for referencing and commentary purposes. Light grey shaded content is for new proposals. Additional line spacing and column/row lines have been added for readability.

### Biosecurity (Costs) Regulations 2010

#### Schedule – Fees and charges

	Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
<i>Travel costs for activity at a site</i>					
Travel costs are payable for an activity that requires an inspector or a biosecurity adviser to leave his or her base or, in the case of a call-out, any other place.					
<i>Quarantine inspectors and biosecurity advisors</i>					
1	For an activity at a site that is 2 km radius or less from base		Importer	\$34.86	New fee – refer to Bio#4
2	For an activity at a site that is more than 2 km, but not more than 10 km, from base	\$64.00	Importer	\$70.75	Amended zone – previously 0-10 km from base
3	For an activity at a site that is more than 10 km radius, but not more than 25 km radius, from base	\$88.89	Importer	\$109.24	Updated rate
4	For an activity at a site that is more than 25 km radius, but not more than 50 km radius, from base	\$144.89	Importer	\$149.19	Updated rate
5	For an activity at a site that is more than 50 km radius from base	The sum of: - charge per hour for time away from base (\$88.89), plus - per km charge (\$0.6133), plus	Importer	The sum of: - hourly rate \$102.27, plus - per km charge as promulgated from time to time by the Commissioner of Inland Revenue under section DE12(3) of the Income Tax Act 2007, plus - actual and reasonable costs associated with the activity being undertaken	Updated rate
6					Refer to Common#2
7					Refer to Common#4

	Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
<i>Veterinary inspectors</i>					
8	For activity at a site		Importer	The sum of: - charge per hour for time spent away from base (at relevant EU/Switzerland or non-EU rate, and at normal time, time and a half, or double time rate, as appropriate), plus - per km charge as promulgated from time to time by the Commissioner of Inland Revenue under section DE12(3) of the Income Tax Act 2007, plus - actual and reasonable costs associated with the activity being undertaken.	Updated rates for veterinarians.
9					
10					
<i>Waiting-time costs for inspectors and biosecurity advisors</i>					
Waiting-time costs are payable for an inspector or a biosecurity adviser who arrives at a site, at a designated time, to undertake an activity; and discovers that the goods that are to be the subject of the activity are not available. Waiting-time costs are payable, at the applicable hourly rate, for each inspector or biosecurity adviser involved in the activity, and for the time each inspector or biosecurity adviser spends in waiting for the goods to become available.					
11	Time waiting for goods to become available	\$88.89 per hour for each inspector or biosecurity advisor involved	Person responsible for paying for the costs of the activity.	- General inspectors and biosecurity advisors – hourly rate \$102.27 for each inspector or biosecurity advisor involved - Veterinary inspectors – hourly rate \$186.30 for each inspector involved	Updated rate
12					
<i>Call-out costs for inspectors and biosecurity advisors</i>					
Call-out costs are payable for an inspector or a biosecurity adviser who, having left his or her place of work, has been recalled to duty for the purpose of carrying out an activity.					
13	Left place of work and recalled to duty for the purpose of carrying out an activity – inspector or biosecurity advisor working at 1.5 times his or her hourly rate	\$101.33 per hour for each inspector or biosecurity advisor involved	Person responsible for paying for the costs of the activity.	- General inspectors and biosecurity advisors – 1.5 hourly rate \$116.16 for each inspector or biosecurity advisor involved - Veterinary inspectors – 1.5 hourly rate \$252.17 for each inspector involved	Updated rate
14					

		<b>Function, power, or duty for which fee or charge payable</b>	<b>Current fee or charge</b>	<b>Fee or charge payable by</b>	<b>Proposed fee</b>	<b>Comment</b>
15		Left place of work and recalled to duty for the purpose of carrying out an activity – inspector or biosecurity advisor working at 2 times his or her hourly rate	\$113.78 per hour for each inspector or biosecurity advisor involved	Person responsible for paying for the costs of the activity.	<ul style="list-style-type: none"> <li>- General inspectors and biosecurity advisors – 2.0 hourly rate \$130.05 for each inspector or biosecurity advisor involved</li> <li>- Veterinary inspectors – 2.0 hourly rate \$318.04 for each inspector involved</li> </ul>	Updated rate
16						
17		Additional charge when recalled to duty for the purpose of carrying out an activity on a public holiday	\$199.11 per day	Person responsible for paying for the costs of the activity.	<ul style="list-style-type: none"> <li>- General inspectors and biosecurity advisors - \$222.28 per day for each inspector or biosecurity advisor involved</li> <li>- Veterinary inspectors - \$845.13 for each inspector involved</li> </ul>	Updated rate
18						
<i>Other activity outside standard working hours</i>						
19		Carrying out an activity outside standard working hours - veterinary inspector working at 1.5 times his or her hourly rate		Person responsible for paying for the costs of the activity.	Veterinary inspectors – 1.5 hourly rate \$252.17	Refer to Bio#1
20		Carrying out an activity outside standard working hours - veterinary inspector at 2.0 times his or her hourly rate		Person responsible for paying for the costs of the activity.	Veterinary inspectors – 2.0 hourly rate \$318.04	Refer to Bio#1
<i>Inspection of goods generally</i>						
21	1	Inspection of goods (except goods imported for the personal use of the importer) for the purpose of ascertaining whether those goods should be cleared	\$88.89 per hour for each inspector involved	Importer	\$102.27	Updated rate
<i>Tests, examinations, and treatment of goods that harbour or may harbour organisms</i>						
22	2	Tests, examinations, and treatments of imported goods, that harbour, or may harbour, an organism, that are – <ul style="list-style-type: none"> <li>(a) carried out by the Ministry; and</li> <li>(b) necessary to identify the organism, so as to enable an inspector to determine whether the goods should –               <ul style="list-style-type: none"> <li>(i) be cleared; or</li> <li>(ii) be moved from a transitional facility to a containment facility; or</li> </ul> </li> </ul>	\$88.89 per hour for each inspector involved; and  actual and reasonable costs of the tests, examinations, and treatments	Importer	<ul style="list-style-type: none"> <li>- \$102.27 per hour for each general inspector involved; and</li> <li>- \$186.30 per hour for each veterinary inspector involved; and</li> <li>- actual and reasonable costs of the tests, examinations, and treatments</li> </ul>	Updated rate
23						New rate
24						

Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment	
	(iii) continue to be held in a transitional or containment facility (as the case may be)					
<i>Inspection of motor cycles, mopeds, and motor vehicles at ports approved as places of first arrival</i>						
25	3	Inspection, and each re-inspection after treatment, of a consignment of a single used motor cycle or moped carried out at ports approved as places of first arrival under section 37 of the Act for the purpose of ascertaining whether the consignment should be cleared	\$14.22 per motor cycle or moped	Importer	\$18.08 per motor cycle or moped	Updated rate
26	4	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 motor cycle or moped) carried out at ports approved as places of first arrival under section 37 of the Act for the purpose of ascertaining whether the consignment should be cleared	\$36.00 per motor vehicle	Importer	\$49.53 per motor vehicle	Updated rate
27	5	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 (other than a motor cycle or moped) carried out at ports approved as places of first arrival under section 37 of the Act for the purpose of ascertaining whether the consignment should be cleared	\$50.67 per motor vehicle	Importer	\$60.79 per motor vehicle	Updated rate
<i>Inspection of unaccompanied goods imported for personal use</i>						
28 29 30 31 32 33 34	6	Inspection of unaccompanied goods imported for personal use of the importer for the purpose of ascertaining whether those goods should be cleared	\$22.22 for 1 item \$44.44 for 2 to 4 items \$88.89 for 5 to 12 items \$115.56 for 13 to 29 items \$137.77 for 21 to 28 items \$160.00 for 29 to 36 items \$22.22 for each block or part block of 8 items exceeding 36 items	Importer	- \$25.57 for 1 item - \$51.13 for 2 to 4 items - \$102.27 for 5 to 12 items - \$132.95 for 13 to 29 items - \$158.52 for 21 to 28 items - \$184.08 for 29 to 36 items - \$25.57 for each block or part block of 8 items exceeding 36 items	Updated rates

Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment	
<i>Inspection of goods not prescribed elsewhere in Schedule</i>						
35 36	7	Inspection, and each re-inspection after treatment of any goods (except accompanied goods imported for the personal use of the importer) that are not required to be inspected under the Act for the purpose of ascertaining whether those goods should be cleared	\$88.89 per hour for each inspector involved	Importer	- \$102.27 per hour for each general inspector involved; - \$186.30 for each veterinary inspector involved	Updated rates
<i>Monitoring controls on new organisms and inspection of animals, animal material, or plants</i>						
37 38 39	8	Monitoring controls on new organisms in containment facilities	\$88.89 per hour for each inspector involved \$85.42 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is a member of the European Community	Person holding an approval (issued under the Hazardous Substances and 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	- \$102.27 per hour for each general inspector involved; - \$94.38 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from Switzerland or a country that is a member of the European Community; - \$186.30 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Community or from Switzerland;	Updated rates
40 41 42	9	Inspection of an animal that is intended to be cleared, or directed to a transitional or containment facility, on arrival	\$88.89 per hour for each inspector involved in inspecting an animal imported from a country that is not a member of the European Community  \$25.51 per animal imported directly from a country that is a member of the European	Importer	- \$102.27 per hour for each general inspector involved in inspecting an animal or animal material imported from a country that is not a member of the European Community or from Switzerland; - \$186.30 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Union or from Switzerland; - \$28.19 per animal imported directly from Switzerland or a country that is a member of the	Refer to Bio#5 Updated rates  No change proposed for assistance animals

Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment
43		Community \$35.56 per pet animal imported from a country that is not a member of the European Community		European Community; - \$49.61 per pet animal imported from a country that is not a member of the European Community or from Switzerland;	
44		No fee applies in relation to an assistance animal imported from any country, if the animal is accompanying a person who requires animal assistance		- No fee applies in relation to an assistance animal imported from any country, if the animal is accompanying a person who requires animal assistance	
45	10	Inspection of an animal that – (a) is on board a craft within New Zealand territory; and (b) is not intended to be cleared	\$88.89 per hour for each inspector involved	Operator of craft  - \$102.27 per hour for each general inspector involved	Updated rate
46	11	Inspection and monitoring of an animal or plant held in a transitional or containment facility for the purpose of ascertaining whether the animal or plant 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	\$88.89 per hour for each inspector involved	Importer  - \$102.27 per hour for each general inspector involved; - \$94.38 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is a member of the European Community or from Switzerland; - \$186.30 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Community or from Switzerland	Updated rate
47			\$85.43 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is a member of the European Community		Updated rate
48					New rate

	<b>Function, power, or duty for which fee or charge payable</b>	<b>Current fee or charge</b>	<b>Fee or charge payable by</b>	<b>Proposed fee</b>	<b>Comment</b>	
49	12	Inspection of a consignment of animal material (other than fish meal) for the purpose of ascertaining whether it should be cleared	\$88.89 per hour for each inspector involved in inspecting a consignment of animal material imported from a country that is not a member of the European Community			
50				- \$102.27 per hour for each general inspector involved in inspecting a consignment of animal material imported from a country that is not a member of the European Community;	Updated rates	
51				- \$151.60 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Union or from Switzerland;		
52				- \$28.19 for inspection of documents for each consignment imported directly from a country that is a member of the European Community; and		
				- \$56.37 for other types of inspection for each consignment imported directly from a country that is a member of the European Community		
<i>Treatment, destruction, or disposal of risk goods</i>						
53	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 treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	Importer	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	No change to current basis of cost recovery
54	14	Treatment of imported risk goods, other than risk goods specified in item 13	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	Importer	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	No change to current basis of cost recovery

Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment	
55	15	Destruction, transportation, re-shipment, or other disposal of goods	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	Importer	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	No change to current basis of cost recovery
56	16	Supervising, or advising on, destruction, transportation, re-shipment, or other disposal of goods	\$88.89 per hour for each inspector or biosecurity adviser involved	Importer	\$102.27 per hour for each inspector or biosecurity adviser involved	Updated rate
<i>Permits issued under import health standards</i>						
57 58	17	Processing an application for a permit, or amendment to a permit, under import health standards	\$144.89 for each application processed	Applicant	- \$191.95 unit charge; plus - \$102.27 per hour for each biosecurity adviser for processing beyond the standard time provided for in the unit charge	Refer to Bio#2
<i>Transitional and containment facilities</i>						
59 60	18	Processing an application for approval of a transitional or containment facility, or a facility operator	\$88.89 per hour for each inspector or biosecurity adviser involved	Applicant	- application fee \$887.70; plus - \$102.27 per hour for each biosecurity adviser for processing beyond the standard time provided for in the unit charge where applicable	Refer to Bio#6
61	19	Inspection and compliance auditing of a transitional or containment facility, to ascertain whether it should be approved, or continue to be approved, under section 39 of the Act	\$88.89 per hour for each inspector or biosecurity adviser involved	Applicant or facility operator (as the case may be)	\$102.27 per hour for each inspector or biosecurity adviser involved	Updated rate
62	20	Investigation and compliance auditing of a facility operator, or proposed operator, to ascertain whether the operator or proposed operator should be approved, or continued to be approved, under section 40 of the Act	\$88.89 per hour for each inspector or biosecurity adviser involved	Applicant or facility operator (as the case may be)	\$102.27 per hour for each inspector or biosecurity adviser involved	Updated rate

	<b>Function, power, or duty for which fee or charge payable</b>	<b>Current fee or charge</b>	<b>Fee or charge payable by</b>	<b>Proposed fee</b>	<b>Comment</b>	
63	21	Assessing results obtained from inspection and compliance auditing of a transitional or containment facility, determining whether to confirm that the facility can continue to be approved under section 39 of the Act and, if appropriate, issuing confirmation documentation. Includes proposed expanded scope of functions.	\$142.23 per annum for each registered facility	Facility operator	\$298.05	Refer to Bio#6 Includes proposed expanded scope of functions

<i>Auditing a ruminant protein control programme</i>						
64	22	Investigation and compliance auditing of a ruminant protein control programme under regulation 7A of the Biosecurity (Ruminant Protein) Regulations 1999	\$132.99 per hour for each inspector or authorised person involved who is employed under the State Sector Act 1988 or who is an agent of, or contracted to, the Ministry	Operator	\$186.30	Updated rate
<i>Functions, powers, and duties not prescribed elsewhere in Schedule</i>						
65	23	Performing a function, power, or duty – (a) required to be undertaken under the Act or regulations made under the Act; and (b) not prescribed elsewhere in the Schedule	\$88.89 per hour for each inspector or biosecurity adviser involved	Person whose actions result in the function being required	\$102.27 per hour for each inspector or biosecurity adviser involved	Refer to Common#5 Updated rate
<i>Disbursements</i>						
66					Actual and reasonable costs of disbursements.	Refer to Common#4
<i>Other biosecurity advisor time</i>						
67		Carrying out an activity relating to equivalences or Chief Technical Officer directions due to an individual or company's non-compliance with import health standards or other import regulations, or providing advice, beyond an initial 15 minute period, to an importer in relation to the importation of goods.		Importer	\$102.27 per hour for each inspector or biosecurity adviser involved	Refer to Bio#3

## Biosecurity (System Entry Levy) Order 2010

### Schedule – Fees and charges

	<i>Biosecurity (System Entry) Levy</i> The biosecurity levy covers a proportion of the costs common to all activities associated with managing the biosecurity risks of imported goods at the border.	<b>Fee or charge</b>	<b>Proposed fee</b>	<b>Comment</b>
68	Importation for which an inward cargo transaction fee is payable under regulation 13A(2)(a) of the Customs and Excise Regulations 1996 in respect of cargo or goods carried on a ship or boat	\$11.11 per importation	\$13.15	Updated rate
69	Importation for which an inward cargo transaction fee is payable under section 132(2)(b) of those regulations in respect of cargo or goods carried on an aircraft	\$11.11 per importation	\$13.15	Updated rate
70	Importation for which an import entry transaction fee is payable under regulation 24A of those regulations.	\$15.33 per importation	\$17.37	Updated rate
71	<i>Maximum rate of levy</i> The maximum rate of the levy is \$16.00 (exclusive of goods and services tax) per leviable importation.	\$16.00 per importation	\$18.00	Refer to Bio#8

## 9 Proposals that impact across multiple cost recovery regimes

### 9.1 BACKGROUND

The current structure of the Ministry is a result of the merger of different agencies that administered a range of Acts that provide for cost recovery. Because of this there are differences in the approach to cost recovery between sectors.

Some cost recovery issues, or features of them, are common across the different cost recovery regimes. The Ministry is therefore proposing to amend multiple sets of regulations at the same time to standardise some approaches to cost recovery, and the language used to describe them.

As a means of seeking feedback from all affected sectors, these multi-regime issues have been grouped for consultation purposes. Implementation for individual cost recovery regimes will be through the Regulations made under the authority of individual Acts.

### 9.2 POLICY PROPOSALS

*Common#1 – Align hourly rate charges*  
*Common#2 – Use Inland Revenue Department vehicle mileage rates*

*Common#3 – Recover costs for support staff involved in specialist services*

*Common#4 – Recover other costs incurred by MPI*

*Common#5 – Charge for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere*

*Common#6 – Correct use of the term ‘levy’*

*Common#7 – Update references to recognised persons and agencies*

*Common#8 – Align veterinary professional rates across biosecurity and food regulations*

### 9.3 COMMON#1 – ALIGN HOURLY RATE CHARGES

#### 9.3.1 Background

The food safety cost recovery regulations prescribe hourly rate charges using a number of different approaches, for example:

- Animal Products (Fees, Charges, and Levies) Regulations – one hour of time, with time thereafter charged on the basis of an assessment charge at hourly increments until the last half hour, which is done in 15 minute increments;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007 – similar approach, but prescribed in a different manner;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 – different approach;
- Animal Welfare Export Certificate Regulations 1999 – different approach.

#### 9.3.2 Regimes affected by this proposal

This change would apply to the following regulations:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

### 9.3.3 Problem definition

The different hourly rate charging approaches under each set of regulations adds complexity for staff performing similar functions under the different Acts as they may be required to follow different administrative processes for charging for services under each Act.

#### *Options considered*

The Ministry considered two options:

- Option 1 — maintain the status quo (inconsistent wording across multiple regulations).
- Option 2 — adopt a common approach across regulations, to the extent possible.

MPI's preferred approach is to establish a common approach across regulations. This will help to ensure consistency (and thereby promote efficiency) for staff performing similar functions under the different Acts.

The majority of cost-recoverable activity falls under the Animal Products Act 1999. Extending the approach prescribed in Part 1 and Part 2 of Schedule 1, of the Animal Products (Fees, Charges, and Levies) Regulations 2007 to regulations under other Acts is considered the most appropriate approach to take. A minimum charge of one hour also allows for the administrative costs associated with invoicing and collection.

### 9.3.4 Proposed alignment of hourly rate charging approach in keeping with the animal products fees

All time spent by an officer or employee of the Ministry would be chargeable at:

- a minimum charge of one hour, at the appropriate rate for the activity;
- an hourly rate, charged in 15-minute increments, for any time in excess of the first hour.

The Ministry proposes to apply this approach to the following regulations, with any necessary modifications:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

### 9.3.5 Questions for consideration

#### Question 9.3

- 1) Do you support the adoption of a common approach for hourly rate charging under the various food sector cost recovery regimes?
- 2) If not, what is your preferred approach for each of the food sector cost recovery regimes, and what are your reasons for this preference?

## 9.4 COMMON#2 – USE INLAND REVENUE DEPARTMENT VEHICLE MILEAGE RATES

### 9.4.1 Background

The Ministry recovers vehicle costs using mileage rates prescribed in the regulations for each regime. A number of different rates are currently in force, and these rates can quickly become out of date.

Similarly, the various regulations prescribe the bases for recovery of other costs incurred by the Ministry when delivering services to users.

The Inland Revenue Department (IRD) collects data on the costs of operating a motor vehicle, and the Commissioner promulgates a standard vehicle mileage rate under section DE12(3) of the Income Tax Act 2007.

The Ministry proposes to remove ‘static’ references in the current regulations and adopt the periodic rate promulgated by the Commissioner of Inland Revenue.

### 9.4.2 Regimes affected by this proposal

This change would apply to the all cost recovery regulations:

- Biosecurity (Costs) Regulations 2010 — veterinary inspectors only;
- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

### 9.4.3 Problem definition

The vehicle mileage rates are prescribed in various regulations and quickly become out of date. MPI’s collective employment agreement with its verifiers and some other staff provides for charging at the rate published by the Commissioner of Inland Revenue under section DE 12 (3) of the Income Tax Act 2007. The current rate<sup>33</sup> is \$0.77 cents per kilometre.

The difference in employment agreement rates and the regulated rates for mileage and other costs can also lead to a discrepancy in the costs the Ministry recovers from service users and the reimbursements made to Ministry staff for some activities.

### 9.4.4 Proposed change to a common approach for mileage rates and the recovery of any other travel costs

MPI proposes to amend various regulations to provide for cost recovery of motor vehicle costs at the rate promulgated from time to time by the Commissioner of Inland Revenue under section DE 12 (3) of the Income Tax Act 2007.

This proposal would apply to the travel costs for veterinary inspectors only in the Biosecurity (Costs) Regulations 2010.

This proposal will support efficiency and equity.

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<sup>33</sup> <http://www.ird.govt.nz/technical-tax/op-statements/os-review-mileage-rate-2014.html>

## 9.4.5 Questions for consideration

### Question 9.4

- 1) Do you agree with the proposal to harmonise vehicle mileage rates and other travel costs across the various cost recovery regimes?
- 2) Do you agree with the use of the mileage rate promulgated from time to time by the Commissioner of Inland Revenue under section DE12(3) of the Income Tax Act 2007?
- 3) If not, what is your preferred approach to mileage rates for each cost recovery regime, and what are your reasons for these preferences?

## 9.5 COMMON#3 – RECOVER COSTS FOR SUPPORT STAFF INVOLVED IN SPECIALIST SERVICES

### 9.5.1 Background

Support staff members within the Ministry perform essential but non-specialist services that support the delivery of specialist certification. This includes the maintenance and administration of registers and the preparation and filing of documents.

MPI is able to recover costs for these services, but no mechanism currently exists in the various regulations to do this.

### 9.5.2 Regimes affected by this proposal

This change would apply to the following regulations:

- Biosecurity (Costs) Regulations 2010;
- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

### 9.5.3 Problem definition

By way of example, as part of the process for issuing live animal and germplasm export certificates, MPI support staff prepare paper export certificates that are issued by recognised persons. This practice is more cost-effective than using specialist recognised persons, and allows recognised persons to focus on technical matters instead of administration.

Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 does not include a provision for MPI to recover the costs of non-recognised persons involved in specialist functions and activities necessary for the export of live animals or germplasm. Consequently, MPI cannot fully recover the cost of these services.

This problem could be resolved by only using expert staff whose time can be cost-recovered for undertaking this work, but this is a very inefficient use of their time. Another option would be to build administration time into levies, but this does not apportion the costs as directly as a fee to that person or group who caused the costs to be incurred.

A similar problem exists for other cost recovery regimes.

#### **9.5.4 Proposed charges for support staff involved in export certification**

MPI proposes to create a new cost recovery item in each of the relevant regulations to allow MPI to recover for time spent by other employees undertaking functions and activities necessary for the production of certificates or provision of expert services.

#### **9.5.5 Questions for consideration**

##### Question 9.5

- 1) What is your preferred method for cost recovery of support staff time across the various cost recovery regimes?
- 2) If you prefer different methods for individual cost recovery regimes, what are these methods and what are your reasons for these preferences?

### **9.6 COMMON#4 – RECOVER OTHER COSTS INCURRED BY MPI**

#### **9.6.1 Background**

Other costs include incidental and additional costs that the Ministry incurs during the delivery of services to users. These costs are often unpredictable and vary depending on the nature of the service provided.

These costs include categories such as external review, expert review, notification, product testing, travel and accommodation, as well as disbursements such as photocopying, printing and stationery, phone, fax, video conferencing, postage and courier charges.

#### **9.6.2 Problem definition**

Inconsistent regulatory approaches add administrative complexity, particularly for staff that work across multiple regimes.

#### **9.6.3 Proposed charges for support staff involved in export certification**

MPI proposes that actual and reasonable costs incurred by an officer or employee of the Ministry may be recovered when they arise from:

- a request by the operator of a risk management programme, or other processor;
- an act, or omission, of an operator or processor.

MPI proposes that recoverable costs include, but not be limited to, costs such as external review, expert review, notification, product testing, travel and accommodation, as well as disbursements such as photocopying, printing and stationery, phone, fax, video conferencing, postage and courier charges.

MPI proposes that a common approach for recovering other costs be applied to the following regulations, with any necessary modifications:

- Biosecurity (Costs) Regulations 2010;
- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

## 9.6.4 Questions for consideration

### Question 9.6

What is your preferred approach for the recovery of incidental costs incurred by the Ministry for delivery of services to users for each cost recovery regime (or for all cost recovery regimes)?

## 9.7 COMMON#5 – CHARGE FOR PERFORMANCE OF FUNCTION, POWER OR DUTY UNDER THE ACT, REGULATIONS AND NOTICES NOT PRESCRIBED ELSEWHERE

### 9.7.1 Background

MPI provides a range of functions, powers and duties under various Acts, and subsidiary regulations and notices and standards. The various cost recovery regulations prescribe fees, charges and levies for specific functions, powers or duties under the relevant Act, regulations and notices.

Item 23 of the Schedule of the Biosecurity (Costs) Regulations 2010 enables MPI to recover the costs of performing a function, power, or duty—

- required to be undertaken under the Act or regulations made under the Act; and
- not prescribed elsewhere in the Schedule.

The item is payable as an hourly rate for each adviser involved and is payable by the person whose actions resulted in the specific function, power or duty being required.

The Ministry is proposing to adopt this approach for other cost recovery regimes.

### 9.7.2 Problem definition

The Ministry currently cannot charge for the exercise of functions, powers or duties under Acts, regulations and notices unless they are prescribed for that regime.

It is not practical or possible to specify all of MPI's functions, powers or duties under all Acts and subsidiary regulations and notices, or the associated fees or charges for them, in an exhaustive manner. There are two main reasons:

- The Ministry was not aware of the function, power or duty when the regulations were promulgated.
- The function, power or duty under the Acts, and subsidiary regulations and notices is new. For example, halal-related services were not included in the Animal Product (Fees, Charges, and Levies) Regulations 2007, and were subsequently added by the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013.

MPI's inability to recover costs for the exercise of functions, powers or duties under the Acts and subsidiary regulations and notices is causing it to under-recover the cost of delivering these services.

### 9.7.3 Proposed fees for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere

The Ministry proposes to include cost recovery for performance of a function, power or duty that is:

- required to be undertaken under the relevant Act, including subsidiary regulations and notices;
- not prescribed elsewhere in the relevant cost recovery regulations.

The hourly rate would be the relevant rate for other services provided under the empowering Act. MPI proposes that this approach be applied to the following regulations, with any necessary modifications:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

The item would be payable by the person whose actions resulted in the specific function, power or duty being required.

This proposal would support equitable cost recovery and efficient service delivery.

#### **9.7.4 Questions for consideration**

##### **Question 9.7**

What is your preferred method of cost recovery for time spent performing functions, powers or duties not specified elsewhere for each cost recovery regime (or for all cost recovery regimes)?

## **9.8 COMMON#6 – CORRECT USE OF THE TERM ‘LEVY’**

### **9.8.1 Background**

MPI imposes levies on some products to fund industry good services. For historic reasons, when some cost recovery regulations were created, certain charges (industry goods) were described in regulations as ‘standard’ charges, when from a legal perspective these are actually levies.

### **9.8.2 Regimes affected by this proposal**

This change would affect the:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

### **9.8.3 Problem definition**

The regulations inappropriately describe certain cost recovery items as ‘fees’ and ‘charges’ when, in law, they are ‘levies’.

The options are:

- Option 1: maintain the status quo;

- Option 2: update the descriptions.

The Ministry's preferred approach is to update the descriptions to remove ambiguity and clarify the application of the various types of charges.

#### **9.8.4 Proposed re-categorisation of fixed fees as levies**

MPI proposes to change the terminology used for items recovering industry good costs in the various regulations from 'fees' or 'charges' to the legally correct term 'levies'. This proposal involves no changes to fees.

#### **9.8.5 Questions for consideration**

Question 9.8

Do you have any concerns about the proposed clarification of use of the term 'levy'?

### **9.9 COMMON#7 – UPDATE REFERENCES TO RECOGNISED PERSONS AND AGENCIES**

#### **9.9.1 Background**

The Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 have been amended since the relevant cost recovery regulations were last reviewed.

#### **9.9.2 Regimes affected by this proposal**

This change would affect the:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Biosecurity (Costs) Regulations 2010;
- Wine Regulations 2006.

#### **9.9.3 Problem definition**

The references in regulations to the relevant parts of the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 relating to recognised persons and agencies are out of date.

#### **9.9.4 Proposed amendments**

MPI proposes to amend the cost recovery regulations to update the references to the relevant parts of the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 relating to recognised persons and agencies.

This is a minor and technical adjustment to cost recovery regulations to make changes to update the regulations. It involves no changes to fees.

### 9.9.5 Questions for consideration

#### Question 9.9

Do you have any concerns about the proposed updates to references to the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 in various regulations?

## 9.10 COMMON#8 – ALIGN VETERINARY PROFESSIONAL RATES ACROSS BIOSECURITY AND FOOD REGULATIONS

### 9.10.1 Background

MPI has a responsibility to service users to ensure that charges for similar activities and services across different regulations are consistent, and that the rationale for differential charging is clear.

### 9.10.2 Problem definition

Veterinary inspectors undertake a variety of activities and functions under biosecurity and food legislation.

Current hourly rates for veterinary inspector activities were set prior to the creation of MPI from its predecessor agencies. These predecessor agencies had different cost (including overhead) structures. As a result, veterinary inspectors undertaking similar work, but now with the same cost structure, are being recovered at different rates for activities undertaken under biosecurity and food legislation.

The options considered were:

- Option 1: maintain the status quo;
- Option 2: amend the veterinary inspector hourly rates in the Biosecurity (Costs) Regulations to align with that specified in the relevant food regulations (proposed rate of \$186.30 per hour).

### 9.10.3 Proposed charges

The proposal is to amend the veterinary inspector rate in the Biosecurity (Costs) Regulations to \$186.30 per hour to align with the rate proposed in the relevant food sector regulations.

### 9.10.4 Questions for consideration

#### Question 9.10

Do you have any concerns about the proposed alignment of charging rates for veterinarians under the biosecurity cost recovery regime and the food cost recovery regime?