

Review of Biosecurity Border Clearance Charges 2009

Amendments to the Biosecurity (Costs) Regulations 2006

Introduction of a Biosecurity System Entry Levy

Regulatory Impact Statement

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Ministry of Agriculture and Forestry
Te Manatū Ahuwhenua, Ngāherehere

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Requests for further copies should be directed to:

Publication Adviser
MAF Information Bureau
P O Box 2526
WELLINGTON

Telephone: 0800 00 83 33

Facsimile: 04-894 0300

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Agency Disclosure Statement

This Regulatory Impact Statement has been prepared by the Ministry of Agriculture and Forestry.

It provides analysis of options to improve cost recovery regime for biosecurity border clearance services provided by the Ministry of Agriculture and Forestry (MAF) under the Biosecurity Act 1993.

The proposed options were developed by the 2009 review of the Biosecurity (Costs) Regulations 2006 (the Regulations) and the three levy orders – the Biosecurity Risk Screening Levy Order 2006, the Biosecurity Shipping Container Levy Order 2006, and the Biosecurity Gypsy Moth Levy Order 2004.

Consultation on the proposed options for cost recovery under the revised Regulations and levy orders took place over an eight-week period and included workshops for industry and the public in the three main centres (Wellington, Auckland and Christchurch). MAF also met with the affected import industry stakeholders at their request during the consultation period and after the submissions had been received.

All industry associations representing the interests of importers and their supply chain, which are likely to be substantially affected by the regulations, made submissions and provided feedback on the proposed changes and options for cost recovery. MAF has also received feedback from other than import industry stakeholders.

Feedback from the consultation with import industry indicated general support of the proposed simpler charging regime and move towards a single biosecurity system entry levy.

The changes proposed under both options are consistent with the:

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

The proposed changes to the Regulations and the three levy orders are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Iain Cossar
Director
Sector Performance Policy
Ministry of Agriculture and Forestry

Wednesday 14 April 2010

Executive Summary

This Regulatory Impact Statement reflects the results of the analysis of options for cost recovery regime for the biosecurity border clearance services provided by the Ministry of Agriculture and Forestry (MAF) under the Biosecurity Act 1993.

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

Cost recovery regime for biosecurity border clearance services comprises the Biosecurity (Costs) Regulations 2006 and the three biosecurity levy orders – the Biosecurity Risk Screening Levy and the Biosecurity Shipping Container Levy Orders 2006, and the Biosecurity Gypsy Moth Levy Order 2004.

MAF has reviewed the Regulations and the three levy orders in accordance with Government guidelines to review charges in the public sector at least every three years. The review has identified some under-recovery, cross-subsidisation, inequitable application of charges, and difficulties in administration for MAF and industry.

MAF has developed two options for charging under the revised Regulations and levy orders to address the identified issues with the existing cost recovery regime. The proposed options have been developed using an activity-based cost model. The input data for the model has been collected from MAF Biosecurity New Zealand, New Zealand Customs Service and import industry associations.

Both options propose the same amendments to the Regulations and introduce the same new fees and collect similar amount of revenue that MAF would have received from the current charging regime. The average annual cost to be recovered from industry over the next three years is estimated to be \$23.0 million.

The preferred option has a simpler charging structure that would reduce administration costs to MAF and industry. This option proposes to revoke the three existing levies and introduce a single 'biosecurity system entry levy'. The proposed single levy would cover the fixed portion of the costs incurred by MAF in providing biosecurity clearance services and managing biosecurity risks associated with imported goods at the border.

This Regulatory Impact Statement demonstrates the compliance of the proposed policy with cost recovery provisions of the Biosecurity Act and New Zealand Government guidelines for setting charges in the public sector.

This policy proposal aims to ensure that the proposed charges for MAF's biosecurity border clearance services will:

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

Adequacy Statement

The Ministry of Agriculture and Forestry has reviewed this Regulatory Impact Statement and considers it to be adequate according to the adequacy criteria.

Status quo and problem definition

BACKGROUND

The current cost recovery regime for biosecurity border clearance of imported goods comprises Biosecurity (Costs) Regulations 2006 and three levy orders – the Biosecurity Risk Screening Levy Order 2006, the Biosecurity Shipping Container Levy Order 2006, and the Biosecurity Gypsy Moth Levy Order 2004.

Under the Biosecurity (Costs) Regulations 2006, MAF charges importers for the following biosecurity border clearance services:

- inspection of all imported biosecurity risk goods including unaccompanied personal baggage and effects, used vehicles and machinery;
- inspection of craft located offshore and shipping containers, which do not meet biosecurity entry requirements;
- call-outs, travel, and waiting time for MAF inspectors to carry out a biosecurity clearance activity;
- monitoring controls on new organisms held in containment facilities;
- approval and audit of transitional and containment facilities and facility's operators; and
- approval of import permits issued under Import Health Standards.

A biosecurity risk screening levy is collected on all importations of goods, which attract a Customs import entry transaction fee and are processed through the New Zealand Customs Service information system (CusMod). The levy was introduced in October 2006 to fund screening of imported goods for biosecurity risk and clearing the goods that do not require further action by MAF.

Importers also pay a biosecurity shipping container levy. This levy was introduced in October 2006 to cover the cost of biosecurity clearance of all sea containers entering New Zealand. The levy is payable for every discharged sea container and is charged to the shipping company at the time of importation.

A gypsy moth levy is charged on all shipping containers and used vehicles imported into New Zealand. The levy was introduced in 2004 to fund an ongoing surveillance programme for gypsy moth.

PROBLEM

The 2009 review has identified several problems in the existing cost recovery regime including under-recovery of costs, inequitable application of charges, cross-subsidisation and complexity of administration for MAF and industry.

By the end of the 2008/09 financial year, the under-recovery of biosecurity border clearance costs and a decline in import volumes due to the recession produced a revenue deficit in MAF's border cargo operations of \$5.1 million. Details of the accumulated deficit by an activity area are provided in Table 1. The figures in the table are from the memorandum accounts for cost recovered activities implemented by MAF after the 2006 Regulations review.

Table 1: Memorandum accounts for cost recovered biosecurity border clearance services¹

Memorandum Account	Actual to 30 June 2008	Actual to 30 June 2009	Accumulated to 30 June 2009
Risk Screening Levy	-\$ 0.049 m	-\$1.212 m	-\$1.261 m
Shipping Container Levy	-\$0.361 m	-\$0.106 m	-\$0.467 m
Inspection of Imported Used Vehicles	-\$0.004 m	-\$2.669 m	-\$2.673 m
Other biosecurity clearance charges	-\$0.038 m	-\$0.648 m	-\$0.686 m
Total	-\$0.452 m	-\$4.635 m	-\$5.087 m

The areas of the largest deficit are the biosecurity inspection of used vehicles and the biosecurity risk screening levy. While the deficit in inspections of used vehicles is mostly due to a significant drop in imports of used vehicles in the current recession, the deficit in biosecurity risk screening is largely due to under-recovery and inequitable application of charges.

Inequitable application of the biosecurity risk screening levy to different types of import entries² in the Customs information system can be seen in Table 2. The biosecurity risk screening levy is collected on all import entries that attract the Customs import entry transaction fee. Data in the table shows that the levy was not charged on 9% of import entries that were given biosecurity clearance by MAF in 2008/09.

Table 2: Collection of fees on import entries in the Customs information system in the last three years³

Import entry type	Import transaction fee and Biosecurity risk screening levy (charged or not charged)	2006/07	2007/08	2008/09
Import (full import entry)	Not charged	25,781	24,091	18,708
Simplified	Not charged	54,048	57,209	51,718
Private import declaration	Not charged	29,657	29,109	24,078
Temporary	Not charged	21,343	23,807	12,882
Other		590	523	498
Total entries not charged		131,419	134,739	107,884
Import (full import entry)	Charged	1,173,069	1,104,187	979,746
Simplified	Charged	64,065	81,251	91,351
Private import declaration	Charged	2,954	3,640	2,917
Other	Charged	187	278	537
Total entries		1,371,694	1,324,095	1,182,435
Percentage of not charged		8.1%	8.5%	9.1%

No biosecurity risk screening levy was charged on 69,700 air and sea cargo entries cleared via the Electronic Customs Interface in 2008/09. Total number of import entries assessed for biosecurity risk in the 2008/09 financial year but not charged a biosecurity risk screening levy exceeded 177,000.

All import entries need to be screened for biosecurity risk and this risk is not determined by the value of the import consignment. It cost MAF about \$6 million in the 2008/09 financial year to screen cargo for biosecurity risk. The under-recovery of MAF's costs in risk screening contributed \$1.26 m to the total MAF cargo operations deficit by the end of the 2008/09 financial year.

While the numbers of full import entries, temporary import entries and private import declarations have decreased over the recession period, the numbers of simplified entries and electronic interface reports have been increasing (Figures 1 to 5 in Appendix A). The need for

¹ MAF Annual Report 2008/09, p.92-93 – <http://www.maf.govt.nz/mafnet/publications/annual-report/2008-2009>.

² An import entry is the means that provides imported goods to be entered and cleared through Customs as prescribed in the Customs and Excise Act 1996.

³ Source data: Extract from the New Zealand Customs Service information system (CusMod) as at 22 March 2010.

assessing all import entries for biosecurity risk is increasing due to the geographical shift of trade, a changing risk profile of importing countries and a changing nature of trade due to internet purchases.

PROPOSED APPROACH

MAF has chosen not to increase the overall cost recovery from the import industry to compensate for the deficit in the biosecurity cargo clearance operations. Rather it has tried to reduce its expenditure and match resources to activity levels. The proposed charges to the cost recovery regime will only collect the same amount of revenue that MAF would have received from the current charging regime.

MAF proposes not trying to recover the \$5.1M deficit accumulated in cost recovery under the existing charging regime. MAF was able to cover the deficit last year (only). Besides, there was some over recovery from importers in the years prior to the implementation of memorandum accounts, for example over recovery in inspection of used-vehicles in 2004/05 and 2006/07. The structure of charges under the proposed option for cost recovery is different in principle from the existing charging regime. Those who would be charged in future are not the same as those who contributed to deficit in the past.

The average annual cost to be recovered from importers over the next three years is estimated to be \$23.0 million. The changes proposed in the policy paper are about streamlining the charging regime, targeting consistent application of charges and trying to find a more efficient and easier way of collecting the charges for both MAF and industry.

COST RECOVERY PRINCIPLES AND GUIDELINES

MAF has developed its proposals in accordance with the cost recovery provisions of the Biosecurity Act 1993 and Government guidelines for setting charges in the public sector.

In developing the proposals MAF has also followed the recommendations of the 2005 Biosecurity Funding Review⁴ that a biosecurity service is most appropriately funded by the group or individuals best placed to do at least one of the following:

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

In order to provide appropriate incentives to the affected parties, MAF has tried to:

- simplify the charging regime thereby reducing administration and compliance costs;
- more accurately reflect in the proposed charges what drives the costs of MAF's services;
- recover the variable components of costs via variable (hourly rate) charges;
- recover the fixed component of costs via specific fees or levies; and
- keep the charging structure simple and transaction costs as low as possible.

Policy Objectives

The policy objectives are to ensure that:

- costs incurred by MAF in providing the biosecurity border clearance services are accurately and equitably cost recovered;

⁴ Future Funding of Biosecurity Services – Biosecurity New Zealand Discussion Paper No: 04/01
<http://www.biosecurity.govt.nz/bio-strategy/papers/biosecurity-funding-review.htm> #P147_11406

- charges are fair and not excessive;
- charges remain sustainable over the next three years when the revised regulations are in place;
- charges will not adversely affect the import industry during the global economic recession; and
- the proposed charging regime will reduce administration/ transaction costs for both MAF and industry.

MAF has undertaken the 2009 review of the Biosecurity (Costs) Regulations and associated levy orders in line with its earlier commitments, and the Office of the Auditor-General⁵ and the Treasury guidelines⁶ recommending to review charges in the public sector at least every three years.

Proposed Options

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

ALTERNATIVE OPTIONS

MAF has developed two options for cost recovery for the biosecurity border clearance services and sought feedback from the import industry and other interested parties. These options are:

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

Total costs to be recovered from importers are the same under both options and are estimated to average \$23 million per annum over the next three years. This estimate does not include MAF's share of future costs of the proposed Joint Border Management System. This system will increase the cost recovery from industry by approximately 30 per cent with the implementation of the first phase in 2012, with further increase to about 47 percent from 2014 when the system is fully implemented.

The structure of cost-recovered activities and total cost recovery under the two proposed options as compared to the existing charging regime is reflected in Table 3.

⁵ Charging fees for public sector goods and services. Good practice guide. Office of the Auditor-General, June 2008.

⁶ Guidelines for Setting Charges in the Public Sector, the Treasury, December 2002.

⁷ The EC Agreement is the Agreement between the European Community and New Zealand on Sanitary Measures Applicable to Trade in Live Animals and Animal Products signed in 1996.

Table 3: Cost recovery under the proposed options as compared to status quo

Biosecurity Costs Regulations 2006 and three levies		Option 1 Continue with the 2006 levies and 2004 Gypsy Moth levy		Option 2 Revoke three levies and introduce a single biosecurity system entry levy	
Cost recovered activity	Revenue \$m (GST excl)	Cost recovered activity	Revenue \$m (GST excl)	Cost recovered activity	Revenue \$m (GST excl)
Risk Screening Levy	4.267	Risk Screening Levy	6.027	Biosecurity System Entry Levy	13.333
Shipping Container levy	8.800	Shipping Container levy	4.400		
Gypsy Moth levy	0.399	Gypsy Moth levy	0.399		
Biosecurity inspections	6.844	Biosecurity inspections	8.076	Biosecurity inspections	6.092
Zone fees	1.237	Zone fees	2.285	Zone fees	1.905
Used vehicles	0.303	Used vehicles	0.581	Used vehicles	0.478
Permits issued under import health standards	0.267	Permits issued under import health standards	0.415	Permits issued under import health standards	0.415
		Annual transitional and containment facility fee	0.853	Annual transitional and containment facility fee	0.853
	22.117 Deficit (\$5.1m)		23.037		23.077

Comparison of charges under the two proposed options with those of the existing charging regime is provided in Table 4.

Table 4: Fee structure of the proposed options as compared to status quo (all charges include GST)

Status quo Biosecurity Costs Regulations 2006 and three levies	Option 1 Continue with the 2006 levies and 2004 Gypsy Moth levy	Option 2 Revoke three levies and introduce a single biosecurity system entry levy
Biosecurity Risk Screening levy \$4.00	Biosecurity Risk Screening levy \$5.65	Biosecurity System Entry Levy \$12.50
Biosecurity Shipping Container levy Container with goods \$20.00 Container empty \$10.00	Biosecurity Shipping Container levy Container with goods \$10.00 Container empty \$5.00	No Shipping Container levy
Biosecurity Gypsy Moth levy \$ 0.65	Biosecurity Gypsy Moth levy \$ 0.65	No Gypsy Moth levy
Hourly rate \$100.00	Hourly rate \$118.00	Hourly rate \$100.00
Zone fees	Zone fees	Zone fees
Zone 1 (0-10 km) \$45.00	Zone 1 (0-10 km) \$87.00	Zone 1 (0-10 km) \$72.00
Zone 2 (11-25 km) \$70.00	Zone 2 (11-25 km) \$118.00	Zone 2 (11-25 km) \$100.00
Zone 3 (26-50 km) \$140.00	Zone 3 (26-50 km) \$196.50	Zone 3 (26-50 km) \$163.00
Zone 4 (51-75km) \$200.00	Over 50 km – Hourly rate (charged on return trip) 118.00	Over 50 km – Hourly rate (charged on return trip) \$100.00
Over 75 km – Hourly rate (applied to return trip) \$100.00		
Used vehicles	Used vehicles	Used vehicles
Motor cycles \$15.00	Motor cycles \$20.00	Motor cycles \$16.00
Vehicles <3,500 kg \$25.00	Vehicles <3,500 kg \$49.00	Vehicles <3,500 kg \$40.50
Vehicles >3,500 kg \$50.00	Vehicles >3,500 kg \$69.00	Vehicles >3,500 kg \$57.00
Other fees	Other fees	Other fees
Permits issued under IHS and amendments to permits Per permit \$105.00	Permits issued under IHS and amendments to permits Per permit \$163.00	Permits issued under IHS and amendments to permits Per permit \$163.00
	New fees	New fees
	Annual transitional and containment facility fee Per annum \$160.00	Annual transitional and containment facility fee Per annum \$160.00
Live animal inspection fee defined by the EC agreement ⁷ \$28.70	Inspection of Domestic Pet Animals Per animal \$40.00	Inspection of Domestic Pet Animals Per animal \$40.00

MAF considers Option 2 (a new charging structure and a single biosecurity levy) to be more favourable than Option 1 (modify the existing charges and revise levy rates) for the majority

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

Preferred Option

The main import industry associations expressed their preference for Option 2. Option 2 is also MAF's preferred option.

The preferred option is to:

- recover the variable portion of the biosecurity border cargo clearance costs via charges set out in the biosecurity costs regulations;
- revoke three existing biosecurity levies; and
- introduce a single biosecurity system entry levy under section 137 of the Biosecurity Act 1993.

The hourly rate charge under the preferred option is \$100.00 that is the same as in the current regulations. All fixed fees have been calculated on the basis of this hourly rate and the actual time and costs associated with corresponding activities. Fixed fees include zone fees for a MAF inspector travel to the place of inspection, inspection fees for used vehicles at places of first arrival, and unit-based charges for inspection of personal effects and household goods.

Impact on Affected Parties – Costs and Benefits

The proposed changes to the biosecurity costs regulations have been developed to incentivise, where possible, behaviour that reduces biosecurity risks while reflecting the actual cost of the service provided.

Impacts on affected parties are described for each of the proposed changes to the Regulations' sections and for each charge specified in the Regulations Schedule according to the biosecurity activity area. The impact analysis includes the estimates of overall cost recovery from importers at the national level and, where possible, at the level of a large and a small importer of a particular type of goods or a user of a particular biosecurity service.

Total biosecurity clearance costs to importers consist of charges paid under the Regulations and associated levy orders. Examples of an impact of proposed changes on importers include comparison of charges under the preferred option (Option 2) with charges under the existing charging regime and Option 1.

INSPECTION HOURLY RATE CHARGES

MAF proposes to charge a single inspection hourly rate of \$100.00 under the preferred option (Option 2) and \$118.00 under Option 1 for any function, power or duty required to be undertaken under the Biosecurity Act either by a general inspector, veterinary inspector or a biosecurity advisor. The application of a single hourly rate will simplify the charging structure for similar biosecurity activities performed by different inspectorate personnel.

The single hourly rate would be applied to all types of inspections of biosecurity risk goods imported from all countries, except a veterinary inspection of an animal directly imported from the European Community. Veterinary inspection of animals directly imported from the European community will continue to be charged at NZ\$96.10 per hour as prescribed in the Agreement between the European Community and New Zealand on Sanitary Measures Applicable to Trade in Live Animals and Animal Products (the EC Agreement).

TRAVEL ZONE FEES

The calculation of travel zone fee is based on the distance travelled from the MAF inspector's base and the estimated travel time involved in the return trip. The proposed zone fees under the preferred option (Option 2) are:

- \$72.00 for Zone 1;
- \$100.00 for Zone 2; and
- \$163.00 for Zone 3.

Under the preferred option, total annual cost recovery from import industry is estimated at \$1.47 million for Zone 1, \$0.31 million for Zone 2, and \$0.12 million for Zone 3.

The impact of the proposed travel zone fees on individual importers is reflected in the examples of inspection costs to importers of different types of goods.

CALL-OUT AND ADDITIONAL HOURS OF WORK COSTS

MAF proposes to reinstate differential payments (that existed in the 2003 biosecurity costs regulations) for the work carried out by biosecurity inspectors or advisers, if importers request a biosecurity inspection of their goods outside of normal working hours.

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

- \$114.00 per hour for each inspector or a biosecurity adviser working at a 1.5-times rate that is likely to be applied if inspection is requested on Saturdays or outside an inspector's normal working hours on week days;
- \$128.00 per hour for each inspector or a biosecurity adviser working at a 2-times rate, which depends on the specific operation of a particular MAF site;
- \$224.00 per hour for each inspector or a biosecurity adviser working on a statutory holiday.

The charge for inspection on a statutory holiday would be a 2-times rate plus a day-off cost. The day-off cost applies even if the job takes only an hour on a statutory holiday. This reflects the true cost to MAF of meeting its obligations under the Holidays Act.

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

An importer/importer agent will be advised on the applicable rate for a call-out or additional hours at the time of booking the inspection with MAF. Knowing in advance the chargeable hourly rate will enable importers to estimate their costs based on the expected volume of the inspection activity involved and decide whether to request the out-of-hours inspection or reschedule the inspection to within normal business hours.

Establishing call-out costs in the revised regulations will allow MAF to plan for the resources required to undertake the work and have an assurance that the associated MAF costs will be recovered as a true cost of providing the service.

BIOSECURITY SYSTEM ENTRY LEVY

While the proposed changes to the charging regime under the preferred option will not increase the recovery of costs from industry overall, some importers will pay more while others will pay less.

The proposed single biosecurity system entry levy will be a new cost to those importers that are currently not charged.

For example no levy was charged in 2008/09 on some cargo entries including:

- 69,700 air and sea cargo entries cleared via the Electronic Customs Interface;
- 51,700 simplified import entries;
- 24,050 import entries for goods with value between \$400 and \$1,000; and
- 18,700 other import entries where no duty/ GST was paid.

According to Customs' estimate of the number of additional import entries (about 60,000) that would attract the Customs import transaction fee in 2010/11 financial year, MAF expects to recover \$0.75 million of its costs of biosecurity risk screening of import entries that are not currently cost recovered.

Under the proposed charging regime, courier/express freight companies will be charged \$12.50 on each import report entry cleared via the Customs information system. Given that over three million consignments per annum are brought to the country under approximately 70,000 electronic customs interface reports, the cost to individual importers would be about \$0.28 per consignment. Total cost expected to be recovered on electronic customs interface reports is estimated at \$0.87 million.

EXAMPLES OF IMPACT ON DIFFERENT TYPES OF IMPORTERS

Below is an example of an estimated impact of the proposed changes on an importer using the express freight service.

An express freight importer

Scenario:

An air can containing boxes with goods arrives in New Zealand. Within the air can, there are consignments that belong to 12 different importers. All goods have been manifested correctly and therefore do not require MAF intervention.

The final cost for an importer depends on the number of different importers' goods contained in each air can, i.e. for 12 different importers the cost will be $\$5.65:12 = \0.47 under Option 1 and $\$12.50:12 = \1.04 under Option 2.

The table below compares charges under the current charging regime (the Biosecurity Costs Regulations 2006 and the three levy orders) and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
1 x \$4 (Risk Screening Levy) \$4.00	1 x \$5.65 (Risk Screening Levy) \$5.65	1 x \$12.5 (Biosecurity System Entry Levy) \$12.50
Total for Importer \$0.33	Total for Importer \$0.47	Total for Importer \$1.04

This scenario shows that an increase in cost to an individual importer under the preferred option as compared to the current charging regime is \$1.04.

Examples of importers that will pay less under the preferred option are provided below.

Importers of fresh produce

There have been 11,792 importations of fresh produce in 2009 that were made by 428 importers. Of the total number of importers:

- 17 importers made between 100 and 1900 importations;

- 42 importers made between 60 and 100 importations; and
- 369 importers made fewer than 10 importations per annum.

Example of a large fresh produce importer

Scenario:

A large trader/importer of fresh produce has imported 5 full sea containers of assorted items (lemons, oranges and grapefruits) from the USA, which are inspected at the importer's premises (a transitional facility). Note this is a national clearance (goods held at other ports pending the outcome of this inspection).

The table below compares charges under the current charging regime and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
1 x \$4 (Risk Screening Levy) \$4.00	1 x \$5.65 (Risk Screening Levy) \$5.65	1 x \$12.5 (Biosecurity System Entry Levy) \$12.50
5 x \$20.00 (Shipping Container Levy) \$100.00	5 x \$10.00 (Shipping Container Levy) \$50.00	
5 x \$0.65 (Gypsy Moth Levy) \$3.25	5 x \$0.65 (Gypsy Moth Levy) \$3.25	
8.75 hours x \$100 (Inspection) \$875.00	8.75 hours x \$118 (Inspection) \$1,032.50	8.75 hours x \$100 (Inspection) \$875.00
1 x 15 min (Inspection Admin fee) \$20.00	1 x 15min (Inspection Admin fee) \$29.50	
1 x \$45.00 (Zone 1 Charge) \$45.00	1 x \$87.00 (Zone 1 Charge) \$87.00	1 x \$72.00 (Zone 1 Charge) \$72.00
Total \$1,052.25	Total \$1,207.90	Total \$959.50

The above scenario shows that a large importer of fresh produce is better off under the preferred option as compared to the current charging regime and Option 1.

Example of a small fresh produce importer

Scenario:

A small trader/importer of fresh produce has imported one full sea container of taro from Fiji, which is inspected at the importer's premises (a transitional facility).

The table below compares charges under the current charging regime and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
0 x \$4 (Risk Screening Levy) \$4.00	1 x \$5.65 (Risk Screening Levy) \$5.65	1 x \$12.5 (Biosecurity System Entry Levy) \$12.50
1 x \$20.00 (Shipping Container Levy) \$20.00	1 x \$10.00 (Shipping Container Levy) \$10.00	
1 x \$0.65 (Gypsy Moth Levy) \$0.65	1 x \$0.65 (Gypsy Moth Levy) \$0.65	
2.25 hours x \$100 (Inspection) \$225.00	2.25 hours x \$118 (Inspection) \$265.50	2.25 hours x \$100 (Inspection) \$225.00
1 x 15 min (Inspection Admin fee) \$25.00	1 x 15min (Inspection Admin fee) \$29.50	
1 x \$45.00 (Zone 1 Charge) \$45.00	1 x \$87.00 (Zone 1 Charge) \$87.00	1 x \$72.00 (Zone 1 Charge) \$72.00
Total \$319.65	Total \$398.30	Total \$309.50

This scenario shows that a small importer of fresh produce is also better off under the preferred option as compared to the current charging regime and Option 1.

Importers of used vehicles

There have been 10,988 importations of used vehicles in 2009 that were made by 3210 importers. Of the total number of importers:

- 14 importers imported between 100 and 1500 used vehicles;
- 80 importers imported between 10 and 90 used vehicles;
- 747 importers imported between 2 and 9 vehicles; and
- 513 importers imported fewer than 10 importations per annum.

All of these used vehicles were inspected at places of first arrival.

Example of a large importer of used vehicles inspected at a place of first arrival

Scenario:

A large trader/importer of used vehicles has imported 50 cars (less than 3500 kg) from Japan, which are inspected at the Auckland Wharf (a place of first arrival).

The vehicle unit charge only applies to inspections taking place at port facilities (an approved place of first arrival). Inspections taking place at any other location are charged at the hourly rate plus any other applicable charges, e.g. zone fees. All machinery inspections are charged at the hourly rate plus any other applicable charges.

The table below compares charges under the current charging regime and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
1 x \$4 (Risk Screening Levy) \$4.00	1 x \$5.65 (Risk Screening Levy) \$5.65	1 x (Biosecurity System Entry levy) \$12.50
50 x \$0.65 (Gypsy Moth Levy) \$32.50	50 x \$0.65 (Gypsy Moth Levy) \$32.50	
50 x \$25.00 (Vehicle unit charge) \$1,250.00	50 x \$49.00 (Vehicle unit charge) \$2,450.00	50 x \$40.50 (Vehicle unit charge) \$2,025.00
*	*	*
Total \$1,286.50	Total \$2,488.15	Total \$2,037.50

Note: *Importers also pay an 'LTNZ fee' on each imported used vehicle. This fee is not a Biosecurity border clearance fee. The fee is collected by MAF on behalf of the New Zealand Land Transport Authority.

This scenario shows that an importer of used vehicles inspected at places of first arrival will pay \$15.02 more on each imported used vehicle under the preferred option as compared to the current charging regime, but less than under Option 1.

This increase in the total charge for the biosecurity clearance of used vehicles is due to an increase in the fixed fee for the inspection of used vehicles at places of first arrival. The new fee reflects the true costs incurred by MAF in providing this service.

Total cost recovery from importers of used vehicles with gross weight less than 3,500 kg in this example is estimated at \$0.46 million per annum.

Example of a small importer of used vehicles inspected at a transitional facility

Scenario:

A private individual has imported a containerised used car with gross weight less than 3,500 kg, which is inspected at a transitional facility (not a place of first arrival).

The table below compares charges under the current charging regime and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
1 x \$4.00 (Risk Screening Levy) \$4.00	1 x \$5.65 (Risk Screening Levy) \$5.65	1 x (Biosecurity System Entry levy) \$12.50
1 x \$20.00 (Shipping Container Levy) \$20.00	1 x \$10.00 (Shipping Container Levy) \$10.00	
1 x 15 min (Inspection admin fee) \$25.00	1 x 15 min (Inspection admin fee) \$29.50	
1 x \$0.65 (Gypsy Moth Levy) \$0.65	1 x \$0.65 (Gypsy Moth Levy) \$0.65	
1 x \$25 (Vehicle Unit Charge) \$25.00	0.5 hour x \$118 (Inspection) \$59.00	0.5 hour x \$100 (Inspection) \$50.00
1 x \$45.00 (Zone 1 Charge) \$45.00	1 x \$87.00 (Zone 1 Charge) \$87.00	1 x \$72.00 (Zone 1 Charge) \$72.00
Total \$119.65	Total \$191.80	Total \$134.50

This scenario shows that a small importer of used vehicles will pay \$14.85 more on an imported used vehicle under the preferred option as compared to the current charging regime, but less than under Option 1.

In this example, the increase in the total charge for the biosecurity clearance of a used vehicle is due to an increase in the zone fee charged for the travel of a biosecurity inspector to a transitional facility to undertake the inspection. The new travel zone fee reflects the true costs incurred by MAF in this activity area.

Under the preferred option, additional cost recovery from importers of used vehicles of this category (<3,500 kg) to be inspected at transitional facilities, is estimated at \$0.024 million per annum.

Importation of Personal effects

MAF has revised its proposal in the discussion paper to re-instate hourly rate charges in view of the recent initiative to develop working partnership between MAF and movers industry. Under the proposed partnership agreement, the industry would undertake certain activities on behalf of MAF that would drive efficiency for both parties and improve the service delivery to customers.

The policy proposal is to use itemised charges calculated on the basis of average time to perform the activity. There is no change to these charges under the preferred option as compared to the currently used movers industry voluntary schedule of charges for inspection of personal effects. The currently used schedule was calculated on the basis of an hourly rate of \$100.00 that is the same as under the preferred option (Option 2).

The schedule is as follows:

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

Example of a small importer of unaccompanied baggage and personal effects

Scenario:

A private individual has brought 2 bicycles from Canada, which are inspected at the Wellington Air Cargo facility.

The table below compares charges under the current charging regime and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
		1 x \$12.5 (Biosecurity System Entry Levy) \$12.50
Up to 4 items(30 minutes) \$50.00	Up to 4 items(30 minutes) \$59.00	Up to 4 items(30 minutes) \$50.00
Total \$50.00	Total \$59.00	Total \$62.50

This scenario shows that an individual will pay \$12.50 more for the biosecurity clearance of personal effects under the preferred option as compared to the current charging regime. This additional cost comprises the proposed biosecurity system entry levy.

In 2009 MAF inspected 26,320 importations of unaccompanied baggage and personal effects containing 28,000 items considered a biosecurity risk. Of the total number of inspections:

- one importation contained more than 50 items that required inspection for biosecurity risk;
- four importations contained between 20 and 50 biosecurity risk items;
- 1,114 importations contained between 2 and 14 biosecurity risk items; and
- 25,095 biosecurity inspections were on a single biosecurity risk item.

Using the assumption of similar annual numbers of personal effect to be brought to New Zealand in the next three years as those brought in 2009, the additional costs recovered in this biosecurity clearance activity are estimated at \$0.33 million per annum.

Importers of live animals

MAF proposes to apply an hourly rate charge of \$100.00 to biosecurity inspections of all animals and animal material imported to New Zealand from all countries except live animals or animal material directly imported from the European community. The latter would continue to be charged at the rates indicated in the EC Agreement⁷.

MAF proposes to introduce a fixed fee of \$40.00 for the inspection of a domestic pet animal intended to be cleared or directed to a transitional or containment facility. The fee can be paid by the owner/importer on the animal's arrival. Animals assisting travellers (e.g. guide dogs for the visually impaired) will be exempt from the fee.

There have been 5,835 importations of live animals (including live fish) to New Zealand in 2009. These animals were brought in by 2,858 importers and private individuals. Of the total number of live animal importations:

- 10 importers imported between 50 and 180 animals;
- 33 importers imported between 10 and 50 animals;
- 263 importers brought between 3 and 9 animals; and
- 2,552 individuals brought 1-2 animals.

⁷ The EC Agreement is the Agreement between the European Community and New Zealand on Sanitary Measures Applicable to Trade in Live Animals and Animal Products signed in 1996.

Example of a large importer of live animals

Scenario:

A large trader/importer of aquarium goods imports 19 boxes of live fish from Singapore, which are inspected at the Auckland Air cargo facility. This is a packaging / security inspection only, and the fish inspection is undertaken at the quarantine facilities.

The table below compares charges under the current charging regime and under the two proposed options for the revised Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
1 x \$4.00 (Risk Screening Levy) \$4.00	1 x \$5.65 (Risk Screening Levy) \$5.65	1 x (Biosecurity System Entry levy) \$12.50
0.25 hour x \$100 (per hour of Inspection) \$25.00	0.25 hour x \$118 (Inspection for 50 items) \$29.50	0.25 hour x \$100 (per hour of Inspection) \$25.00
1 x 15 min (Inspection Admin fee) \$25.00	1 x 15 min (Inspection Admin fee) \$29.50	
Total \$54.00	Total \$64.65	Total \$37.50

This scenario shows that a large/ commercial importer of live animals (including fish) is better off under the preferred option as compared to the current regime and Option 1.

Example of a domestic pet animal importation

Scenario:

A private individual brings over a domestic cat from Australia.

The table below compares charges under the current charging regime and under the two proposed options for the revised Biosecurity Costs Regulations and levy orders.

Current charging structure	Option 1	Option 2 (Preferred option)
1 x \$28.70 (Fixed EC Agreement Fee) \$28.70	1 x \$40.00 (Inspection of a Domestic Pet Animal) \$40.00	1 x \$40.00 (Inspection of a Domestic Pet Animal) \$40.00
1 x \$25.00 (Destruction of Bedding**) \$25.00	1 x \$25.00 (Destruction of Bedding**) \$25.00	1 x \$25.00 (Destruction of Bedding**) \$25.00
Total \$53.70	Total \$65.00	Total \$65.00

Note: ** The destruction of bedding in this scenario is an actual and reasonable cost of destruction of risk goods that is paid by an importer as per item 16 of the Schedule of the current (2006) Biosecurity Costs Regulations.

This scenario shows that an increase in cost to individuals bringing their pets from a non-European Community country is \$21.30 under the preferred option as compared to the current charging regime. The EC Agreement fees have been applied to importations of live animals from all countries, thereby resulting in a loss against the actual costs incurred by MAF in this activity area.

Using the assumption that similar numbers of pets may be brought to New Zealand in each of the next three years as those brought in 2009, the maximum additional costs expected to be recovered in the domestic pet animal biosecurity clearance activity is estimated at \$0.053 per annum.

PERMITS ISSUED UNDER IMPORT HEALTH STANDARDS

The proposed fee for the issue and re-issue of permits of \$163.00 reflects the actual costs to MAF of performing relevant biosecurity activities, including direct and indirect costs. Based on the average figure of 2,300 import permits or amendments to permits issued by MAF per

annum, total cost recovery from importers in this activity area is estimated at \$0.375 million per annum over the next three years.

TRANSITIONAL AND CONTAINMENT FACILITIES

The number of transitional and containment facilities currently registered with MAF is 5,970 with the average number of 540 new facilities approved per annum. There has been a decline in the number of registered facilities of about 5% per annum over the last three years.

Some facilities are small and may not handle enough number of consignments or/and containers to justify the cost. Some businesses may have several facilities located at the same site but run separately. Each of these facilities has to be audited by MAF at least once a year. MAF needs to have resources that match the amount of work involved in the audit and maintaining the register and relevant process and procedures.

MAF anticipates that the proposed annual transitional and containment facility fee may lead to further reduction in the number of small facilities and the amalgamation of facilities owned by the same businesses or located at the same site or in proximity.

Assuming a 5% further reduction in the total number of registered facilities, the estimated number of transitional facilities to be affected by the new fee is 5,850. Total cost recovery from the facility operators through this new fee is estimated to be \$0.83-\$0.85 million (GST excl) that depends on the number of facilities registered with MAF in each year.

FACILITIES PRODUCING ANIMAL FEED CONTAINING RUMINANT PROTEIN

Ruminant protein facility audit charge is a fee for service provided by inspectors or authorised persons appointed under the Biosecurity Act to audit facilities with ruminant protein control programs. The proposed hourly rate set out in the revised Biosecurity (Costs) Regulations will provide certainty to the facility operators about an expected audit charge if the audit is performed by a government agency employee.

The proposed charge is \$133.00 per hour excluding GST (or \$149.60 including GST) that corresponds to the current rate applied to inspections and compliance auditing performed by the New Zealand Food Safety Authority⁸. There are ten facilities with ruminant protein control programs in New Zealand that are audited annually.

Overall Benefits of the Preferred Option

MAF considers that the charging regime proposed under the preferred option is fairer and more equitable. It spreads evenly across all importers the fixed costs of biosecurity border clearance activities common for all consignments of imported goods and associated with management of biosecurity risks at the border.

GOVERNMENT

The key benefit to Government would be the ability to recover the costs incurred by MAF in providing biosecurity border clearance services to importers and manage risks to biosecurity posed by movements of goods across the border.

⁸ <http://www.nzfsa.govt.nz/consultation/fees-and-charges/discussion-paper/approvals-fees-march-2009.pdf>

The government would also benefit from greater certainty about the funding for biosecurity services at the border to protect the community from the impact of unwanted organisms that could cause damage to our biological economy and the environment.

The proposed single biosecurity system entry levy will reduce administration costs by eliminating the need to collect three levies separately thereby removing additional invoicing and collection system for the shipping container levy and the gypsy moth levy.

The proposed single biosecurity system entry levy will enable easy implementation through the existing Customs information system and the proposed future Joint Border Management System.

The proposed fixed fees for biosecurity inspection of used vehicles at places of first arrival, travel zone fees and fees for inspection of personal effects would ensure consistency in charging and provide transparency of fees to importers.

The proposed charges for call-outs and additional hours of work for MAF inspectors would enable MAF to plan for the resources required to undertake the work. MAF will also have assurance that the associated costs will be recovered as a true cost of providing the service.

The new ruminant protein facility audit charge will allow charging operators producing animal feed containing ruminant protein for audits undertaken by a Government agency employee at a rate set out in the amended Biosecurity (Costs) Regulations. Currently such audits are performed by independent auditors and are charged at the rates set out in individual contractual agreements.

IMPORT INDUSTRY

Importers may benefit from the certainty about costs transparently charged for biosecurity clearance services under the amended Regulations and the proposed Biosecurity System Entry Levy Order.

A simpler charging regime with a single levy and reduced volumes of invoices will reduce complexity and hence administration and compliance costs for importers. This option will also relieve shipping companies from collecting the shipping container levy from importers on behalf of MAF.

A single-point government agency lodgement of import documentation in the Customs information system would lead to reduced compliance costs and more expedient clearance processes.

The call-out and additional hours of work rates re-established in the revised regulations will enable importers to estimate their costs based on the expected volume of the inspection activity involved and/or make a decision about rescheduling the inspection to within normal business hours.

The charging regime under the preferred option will allow those stakeholders, which require fewer MAF services at the border under the developing MAF and industry partnerships, to pay less based on the actual costs of the services provided by MAF.

The importers currently paying three levies will benefit financially from paying a single levy and only the true cost of inspection undertaken on the goods and items identified as a biosecurity risk.

CONSUMERS

The amended regulations and the proposed single biosecurity system entry levy will impose costs of processing, risk assessment, clearance and inspection of imported goods to ensure compliance with biosecurity entry requirements. Importers of goods will incur and pay costs. Costs paid by importers of commercial goods may be reflected in increased prices to consumers. Costs of the biosecurity clearance of personal effects or goods imported for personal use will be paid by the user. In both cases consumers or end users of imported goods will meet the true costs of imports.

SOCIETY

The imposition of costs on consumers and users of the goods and services would result in efficient operation of markets that would lead to efficient allocation of resources and ultimately to increased welfare for society.

Meeting the true costs of biosecurity clearance of goods by importers will help with adequate funding of the biosecurity cargo clearance system at the border. Benefits to society from operating this system would be through greater protection from the impact of unwanted organisms that could cause harm to New Zealand's biological economy, environment and human health.

Statement of Consultation Undertaken

Consultation on the proposed changes to the biosecurity border clearance charging regime took place over an eight-week period. A discussion paper *Review of Biosecurity Border Clearance Charges 2009* was published on MAF Biosecurity New Zealand website: <http://www.biosecurity.govt.nz/regs>.

Notification on the proposed amendments to the biosecurity costs regulations and levies was made through the following channels:

- e-mail alerts to more than 7,500 subscribers to the importers/exporters pages of the MAF Biosecurity New Zealand website;
- over 100 individual e-mails to the main stakeholder groups including major import industry associations, import/export supply chain associations, primary and processing industry associations;
- MAF press release on: www.mediapeople.co.nz/releases/article.php?id=29291;
- the 2009 biosecurity costs regulations review project newsletter on the Biosecurity New Zealand website: www.biosecurity.govt.nz/regs/cont-carg/costs-regs-levy-orders-project;
- the New Zealand Customs Service News and Information newsletter (Customs Release 18 December 2009);
- the Customs Brokers and Freight Forwarders Federation⁹ and the Importers Institute electronic circulation list.

MAF conducted three workshops for industry and the public in Auckland, Wellington and Christchurch (15-17 December 2009) to present proposed changes, answer questions and clarify issues. MAF also met with import industry groups at their request to discuss their concerns and provide further clarification. The meetings took place during the consultation period and after submissions had been received (February and early March 2010).

⁹ The Customs Brokers and Freight Forwarders Federation (CBAFF) represents interests of about 750 individual operators and has about 230 business members and 120 individual members.

After an eight-week consultation period MAF received fifteen submissions. Feedback on the changes proposed in the discussion paper was received from ten stakeholder groups. These groups represent all sectors with interests in the biosecurity border clearance of imported goods as well as primary industry associations with interest in management of biosecurity risks on the border.

All main import industry and their supply chain associations, including customs brokers and freight forwarders, express freight, airlines, shipping, air cargo and movers companies made submissions on the proposed changes to biosecurity border clearances charges. Seven of the ten submitters to be directly affected by the proposed changes to the biosecurity border clearance charges expressed their preference for Option 2 (a single biosecurity system entry levy).

Feedback from the consultation with import industry indicated general support of the proposed simpler charging regime, the proposed direction for the regulations and move towards a single biosecurity system entry levy. Submissions also contained individual areas of concern with the regulations implementation and the existing operational issues.

MAF addressed the affected industry stakeholder concerns in post-consultation meetings with the main import industry groups. For example, the issues of the applicability of the proposed new biosecurity border clearance charges to the offshore pre-shipment inspections of used vehicles and fresh produce has been resolved by separation of offshore and onshore operations. MAF has confirmed that all offshore pre-shipment biosecurity clearance operations will be subject to MAF-industry contractual agreements.

The used vehicle importers have accepted MAF's reasoning for two different methods of charging for biosecurity inspections – itemised charges at ports (places of first arrival) and hourly charges at transitional facilities. The express freight industry has agreed with MAF on fairness and equity of the application of a biosecurity risk screening/ system entry levy at a level of the electronic Customs interface reports. Air cargo operators have agreed on fairness and equity of applying facility audit charges to the air cargo container facilities. MAF has agreed to the movers industry suggestion to use itemised charges for the biosecurity inspection of personal effects and household goods. The calculation of charges was based on the average time to perform the activity.

The policy proposal also includes a ruminant protein facility audit charge that does not belong to biosecurity border clearance charges. The proposal to include this charge into the revised biosecurity costs regulations followed Cabinet's approval [Cabinet EGI Min (09) 8/3] of amendments to the Biosecurity (Ruminant Protein) Regulations 1999.

All stakeholders affected by the proposal to introduce a ruminant protein facility audit charge (ten operators and fourteen individuals on the ruminant control program stakeholder list) were consulted individually in January 2009. Two of the fifteen submissions commented on the ruminant protein facility audit charge. Both submitters supported the introduction of this charge under the revised biosecurity costs regulations. One of the two submissions was from the main industry association representing the interests of New Zealand feed manufacturers.

CONCLUSION AND RECOMMENDED OPTION

The option preferred by MAF and the affected import industry stakeholders is Option 2 with a single biosecurity system entry levy. The benefits of this option are described above under the Preferred Option section.

Implementation

MAF expects to implement the amended Regulation and the new biosecurity system entry levy from 1 July 2010. MAF has developed a pre-implementation training program in the new charging regime for the frontline staff and border operations managers. MAF intends to test the application of the new charging regime with the import industry stakeholders, which have expressed their interest in this testing.

The new levy will be collected in the Customs information system at the same time when the Customs Service collects its import transaction fee. Customs has recently released a proposal to change the cost recovery policy for trade facilitation that would affect the application of the import transaction fee. The anticipated implementation date for the new Customs import transaction fee is 1 July 2010.

MAF is trying to align the implementation of the biosecurity system entry levy with Customs' implementation of changes to the import transaction fee. MAF is developing a communication strategy plan for the implementation phase of the amended Regulations and the new levy. The strategy will include development of joint communications with Customs to insure the implementation of the biosecurity system entry levy via the Customs information system.

MAF is preparing a fact sheet for moving personal effects to New Zealand. The fact sheet will be distributed to the members of the New Zealand Overseas Movers Association and their overseas partners, and to the Customs Brokers and Freight Forwarders Federation. It will be made available from the link on the New Zealand Customs Service website. The fact sheet will cover the biosecurity clearance requirements and possible charges involved in the biosecurity clearance of personal effects shipped to New Zealand.

Implementation will also include disestablishment of financial systems for the shipping container and gypsy moth levies. This will take place after sending out the July 2010 invoices, receipt of payments in August-September 2010 with closing down the old financial system in October 2010.

Risks

The main risk to the proposed charging regime for biosecurity border clearance is associated with the implementation of amended Regulations and application of new fees. Mitigation of this risk is addressed by the planned pre-implementation training of the frontline MAF staff as described in the Implementation section above.

MAF has also drafted a new processes and procedure manual to be used by frontline staff once the amended Regulations and the new levy are in place. Any new staff recruited in the future will be trained using the training package that is currently under development and will be tested at the pre- and post-implementation phases.

Another risk may arise from continuing application of MAF charges for the shipping container and gypsy moth levies by shipping companies, which currently collect the levies from importers of shipping containers on behalf of MAF. To mitigate this risk MAF will widely publicise the cessation of the two levies for all import entries lodged in the Customs information system from the date the new levy comes into effect (1 July 2010). MAF is developing communications messages targeting the lawful application and correct representation of MAF charges.

An implementation issues register will be developed and used to record any operational/ new charges application issues raised by either MAF staff, importers or their agents, or other affected parties. The issues will be analysed, addressed and followed up as part of regular operational management activities. The issues that may not be resolved operationally through improvement in processes, procedures and through staff training will be taken into account in future reviews.

Monitoring, evaluation and review

MAF will continue three-year reviews of the biosecurity border clearance charging regime comprising the Biosecurity (Costs) Regulations and the proposed Biosecurity System Entry Levy Order.

The levy rate will be reviewed annually taking into account any accumulated surpluses or deficits in the preceding levy year. MAF anticipates that the review of the levy rate for the 2012/13 levy year will include cost recovery of MAF's share of costs of the proposed Joint Border Management System that is expected to become operational by July 2012.

The 2009 review has developed an activity-based cost model that is currently used for resource allocation in the cargo clearance operations and will be used for the analysis of costs of border clearance activities in future reviews.

Business Compliance Cost Statement

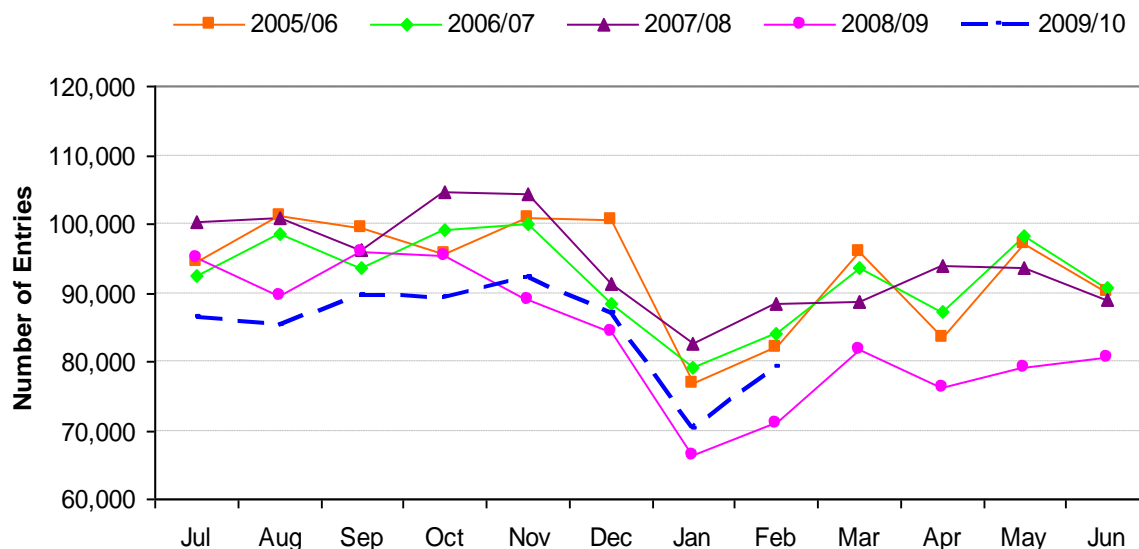
While there may be some costs of initial familiarisation with the new fees under the proposed amended regulations and a new levy, the affected industry parties have not expressed their concerns about such costs. General feedback has been that a simpler charging structure proposed for the revised regulations with a single biosecurity system entry levy would reduce compliance and administration costs.

A single-point collection of the biosecurity system entry levy in the Customs information system concurrently with Customs' collection of the import transaction fee would lead to reduced volumes of invoices to importers and more expedient clearance processes.

Appendix A

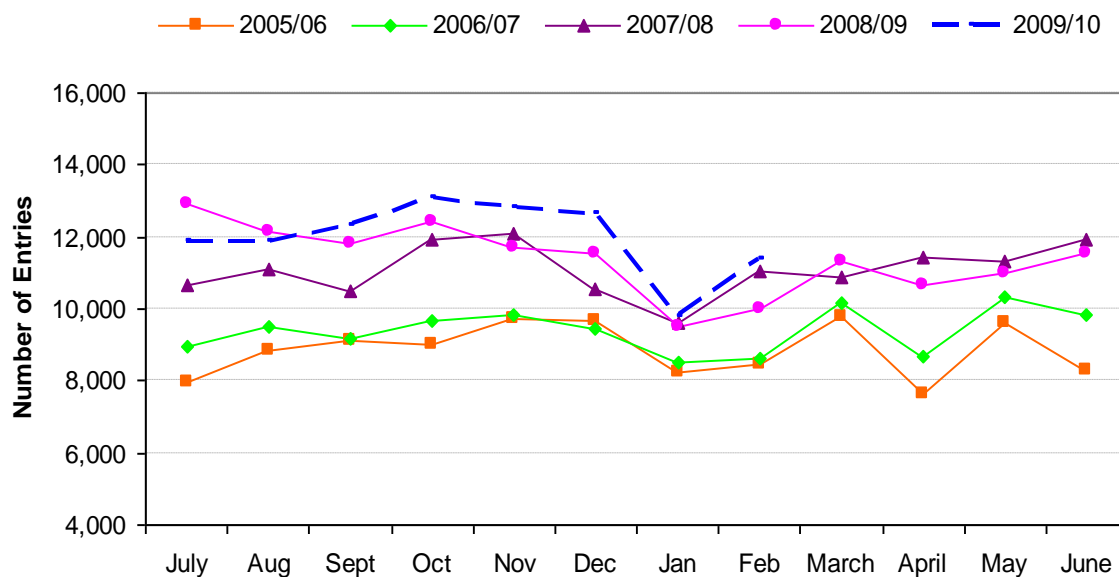
Over the recession period the number of (full) import entries lodged in the Customs information system has been decreasing as shown in the graphs for the 2008/09 and 2009/10 financial year in Fig 1.

Figure 1: Number of import entries in the Customs information system in the last 5 years



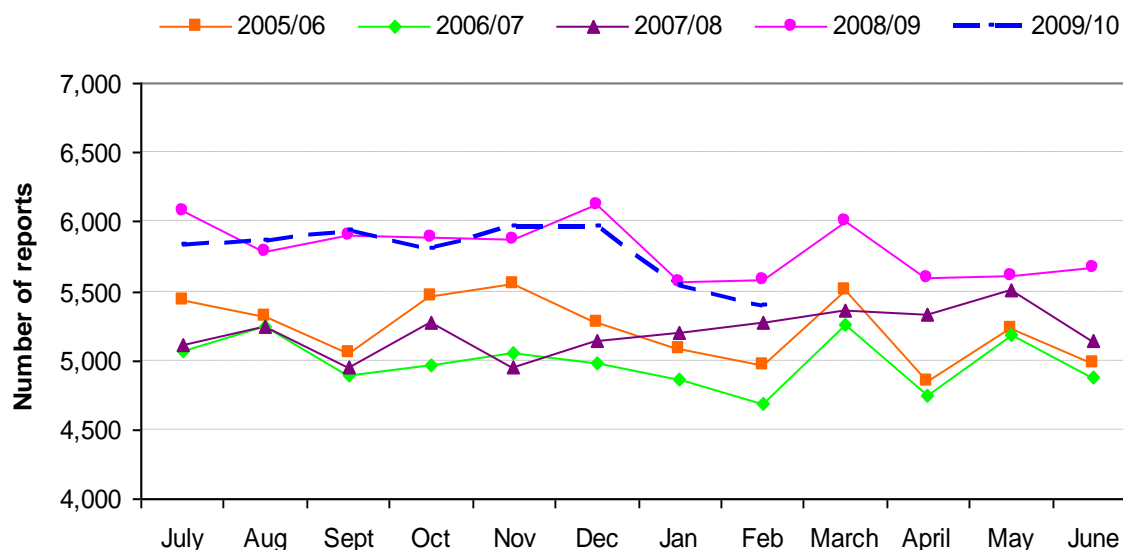
In contrast to full import entries, the number of simplified import entries was not affected by the recession and either increased or remained at the level of the highest pre-recession simplified import entry numbers (see Fig. 2 below).

Figure 2: Number of simplified import entries in the Customs information system in the last 5 years



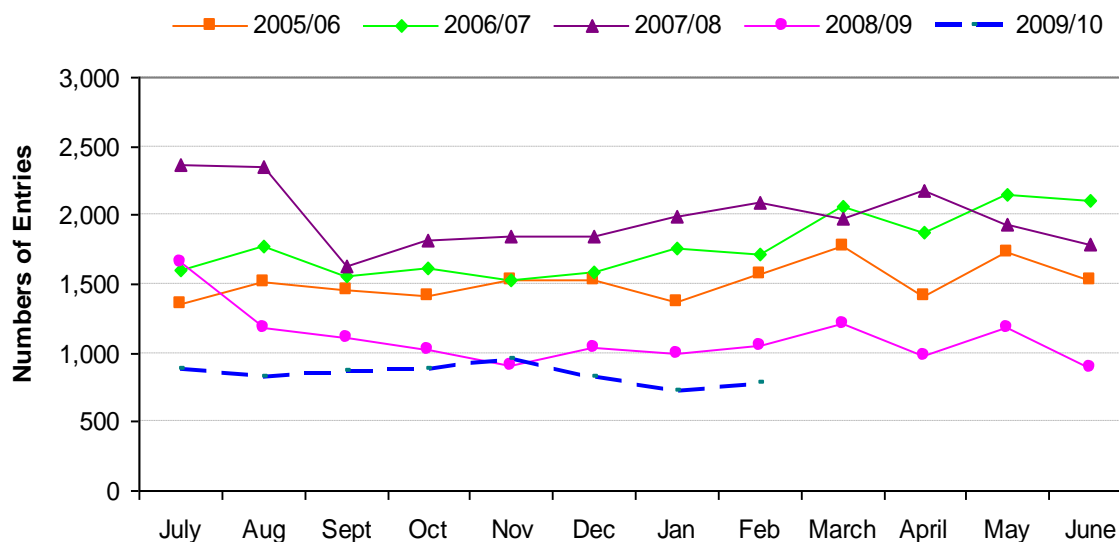
The number of electronic interface report entries also does not seem to be affected by the recession, as can be seen in Fig.3. On the contrary, their number increased by 11% in 2008/09 compared to the average annual numbers over the previous three financial years.

Figure 3: Number of electronic interface report entries in the Customs information system in the last 5 years



The most noticeable reduction is observed in the number of temporary import entries, which dropped by 59% (Fig 4). This drop was partially due to the recession, but also due to Customs' review of the Temporary Entry process¹⁰. The review identified that in many cases goods were entered into the Customs information system as temporary entries instead of being entered under other import entry categories.

Figure 4: Number of temporary import entries in the Customs information system in the last 5 years



The number of private import declaration decreased by 26% over the same period (Fig. 5).

¹⁰ Customs private communication as April 2010.

Figure 5: Number of private import declarations in the Customs information system in the last 5 years

