

Cost Recovery Impact Statement

Proposed Updates to Border Biosecurity Cost Recovery

1 Executive summary

This CRIS reviews biosecurity cost recovery settings against MPI's cost recovery principles of Transparency, Justifiability, Efficiency and Equity. In particular, the CRIS considers:

- options to address deficits under the Biosecurity System Entry Levy (BSEL) and a range of biosecurity fees;
- complementary policy settings around the BSEL including how quickly deficits and surpluses must be addressed, and what level of flexibility the Director-General of MPI should have to increase the BSEL; and
- a couple of fixes to minor issues around some biosecurity fees.

1.1 The Biosecurity System Entry Levy

1.1.1 BSEL rate

The BSEL is forecast to carry deficits totalling \$88.1 million by 2025/26 if not addressed. The preferred option is to approximately double the BSEL rate from \$23 to \$46.40 per leviable importation.

The increase costs to importers of about \$29.4 million per annum between 2023/24 and 2025/26 is expected to only have small impacts on imports, with the BSEL increase being 2.34% of the value of a \$1,000 consignment (generally the minimum value for which a levy is payable) and 0.037% of the value of the average consignment (\$63,960).¹

1.1.2 How quickly deficits and surpluses must be addressed

Deficits and surpluses have to be addressed within the next financial year if they are to be addressed with a change to the BSEL rate. This is an anomaly in MPI cost recovery regimes, with generally up to three or four years allowed to address deficits and surpluses in order to help avoid big swings in charges. The one-year period also creates a risk that the BSEL is not updated in time, with deficits and surpluses unaddressed at a cost to public funds or levy payers.

The preferred option increases the maximum period over which deficits and surpluses can be addressed from one to three years.

1.1.3 The BSEL cap

The BSEL cap is the maximum amount the Director-General of MPI can set the BSEL without going to Cabinet. A cap is important to quickly address deficits when deficits have one year to be addressed. With the BSEL rate increasing, the BSEL cap needs to be reconsidered.

The preferred option reduces the degree of the cap from about 13% to 8% to reflect that less flexibility is needed if the window to address deficits increases to three years. It is considered that some flexibility is prudent as the amount of expenditure and revenue under the BSEL is large and it is important that deficits and surpluses do not get out of hand, and because there is considerable uncertainty around the New Zealand and world economies that means actual financial results may differ substantially from those forecast.

1.2 Biosecurity Fees

1.2.1 The base hourly rate

The base hourly rate for biosecurity fees has not been updated since 2015. The preferred option increases the base hourly rate from \$102.27 to \$155.50 to address an expected deficit in 2022/23 and deficits in outyears due to increasing costs. Costs have increased due to higher personnel costs and ongoing change in the diversity and

¹ With impacts on final retail prices likely several times lower still once other costs such as transport, storage, and retail premises are included.

complexity of consignments entering New Zealand, and the new biosecurity risk pathways from increasingly diverse trade.

The revenue increase is equivalent to 0.008% of the average value of a consignment at importation.

1.2.2 Fixes to two small issues

The CRIS proposes to address inconsistencies in the treatment of transport costs which are usually charged separately and sometimes built into fees. The preferred option is to not build in transport costs into any other fee and to charge it as its own fee.

The CRI proposes to address an oversight in a previous fee review for food safety staff performing biosecurity functions which was not reduced.

1.3 Consultation feedback

Organisations representing fruit and vegetable growers including Horticulture New Zealand, Citrus New Zealand, the New Zealand Asparagus Council, and the New Zealand Persimmon Industry Council support the levy and fee increases in order to help prevent incursions of pests, weeds and diseases.

Feedback from transport and cargo entities was generally against the increases.

While one business, First Global Logistics, supports the increases citing increased biosecurity risk, the Customs Brokers and Freight Forwarders Federation of New Zealand and the New Zealand Council of Cargo Owners (representing a range of large importers and exporters including The Warehouse Group, Sanford, and Fonterra) objected to the increases as freight costs remain high due to COVID-19 disruptions.

The Customs Brokers and Freight Forwarders Federation of New Zealand and the New Zealand Council of Cargo Owners said that increasing charges would contribute to inflation. However, as above, the BSEL increase is about 0.0037 percent of the value of the average consignment and will have a negligible impact on import prices.

Submitters sought improvements in cargo processing times. This is one of MPI's focuses for the additional revenue the levy and fee increases will generate.

1.4 Conclusion

The CRIS concludes that MPI has sufficiently met the Transparency and Justifiability principles and that fully recovering costs through the proposed increases to the levy and fees would best meet the Efficiency principle and is consistent with the Equity principle. Ultimately, the Government may opt to not fully recover costs if it deems that there is an Equity reason to provide public funding.

2 Agency Disclosure Statement

The options are analysed against MPI's Cost Recovery Principles and Biosecurity Funding Principles. Assessment against these principles is not always clear cut and some judgement is required.

For instance, while it is often straightforward to identify which option best meets the Efficiency principle, which option best meets the Equity principle involves value judgements. To assess against the Equity principle, MPI seeks information about whether there are issues that the Government might consider worthy of support with public funding. The CRIS does its best to consider these, but there might be issues or views that the Government is aware of that have not been factored into MPI's analysis which justify public funding from an equity perspective.

The CRIS contains forecasts of expenditure and revenue which represent MPI's best endeavours. Forecasts carry uncertainty. Faults and limitations in the forecasts and analysis are noted in the body of the CRIS, and there will inevitably be other faults that have not been identified. MPI's ongoing monitoring of accounts and frequent changes to fees and levies protect against these uncertainties and faults causing deficits and surpluses to accrue for too long at a cost to fee and levy payers, or to public funds.



Bruce Arnold
Director, Cost Recovery, Ministry for Primary Industries
22 March 2023

3 Quality Assurance

The MPI Regulatory Impact Analysis Panel has reviewed the Cost Recovery Impact Statement (CRIS): Proposed Updates to Border Biosecurity Cost Recovery produced by MPI dated 22 March 2023.

The review team considers that the CRIS meets the Quality Assurance criteria. The CRIS clearly outlines multiple issues and provides clear recommendations from the consulted feasible options. Each proposed option was considered with the changing domestic and global context and supported by previous and forecasted financial data while acknowledging that forecasted data could create uncertainty around the potential impacts of options. This uncertainty was set out and addressed appropriately.

4 Background on New Zealand's Biosecurity System

4.1 Biosecurity is fundamentally important to New Zealand

Biosecurity protects human and animal health, the environment, including taonga species, and provides a platform for the economy to grow through primary production, tourism, and trade. Cost recovery plays an important role in making sure that Biosecurity New Zealand (Biosecurity NZ) has sufficient funding and capability to maintain a robust biosecurity system.

Biosecurity NZ is the MPI business unit that delivers the biosecurity services that protect New Zealand from the imported pests and diseases that pose a risk to human health, social and cultural wellbeing, the economy, and the environment. This allows New Zealand to provide assurances to international trading partners of New Zealand's status of being free of particular pests and diseases, supporting over \$50 billion worth of annual exports.

The biosecurity system is made up of activities conducted across a range of inter-related areas internationally, offshore, at the border, and within New Zealand. These activities reduce or minimise biosecurity risk at different points of the many pathways into New Zealand e.g. boat and ship, cargo, passenger, mail and environmental pathways (such as wind and tidal currents).

Activities can be grouped into whether they are pre-border, border, or post border including, for example, import health standards at the pre-border level, inspections and fumigation at the border level, and surveillance, readiness and response at the post-border level.

Though Biosecurity NZ is the lead agency behind the biosecurity system, all those involved are critical to its success – government, industry, Māori, and all New Zealanders must work together to manage risks. Tangata whenua and kaitiaki, iwi and hapū have a fundamental role in our biosecurity system. Māori have a special relationship with ancestral lands, waters, sites, wāhi tapu and taonga. Māori and iwi are also partners with the Crown through te Tiriti o Waitangi.

4.2 Biosecurity risks are growing in scale and complexity

New Zealand is facing more complex biosecurity risks, caused by large import volumes, trade diversification, climate change, population growth, and changing public and consumer expectations. For example:

Global logistics networks are becoming increasingly sophisticated i.e. there has been strong ongoing growth in New Zealand consumers importing goods directly through the internet. The resulting growth in mail and courier parcels is exposing us to a wider range of risks from pests and diseases which increases the complexity of risk profiling across these pathways. For example, since 2018, more than 250 live brown marmorated stink bugs have been intercepted at the border.

Climate change is making it possible for pests and diseases not previously seen as threats to become established in New Zealand. This could have serious implications for New Zealand's biodiversity, and the primary sector's ability to access and compete in overseas markets.

The importance of biosecurity is highlighted by the increase in large scale responses to biosecurity incursions over the last few years e.g. to *M. bovis*, *Bonamia ostreae*, myrtle rust, and the Queensland fruit fly. These require substantial resources to contain, manage, and eradicate. The estimated 10-year cost to eradicate *M. bovis* alone is \$870 million.

5 Cost recovery for the biosecurity system

5.1 Cost recovery principles and biosecurity funding principles

Cost sharing arrangements are determined on a case-by-case basis applying MPI's cost recovery principles and biosecurity funding principles.

MPI's four cost recovery principles are, in summary:

- Transparency – costs are transparent
- Justifiability – costs are reasonable
- Efficiency – net benefits are maximised
- Equity – costs are fair

These principles are set out in MPI's cost recovery guidelines.² The principles build on each other with Transparency and Justifiability providing a foundation to the consideration of, and sometimes trade-offs between, Efficiency and Equity. Essentially, costs should only be recovered if the Transparency and Justifiability principles are sufficiently met.

Once the Transparency and Justifiability principles are met, MPI considers how best to meet the Efficiency and Equity principles.

Efficiency is about maximising benefits and minimising costs. Cost recovery can help through providing financial incentives to beneficiaries to reveal whether services are worthwhile and to exacerbators to reduce risk and, therefore, cost. To maximise efficiency, costs should be allocated on the basis of the following factors³:

- Which parties' benefits we are most uncertain about – where there is uncertainty about the benefits of regulation, charging beneficiaries encourages them to think about whether the scope of the intervention is appropriate
- Which parties can reduce risk in the least costly way – charging exacerbators encourages them to change their behaviour and, therefore, the extent of the intervention (e.g. reduced risk would feed through to reduced surveillance)
- Which parties are able to help identify how to deliver the intervention most cost effectively – charging these parties encourages them to find efficiencies in the implementation of the intervention
- Keeping administration costs low – the administration costs of paying and collecting the funding for the intervention

Equity involves value judgements. It will normally be considered fair that beneficiaries or exacerbators pay (in line with the Efficiency principle), but there may be reasons why governments – local or central – might want to make a contribution, e.g. because governments want to support small businesses or emerging industries, or because parties cannot afford to pay and governments would rather not see parties stop operating.

5.2 The general approach to cost recovery for biosecurity activities

While cost recovery arrangements are determined on a case-by-case basis, a general approach has emerged. In general, Government, councils and domestic industries have been responsible for funding post-border activities, while importers have funded border activities.

Funding of border activities by importers increases efficiency by encouraging importers to do three things:⁴

- (1) Reduce risk that generates the need for border activities. For instance, if risk from imports reduces, there will be less need for border inspections.
- (2) Help MPI improve the cost-effective delivery of activities – if risks can be mitigated in less costly ways, this will be reflected in lower-than-otherwise charges to importers.

² <https://www.mpi.govt.nz/dmsdocument/30855/direct>

³ The first three of these factors are the biosecurity funding principles.

⁴ Funding of post-border activities from domestic industries that are affected by pests and disease, and from Government and/or councils where there is risk to public values such as the environment, generates the same kinds of efficiency. It encourages industry and government to reduce risk from biosecurity incursions such as through more frequent surveillance, encourages parties to identify ways to deliver post-border measures in cost effective ways (e.g. farmers will have insight into how to conduct on-farm biosecurity measures), and think about whether what they want to protect is valuable enough to protect.

- (3) Think about whether their imports create sufficient value – that the value of imports is worth more than the cost of imports including biosecurity activities to manage risk.

5.3 Legislative authority

The Biosecurity Act 1993 (the Act) allows MPI to perform services designed to manage biosecurity risks, including those from imported goods and travellers entering New Zealand.

The Act also provides for MPI to recover the costs of services that manage biosecurity risks. Cost recovery plays an important role in making sure that Biosecurity NZ has sufficient funding and capability to maintain a robust biosecurity system. The Act provides flexibility in the types of fees, charges and levies that can be applied.

The levy and fees affected by proposals in this document are prescribed in the Biosecurity (System Entry Levy) Order 2010 (the Levy Order) and the Biosecurity (Costs) Regulations 2010 (the Regulations).

The Levy Order is made under section 137 of the Act. The levy is imposed on the importation of certain goods and calculated using a formula set out in the Levy Order. The fees are set out in the Regulations, which are made under sections 135 and 165 of the Act.

6 Status quo around the Biosecurity System Entry Levy (BSEL)

6.1 The BSEL

The BSEL is predominantly collected on consignments of imports valued at over \$1,000. The BSEL is also charged when air or seacraft or freight forwarders submit a cargo report to Customs.⁵ Around 95% of BSEL revenue comes from charging consignments valued at more than \$1,000, and 5% from cargo reports.

The BSEL is collected by Customs on behalf of MPI on imported goods at a rate of \$23 per leviable importation. Goods that are imported and valued at \$1,000 or less (“Low Value Goods”) are exempt from paying the BSEL.

This \$1,000 threshold is consistent with the threshold that New Zealand Customs Service (Customs) sets for its charges, and was increased to the current threshold from \$400 on 1 December 2019. Taxpayer funding (\$11.8 million per annum) is available for Biosecurity NZ to manage biosecurity risk related to imports valued \$1,000 or less. Consideration of the cost recovery threshold is not considered in this document.

Under the Levy Order, the BSEL rate is calculated using a formula that divides forecast costs (as well as any deficit or surplus that has accrued in a previous period) by forecast consignment volumes. Because rates are set using forecasts of future costs and revenue, some under-recovery or over-recovery of costs is likely. MPI uses a memorandum account to track whether biosecurity services are operating at a surplus or deficit. In line with best practice guidance, MPI regularly reviews the charges in this memorandum account to ensure the balance trends towards zero. During a reset of charges, new rates take into account any surplus or deficit that has accumulated in the memorandum account.

6.2 BSEL Maximum (the cap)

The Levy Order requires the levy rate to be set annually according to a specific formula. If the rate is not changed prior to the levy year beginning, the previous rate remains in place. The Director-General may reset the BSEL rate and notify by Notice in the Gazette (typically a month-long process) following consultation, provided that the new rate is below the cap specified in the Levy Order. Increases to the cap require Cabinet agreement to amend the Levy Order (typically a nine-month process).

6.3 What activities does the BSEL fund?

Activities funded by the BSEL are set out in clause 13 of the Levy Order and are unchanged:

- (a) obtaining and analysing data to develop and monitor risk profiles and place alerts;
- (b) the primary screening of sea and air cargo manifests for biosecurity risk consignments;
- (c) intervention monitoring programmes, slippage surveys, and baseline auditing of the compliance of imported consignments with import health standards;
- (d) surveillance activities around sea and air ports and high-risk places related to preventing the establishment of pests and unwanted organisms that may be introduced by imported consignments;
- (e) facilitating the movement of consignments away from ports approved as places of first arrival;
- (f) 15 minutes of secondary risk assessment for consignments identified in primary screening and issuing authorisation of movement and biosecurity clearance documentation; and
- (g) administering and collecting the levy.

The BSEL also recovers costs associated with the Joint Border Management System (JBMS) as a component of the levy. The JBMS was introduced in 2013 to replace Customs’ and MPI’s existing systems with a single, modern, integrated information system for imported goods. JBMS provides a single point of contact for customers who are required to engage with multiple government agencies. Cost recovery for the JBMS is included as a component of the BSEL at the rate of \$5.12 per leviable importation. Costs from 2013 investment will continue to be paid off through until 2025 (full depreciation). The future costs of support for the joint system will be reviewed and considered in future years.

⁵ Cargo may be made up of multiple consignments. Cargo reports provide information about the cargo and freight forwarders use them to seek clearance on low-value consignments. Consignments valued at less than \$1,000 will indirectly contribute to the BSEL charged on cargo reports. For instance, if cargo is made up of 400 consignments, each consignment might be expected to contribute around six cents to the current BSEL cost when transporters pass on cost to customers.

6.4 What is the current BSEL rate?

The BSEL rate was last set in the levy order in 2018 at \$20.36 per leviable importation, and was increased to the \$23 cap in 2019 by the Director-General.⁶

6.5 Why is a levy appropriate?

The biosecurity services covered by the BSEL are considered 'club goods'. A 'club good' is one where people/businesses can be excluded from services (e.g. have to join a 'club'), but once in the club, are able to use the services without reducing the service and benefits available to other members (the benefits are 'non-rival').

The levy is predominantly charged per consignment and every importer receives broadly the same level of service from Biosecurity NZ. Parties that import more consignments will pay the levy more frequently. This is equitable as it ensures that those that benefit more and create more risk pay more of the costs.

⁶ The figures here refer to the JBMS-inclusive BSEL rate. Some imports are charged a rate without a JBMS component. For simplicity, this CRIS uses the JBMS-inclusive BSEL rate.

7 Problems around the BSEL

This CRIS covers a couple of broad problems.

Firstly, the BSEL is generating financial deficits, with expenditure greater than revenue.

Secondly, there is inflexibility in the system which prevents MPI from reasonably addressing deficits and surpluses when they arise.

As the solutions to the problems are inter-connected, the problems can't be addressed independently (i.e. address the first problem without reference to the options for the second problem, then address the second problem without reference to the options for the first problem). Instead the two problems are set out up front before considering the options together in a way that addresses the inter-connectedness. Problem 1: Financial deficits

7.1.1 What is the nature of the problem?

The BSEL is forecast to carry significant annual deficits. Deficits are an efficiency problem – either the BSEL is too low for a desired level of service, or the level of service is too high, or a combination.

When deficits are written off, the cost to taxpayers may also be considered inequitable by many.

7.1.2 What is the size of the problem?

The annual deficit is expected to be \$9.3 million for 2022/2023 (compared to \$29.1 million of revenue⁷), and is forecast to grow to \$28.7 million by 2025/2026 (compared to \$29.4 million of revenue).

Without change, there is expected to be total under recovery of \$88.1 million by 2025/26. This would likely need to be written off at a cost to taxpayers.

The deadweight loss of writing off \$88.1 million would be \$17.6 million. Deadweight loss, in this situation, is how much the cost to taxpayers distorts taxpayer decisions⁸ with \$17.6 million being 20% of taxpayer expenditure as Treasury cost benefit analysis guidelines.

The deadweight loss of distorted decisions by importers due to a lower-than-true-cost BSEL⁹ is not estimated, but expected to be small.

7.1.3 What is the cause of the problem?

There are three components to the proposed increase in the BSEL rate, which, in summary, are as follows:

- The costs to maintain the cargo pathway have increased since 2019, and volumes of leviable importations are lower than previously forecasted.
- New and expanded cargo services have been introduced that have needed to be cost recovered.
- There has been a shift of border biosecurity effort from the passenger to cargo pathway.

Figure 1 summarises the cost components discussed above sought to be funded by the BSEL. This excludes the costs for consignments valued at \$1,000 or less (“low value goods”) which will remain taxpayer funded, currently at a taxpayer cost of \$11.8 million per annum.

⁷ Refer to Figure 1.

⁸ Higher taxes to pay for financial deficits reduce taxpayers' desire to work, spend and invest.

⁹ A BSEL that under-recovers costs will induce more use of the services than is efficient. The net cost of this use is a deadweight loss.

Figure 1: BSEL costs, and BSEL rates required to fully fund services in the cargo pathway

	2022/23	2023/24	2024/25	2025/26
Forecast of leviable importations ¹⁰	1,264,268	1,236,705	1,254,562	1,278,148
Current revenue	\$29.08m	\$28.44m	\$28.85m	\$29.40m
Costs proposed to be covered by the BSEL, (\$m)				
Baseline expenditure	\$37.00m	\$37.70m	\$37.71m	\$37.71m
3 years of anticipated inflationary pressures		\$3.15m	\$6.20m	\$8.94m
Expanded services	¹¹ \$1.39m	\$1.97m	\$2.16m	\$2.16m
Recovery of the 22/23 expected deficit		\$3.10m	\$3.10m	\$3.10m
Reallocation of effort from passenger to cargo		\$9.26m	\$9.26m	\$9.26m
Total BSEL Revenue Required		\$55.18m	\$58.43m	\$61.17m
BSEL rate to recover cargo expenditure, broken down into component parts				
Baseline Expenditure		\$30.48	\$30.06	\$29.50
3 years of anticipated inflationary pressures		\$2.54	\$4.95	\$6.99
Expanded Services		\$1.60	\$1.72	\$1.69
Anticipated 22/23 deficit		\$2.51	\$2.47	\$2.43
Reallocation effort from passenger to cargo		\$7.49	\$7.38	\$7.24
Annualised BSEL rate		\$44.62	\$46.58	\$47.85
Recommended BSEL for 23/24 – 25/26 (weighted average)		\$46.40	\$46.40	\$46.40

7.1.3.1 Rate Increase Component One: Costs to maintain the cargo pathway have increased since 2019, and the volume of leviable importations is lower than previously forecast

Since the BSEL was last set at \$23 on 1 July 2019, Biosecurity NZ has faced pressures that have contributed to an increased expenditure that require an increase in the baseline BSEL rate. This section considers the three parts of the increasing baseline rate:

- Historic cost escalation
- Anticipated inflationary pressures
- Reducing leviable base to fund the pressures

Increased costs since BSEL was last reset on 1 July 2019

Expenditure against the BSEL has increased annually in order to maintain the strength of our biosecurity protections. Annual BSEL expenditure is summarised below. For comparability, this includes the expenditure associated with low value goods (those import consignments valued \$1,000 or less), which became taxpayer funded on 1 December 2019, and now costs \$11.80 million per annum.

Figure 2: Total baseline expenditure associated with BSEL and Low Value Goods, \$m

	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Forecast
Total expenditure, \$m	\$34.96	\$39.06	\$37.44	\$40.32	\$48.80
Annual change in expenditure		+11.7%	-4.1%	+7.7%	+21.0%

A significant contributor to the increase in expenditure is increases in biosecurity staff salaries, which have increased 17% since the BSEL was last reset in 2019. This is in part due to wage increases, and largely due to a changing mix of skills required to protect biosecurity (for example, additional incursion response preparedness). Personnel costs account for around 70% of Biosecurity NZ's overall expenditure (between frontline and support personnel). Figure 3 below shows the average salaries inclusive of all staff within Biosecurity NZ (including senior management).

¹⁰ The forecast volumes exclude some imports that pay the BSEL. This may underestimate volumes and, therefore, revenue by about 5%.

¹¹ The \$1.394 million in 2022/23 is a contributor to the \$9.313 million deficit to be recovered, as included in the 'Recovery of the 22/23 expected deficit' row.

Figure 3: Staff salary pressures for Biosecurity NZ, 2018/19 – 2021/22 actuals

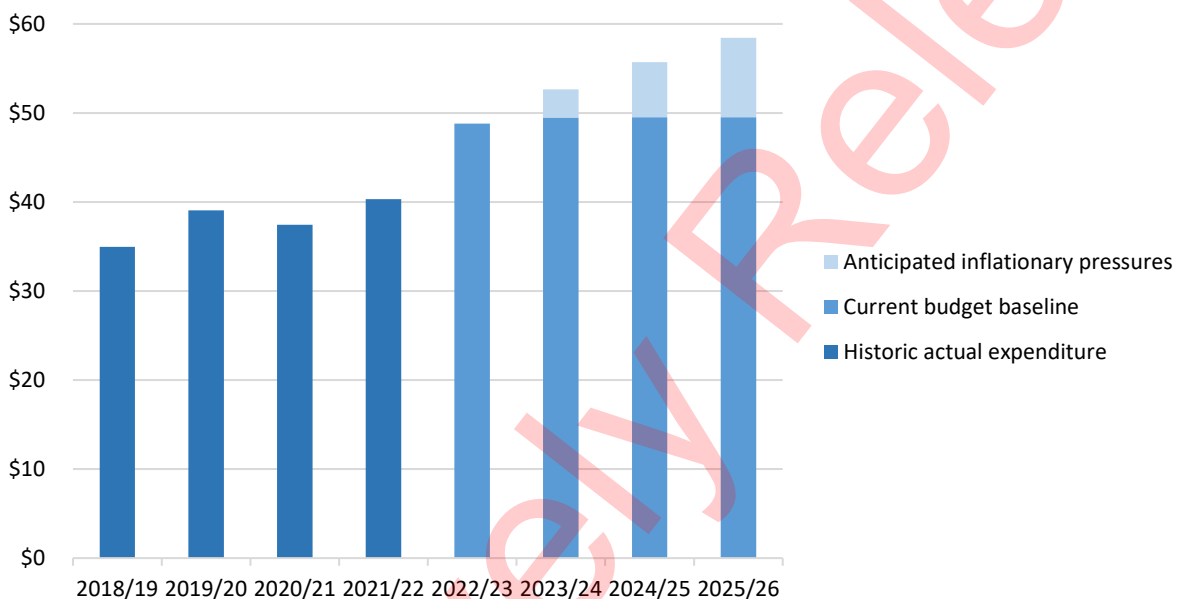
	June 2019	June 2020	June 2021	June 2022
Average salary for Biosecurity NZ	\$76,291	\$79,388	\$86,198	\$89,400
Annual average wage increase		4.1%	8.6%	3.7%

Projected increases to future costs (inflation)

Expenditure required to maintain status quo service provision will continue to increase with inflationary pressures. In order to model future inflation costs, we have used the Treasury’s latest forecasts of hourly wage inflation for personnel inflation, and current CPI forecasts for non-personnel inflation. The figure below provides an overview of historic expenditure, as well as forecast expenditure to maintain cargo service quality.

As visualised in the graph below, throughout 2020/21 and 2021/22, Biosecurity NZ struggled with staffing vacancies and the flow on impacts of supply chain disruption which arose from the impacts of COVID-19. This suppressed expenditure, and had consequential impacts on cargo clearance times.

Figure 4: Overview of expenditure within the cargo pathway, funded by a mix of BSEL and taxpayer (low value goods), \$m



A falling number of leviable importations

When the BSEL was last set on 1 July 2019 using 2018 forecasts, MPI had anticipated the number of consignments to be at higher level than have occurred. In part, this is due to the impacts of COVID-19 on supply chain disruption, and also in part due to a trend towards increased numbers of “consolidators”, whereby many smaller items are combined into a single import consignment (i.e., 1 shipping container). The historic forecast assumptions compared to realised and current forecasts are outlined below.

As shown, actual consignments valued at over \$1,000 were 5.7% lower than forecast for the 2019/20 – 2021/22 period. This has contributed to the deficits which have been written off. MPI’s BSEL revenue for 2022/23 is expected to be \$5.10 million lower than was forecast at the time that the BSEL was last set in 2019. This exacerbates the increase in the BSEL rate required to maintain status quo service provision.

Over the next three years (2023/24 – 2025/26), leviable importations are anticipated to reduce slightly, while the level of biosecurity risk to manage will continue to increase. This means that a BSEL rate increase would be required to maintain the status quo position, even before expenditure changes.

The differing forecasts and actuals are summarised in

Figure 5.

Proactively Released

Figure 5: Comparison of historic forecasts to actuals

		2019/20	2020/21	2021/22	2022/23	2023/24
Number of consignments valued up to \$1,000	2018 forecast	477,678	504,019	530,361	556,702	
	Actuals	428,642	436,731	349,131		
	Current forecast				404,835	404,835
Number of consignments valued over \$1,000	2018 forecast	1,364,672	1,402,813	1,443,211	1,485,945	
	Actual	1,432,371	1,255,689	1,284,369		
	Current forecast				1,264,268	1,236,705

Summary of the BSEL rate required to maintain status quo service provision

The figure below summarises the rate required to maintain the status quo services in light of historic and forecast funding pressures, and expected import consignments. The forecasts used are provided by Customs and reflect best information available. If the forecasts are updated or revised prior to final policy decisions, up to date forecasts will be used.

Figure 6: Summary of the Biosecurity NZ revenue required to maintain the cargo pathway, and requisite BSEL rate

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Actual	Forecast	Forecast	Forecast	Forecast
Number of leviable importations	1,255,689	1,284,369	1,264,268	1,236,705	1,254,562	1,278,148
Actual and anticipated expenditure, (BSEL and Low Value Goods)	\$37.44m	\$40.32m	\$48.80m	\$49.50m	\$49.51m	\$49.51m
Taxpayer funding for Low Value Goods				\$11.80m	\$11.80m	\$11.80m
Remaining expenditure to be met by the BSEL				\$37.70m	\$37.71m	\$37.71m
BSEL rate to fund existing baseline				\$30.48	\$30.06	\$29.50
Expenditure required to maintain service quality (inflationary pressures)				\$3.15m	\$6.21m	\$8.94m
BSEL rate to maintain service quality (to fund inflationary pressures)				+\$2.55	+\$4.95	+\$6.99
Combined BSEL rate for baseline				\$33.03	\$35.00	\$36.49

7.1.3.2 Rate Increase Component Two: Cost recovery for new and expanded cargo services

This section explores two key drivers of new or expanded services being provided to support the effectiveness of functioning for the cargo pathway; an increase in the number of cargo risk assessors and the Brown Marmorated Stink Bug (BMSB) Surveillance Programme.

Increase Cargo Risk Assessors

MPI's risk assessment teams provide initial protection for frontline biosecurity border clearance in New Zealand, ensuring that biosecurity imports are compliant with relevant legislation. From 2018/19 to 2021/22 the number of consignments flagged for secondary assessment by MPI grew by 22% while leviable importations fell by 8.3% (see Figure 7). MPI anticipates the proportion of consignments flagged for MPI attention will continue to increase, with additional effort required to manage the biosecurity risk.

The increased biosecurity effort has caused MPI to consistently fail to meet its cargo service performance measure¹² for processing times of lodgements since November 2020. Industry is concerned that MPI's responses are not given in a timely manner. These delays place pressure on supply chains, cause delays to container and cargo movements, and increase costs for importers (due to greater detention charges for containers and demurrage charges at ports). Delays increase the risk of vessels arriving before risk assessment for biosecurity pests and diseases (e.g. biofouling, spongy moth and brown marmorated stink bugs) have been conducted.

In response to these concerns, Biosecurity NZ is looking to grow the size of the team that houses cargo risk assessors by 24% from 88 FTE to 109 FTE over three years from 2022/23 to 2024/25. Additional changes to the Craft Risk Management Standard, effective April 2023, will introduce minimum biofouling standard requirements for arriving vessels in NZ. This will require additional resourcing because of increased documentation that must be risk assessed.

¹² See the performance measure 'The average turnaround time for responding to: Air cargo applications do not exceed 3 hours; Sea cargo applications do not exceed 21 hours' on p.82 of [MPI's 2021/22 Annual Report](#).

Figure 7: Number of consignments that received a secondary risk assessment as a proportion of total consignments (including low value goods)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Number of times a consignment received secondary risk assessment	229,626	242,446	239,939	259,642	299,310	291,661
		+5.58%	-1.03%	+8.21%	+15.28%	-2.56%
Total number of consignments	1,678,000	1,728,000	1,782,000	1,861,000	1,692,000	1,634,000
Secondary risk assessment as proportion of total consignments	13.7%	14.0%	13.5%	14.0%	17.7%	17.8%

To minimise the cost impact despite increasing biosecurity needs, Biosecurity NZ works to continually achieve efficiency gains. Technology improvements are making it more efficient to screen goods. Since June 2020, new technology has reduced average processing time for secondary assessment from 15 minutes to 13 minutes, effectively mitigating overall resource needs by 4 FTE per annum. MPI anticipates that further efficiency gains will be made through investment in automation capability.

Cargo risk assessors primarily work on the primary and secondary assessment of imported consignments, as well as other services in scope of the BSEL Order.

Overall, this enhanced function will lead to an additional \$1.986 million of expenditure against the BSEL by 2024/25. The impact of this change on the BSEL rate, if fully cost recovered, is summarised in Figure 8 below.

Brown Marmorated Stink Bug (BMSB) Surveillance Programme

Brown Marmorated Stink Bugs (BMSB) are a sap sucking bug that feeds on a wide variety of fruits and vegetables, making it both an economic and environmental high-impact pest. The pest is not established in New Zealand, and a major outbreak could severely impact our horticulture, forestry and tourism industries, and affect indigenous biodiversity.

The BMSB surveillance programme began as a pilot in 2018, with funding shared between MPI and industry. The pilot has now concluded and MPI must consider the programme's ongoing funding. The surveillance programme consists of seasonal monitoring through visual inspection of lured traps and their surrounding vegetation at 80 sites. Since 2018, the surveillance programme has intercepted over 250 live BMSB and 10,220 dead BMSB.

Because the surveillance sites are located at airports, seaports, or high-risk transitional facilities for imported goods the programme is within the scope of the Levy Order and is therefore eligible for cost recovery. The programme is contracted out at a cost of \$171,000 per annum. The costs and potential BSEL impact, if fully cost recovered, are outlined in Figure 8 below.

In 2021/22, Biosecurity NZ's Diagnostic and Surveillance Services (DSS) spent a total of \$48.1 million. This was \$1.0 million (2%) BSEL funded, \$2.1 million (4%) BPL funded, and \$45 million (94%) which is primarily MPI / taxpayer funded with some industry fees for things such as lab services. MPI intends to undertake a review of DSS to validate which of the four groups (cargo, passenger, industry, taxpayer) should appropriately pay for each of the various surveillance programmes.

Summary of potential BSEL impact from expanded services

Figure 8 summarises the impact of the BSEL if both services outlined above are fully cost recovered.

Figure 8: Impact of expanded services on BSEL if fully cost recovered from 2023/24, over three years

	2022/23	2023/24	2024/25	2025/26
Number of leviable importations	1,264,268	1,236,705	1,254,562	1,278,148
Targeted Evaluation Team	Number of additional FTE	13	19	21
	Expenditure, \$m	\$1.223m	\$1.803m	\$1.986m
	BSEL Impact, \$	*	+\$1.46	+\$1.58
BMSB Surveillance Programme	Expenditure, \$m	\$0.171m	\$0.171m	\$0.171m
	BSEL Impact, \$	*	+\$0.14	+\$0.14
	Total Expenditure, \$m	\$1.394m	\$1.974m	\$2.157m
	Total BSEL Impact, \$	*	+\$1.60	+\$1.72

*The \$1.394 million of expenditure for 2022/23 contributes to the forecast 2022/23 deficit, as there is insufficient BSEL revenue to recover the expenditure in the current financial year. This means the expenditure is a component of the discussion around recovery of the deficit in s.4.3.4. Recovering \$1.394 million over a 1 year period would add a further \$1.12 to the BSEL in 2023/24 and recovering the deficit over three years would add \$0.37 per annum for 2023/24 - 2025/26.

7.1.3.3 Rate Increase Component Three: Shift of Biosecurity NZ effort from the passenger to cargo pathway

Background

In 2021/22, Biosecurity NZ employed a total of 1,273 FTE. Frontline staff work across cargo, passenger, and mail pathways. Many staff work in supporting functions, such as diagnostics and surveillance, lab work, and disease and incursion readiness and response.

The frontline pathways are primarily funded by a mix of the BSEL (cargo), the Border Processing Levy (passengers) and taxpayer funding (mail). MPI continually assesses the relative deployment of frontline resources to best manage the biosecurity risk presenting at the border.

Supporting functions are predominantly MPI / taxpayer funded, though with some cost recovery. As examples, fruit fly surveillance is funded by the passenger levy, gypsy moth surveillance is funded by the BSEL, while mad-cow disease surveillance is MPI / taxpayer funded.

Plans to shift effort from the passenger pathway to cargo pathway

MPI intends to realign effort between the passenger and cargo pathways based on the level of biosecurity risk encountered. This outcome of MPI's assessment is that the cargo pathway is a higher risk biosecurity vector. When the passenger pathway effectively closed during COVID-19, the biosecurity risk to New Zealand did not reduce as much as anticipated. This supports the assessment that the balance of frontline effort between cargo and passenger needs to adjust towards cargo.

The assessment reflects professional judgement as it is difficult to quantify biosecurity risk purely from the number of interceptions. For example, undeclared food in the passenger pathway may be a single piece of fruit, where undeclared food in the cargo pathway may be a whole container of food.

Cost of increased effort on the cargo pathway

The net impact of the assessment is to shift 84 FTE (\$9.3 million total cost in 2023/24) from passenger to cargo. The FTE associated with the additional effort against the cargo pathway is anticipated to undertake BSEL related activity rather than hourly fee-based activity.

This realignment will reduce expenditure against the passenger pathway in the near term. The passenger pathway is currently in a deficit position, while running annual surpluses to recover the deficit that has accumulated since 1 July 2021. This shift in effort will mean that the passenger levy deficit will be repaid sooner than anticipated. Any adjustment to passenger levies will be subject to future consultation in conjunction with Customs. The current levy period for the passenger levy ends on 30 November 2024, though the levy can be reset sooner if needed.

The table below summarises the net impact of an assessment of effort across Biosecurity NZ. Some individual functions within Biosecurity NZ will shift effort towards passenger, others towards cargo, and some towards mail, however overall, there is a net increase in the cargo pathway.

Figure 9: Impact of expanded services on BSEL if fully cost recovered from 2023/24, over three years

	2022/23	2023/24	2024/25	2025/26
Number of leviable importations	1,264,268	1,236,705	1,254,562	1,278,148
Reallocation of Effort	Shift from Passenger, \$m		-\$9.24m	-\$9.24m
	Shift from Mail (taxpayer funded), \$m		-\$0.02m	-\$0.02m
	Shift to Cargo (BSEL), \$m		+\$9.26m	+\$9.26m
Impact on BSEL rate		+\$7.49	+\$7.38	+\$7.24

7.2 Problem 2: Inflexibility in addressing deficits and surpluses

The Levy Order at Regulation 7(2) prescribes the basis on which the BSEL rate must be calculated.¹³ This is:

- MPI's forecast of the future year's cost;
- adjusted for any shortfall in recovery (a deficit) or over-recovery (a surplus) in the immediately prior year;
- divided by a forecast of the total number of leviable importations in the following year.

¹³ Biosecurity (System Entry Levy) Order 2010, clause 7.

To enable legislative changes to be made to levy and fee rates in time for the start of the levy year, forecasts of revenue and expenditure are required nine months in advance. It is highly likely the actual revenue and costs will differ.

Any variance from the forecasts means that MPI will either over recover (produce a surplus) or under recover (produce deficits) the cost to provide the services, tracked through a memorandum account as a nominal record of cumulative under and over recovery. The accounts are monitored to ensure the balance trends towards zero.

Only allowing for a deficit or surplus from the immediately prior year to be taken into account means that the balance of the memo account needs to track to zero over one year. As forecasts can never be precise, levy rates would be required to change every single year to try and return any surplus or recover any deficit that arose in the prior year. These swings can be quite large, creating instability for levy payers. For instance (see Figure 10), recovering the 2022/23 expected deficit in one year would add \$7.53 to the current BSEL (a 33% increase), followed by a similar decrease the next year, compared to around \$2.50 (an 11% increase) if the deficit was recovered over three years.

If MPI does not recover a deficit by the following year, it needs to be “written-off” as bad debt. This amounts to a taxpayer subsidy of otherwise cost-recovered services. Additionally, if MPI does not address a surplus by the following year, there is no administratively efficient means of returning the funding that was over collected.

While in recent years (since COVID-19), the BSEL has under-recovered costs, historically there has also been over recovery. Any requirement in regulation for how the BSEL rate must be calculated needs to be appropriate for both surpluses and deficits.

Figure 10: Impact of recovering anticipated 2022/23 BSEL deficit over one or three years

	2022/23	2023/24	2024/25	2025/26
Number of leviable importations	1,264,268	1,236,705	1,254,562	1,278,148
Value of Deficit:	\$9.313m			
Option 1: Status Quo – 1 year recovery	Amount to be recovered, \$m	\$9.31m		
	Closing Balance, \$m	-\$9.31m	\$0	
	Impact on BSEL rate, \$	+\$7.53	\$0	\$0
Option 2: Three year recovery (preferred)	Amount to be recovered, \$m	\$3.10m	\$3.10m	\$3.11m
	Closing Balance, \$m	-\$9.31m	-\$6.21m	-\$3.11m
	Impact on BSEL rate, \$	+\$2.51	+\$2.47	+\$2.43

8 BSEL options and assessment

This section identifies options around key settings to address the problems of the expected deficits and inflexibility in addressing deficits and surpluses.

The key settings are:

- (a) the cost recovery time period (how many years deficits and surpluses can be addressed over)
- (b) the BSEL rate to address the deficit
- (c) the BSEL cap being the maximum amount the Director-General of MPI can set the BSEL without going to Cabinet.

Settings (a) and (c) are about flexibility in responses to deficits and surpluses. Setting (b) is about the actual response to the currently anticipated deficits.

The settings interact with each other. For example, how many years a deficit has to be recovered over (setting (a)) matters to setting the BSEL rate (setting (b)), and if setting (a) provides sufficiently flexibility to address deficits or surpluses, then there is less need for the Director-General of MPI to adjust the BSEL quickly without going to Cabinet (setting (c)).

To keep the analysis as clear and coherent as possible, this section starts by (briefly) considering setting (a). The preferred option around setting (a) then feeds into the design of options for setting (b) and is a factor in the consideration of setting (c).

8.1 Setting (a): Cost recovery time period

8.1.1 What problem does this setting relate to?

This setting relates to problem 2: inflexibility in addressing deficits and surpluses.

8.1.2 Identified options

The two options identified around this issue are:

Option 1 – The status quo of addressing a deficit or surplus through a change to the BSEL in the next year only.

Option 2 – Increasing the maximum period over which deficits and surpluses can be addressed from one year to three years (in line with the length of time for almost all other of MPI's cost recovery systems).

8.1.3 Assessment against the cost recovery principles

8.1.3.1 Transparency and Justifiability

The Justifiability principle does not apply to this issue as the issue and options does not relate to the costs of MPI services, only to how quickly deficits and surpluses need to be addressed.

The Transparency principle is relevant. MPI consulted on a change from one year to three years and considers that it has sufficiently met the Transparency principle.

8.1.3.2 Efficiency and Equity

The current one-year window to address deficits and surpluses carries a high risk of deficits and surpluses not being addressed, with corresponding costs to taxpayers or levy payers.

Even where deficits and surpluses are identified early enough and a BSEL rate change is made, the changes in rates can be significant, with resulting unpredictability for importers.

Against this, the downside of moving to three years is that, where there is churn in importers (i.e. current importers not importing in future, or new importers starting in future), deficits would be increasingly paid for by, and surpluses paid back to, importers that didn't exist when the deficits and surpluses arose. However, the option to move to three years only provides a maximum period. Where there is significant churn among payers, the deficit or surplus could be addressed quicker (including refunding of surpluses where appropriate).

On balance, extending the period over which deficits and surpluses can be addressed to three years is considered to best meet the Efficiency and Equity principles.

8.1.4 Conclusion

The current one-year window is a bit of an anomaly among MPI's cost recovery systems. While longer windows carry risks that deficits and surpluses will be borne by importers that did not contribute to them (and inefficiency and likely to be considered inequitable), we consider that, on balance, these risks are outweighed by the gains of not foregoing deficits and surpluses and that a maximum three-year window is appropriate.

8.2 Setting (b): BSEL rate

8.2.1 What problem does this setting relate to?

This setting relates to problem 1: financial deficits.

8.2.2 Identified options

The three options identified around addressing expected financial deficits are:¹⁴

Option 1 – The status quo BSEL rate of \$23 (at the current cap of \$23). It is assumed that deficits under Option 1 are Crown funded rather than reduced via cuts to services.¹⁵

Option 2 – Increasing the BSEL to \$46.40 to cover future costs **and** recover the expected 2022/23 deficit over three years.

Option 3 – Increasing the BSEL to \$43.93 to cover future costs **only** with the expected 2022/23 deficit written off.

A secondary aspect of the second and third options is whether the cap via which the Director-General of MPI is permitted to set the BSEL should be retained and, if so, at what level.

8.2.3 Discarded options

Options that shifted funding to domestic industry and councils as beneficiaries of border activities and as parties that can mitigate their risk (risk exacerbators) were not considered. As discussed in section 4.2, the general approach that has emerged in the recovery of biosecurity activities is that Government, councils and domestic industries have been responsible for funding post-border activities, while importers have funded border activities.

Reducing expenditure to keep the current rate would require a significant reduction in services, particularly given that costs are increasing year-on-year. Eliminating the current deficit and projected future under-recovery would require significantly reducing services to accommodate the existing deficit and future inflation. This would create an unacceptable level of border biosecurity risk. The current level of service is required to properly manage the existing border biosecurity risk, and reducing these services would create an enormous risk to New Zealand's flora and fauna and our primary industries.

The analysis has only considered changes to the degree of cost recovery. Changes to the method of cost recovery, such as whether the unit on which the levy applies (consignments) should be changed (e.g. value of the consignments), were not within scope of the analysis.

8.2.4 Estimated financial, and associated economic, impacts

8.2.4.1 Total financial impact

Option 1 would generate no additional financial impact on importers. The cost to taxpayers would be around \$88.1 million in total to 2025/26 (with associated deadweight loss of \$17.6 million), including the expected deficit of \$9.3 million for 2022/23.

Option 2 approximately doubles the BSEL rate, increasing costs to importers by \$88.1 million in total to 2025/26 (around \$29.4 million per annum between 2023/24 to 2025/26). Option 2 generates no deadweight loss from taxpayer funding.

¹⁴ The figures here refer to the JBMS-inclusive BSEL rate. Some imports are charged a rate without a JBMS component. For simplicity, this CRIS uses the JBMS-inclusive BSEL rate.

¹⁵ Reducing expenditure to keep the current rate would require a significant reduction in services. Expenditure for the new and increased services alone will increase expenditure by \$1.974m in 2023/24. Eliminating the current deficit and projected future under-recovery would require cutting the new and expanded services completely, cancelling the shift of effort from the passenger to cargo pathway, and significantly reducing other services to accommodate the existing deficit and future inflation.

This would create an unacceptable level of border biosecurity risk. The current level of service is required to properly managing the existing border biosecurity risk, reducing these services would create an enormous risk to New Zealand's flora and fauna and our primary industries. For example, if Brown Marmorated Stink Bugs became established in New Zealand it would devastate our horticulture, forestry and tourism industries, and affect indigenous biodiversity. This is just one of the many risks that we would face if border biosecurity services were cut.

Option 3 has slightly lower costs to importers than Option 2 at an increase of \$78.9 million in total to 2025/26 (around \$26.3 million per annum between 2023/24 to 2025/26). Option 3 has \$9.3 million written off as a cost to taxpayers (with associated deadweight loss of \$1.9 million).

8.2.4.2 Impact by consignment size

Increasing the BSEL rate will affect all importers of consignments that attract Customs duty (generally those valued at \$1,000 or more).

Even Option 2 with the largest increase in the rate per consignment (ranging from a single good to a container of goods) at \$23.40 is unlikely to have a material impact on importers, the majority of whom are businesses importing in bulk, as the BSEL is payable per consignment of goods entering the country, rather than per individual item within each consignment. The proposed rate increase is 2.34% of the \$1,000 levy threshold and 0.037% of the value of the average consignment (\$63,960). As such, it is not expected to materially impact the public's import decisions.

The following tables consider the economic value of import consignments. The proposed overall BSEL revenue of \$58.3 million per annum will be collected across imports with a total value of \$77.92 billion. This has been relatively consistent over time, as shown in Figure 11 and Figure 12 below. Effort associated with goods valued at \$1,000 or less has been taxpayer funded since 1 December 2019.

Figure 11: Number of consignments (and year-on-year change), grouped by value of individual consignment¹⁶

	2018/19	2019/20	2020/21	2021/22
0 - \$1,000	414,469	400,090 (-3.5%)	434,966 (+8.7%)	347,250 (-20.2%)
\$1,001 - \$5,000	446,723	408,823 (-8.5%)	440,222 (+7.7%)	436,270 (-0.9%)
\$5,001 - \$50,000	558,106	515,839 (-7.6%)	536,267 (+4.0%)	515,674 (-3.8%)
\$50,001 - \$250,000	190,813	185,331 (-2.9%)	190,688 (+2.9%)	224,647 (+17.8%)
\$250,001+	31,694	32,357 (+2.1%)	32,503 (+0.5%)	42,247 (+30.0%)

Figure 12: Total import value (and year-on-year change) in the stated value of consignments, grouped by value of individual consignment, \$ billions¹⁷

	2018/19	2019/20	2020/21	2021/22
0 - \$1,000	\$0.23B	\$0.23B (-1.0%)	\$0.25B (+10.9%)	\$0.20B (-23.2%)
\$1,001 - \$5,000	\$1.09B	\$1.00B (-8.5%)	\$1.06B (+6.3%)	\$1.04B (-2.3%)
\$5,001 - \$50,000	\$10.72B	\$10.02B (-6.5%)	\$10.44B (+4.2%)	\$10.23B (-2.0%)
\$50,001 - \$250,000	\$18.90B	\$18.90B (-2.7%)	\$19.42B (+2.7%)	\$23.50B (+21.0%)
\$250,001+	\$46.30B	\$40.49B (-12.5%)	\$32.42B (-19.9%)	\$43.19B (+33.2%)
Average value of individual consignments valued over \$1000	\$63,180	\$61,650	\$52,810	\$63,960

Consignments can be entered as a single entry for import purposes, but be comprised of many individual packages within the shipment (for example, a single container ship would be one consignment, but could contain dozens to thousands of individual packages).

¹⁶ New Zealand Customs Services CusMod database, extracted 16 November 2022; the number of consignments used to calculate total import value in Figures 14 and 15 is understated compared to consignment figures stated elsewhere

¹⁷ New Zealand Customs Services CusMod database, extracted 16 November 2022

The table below provides high-level analysis of the impact that the proposed BSEL rate increase will have, in context of the economic value of import consignments. 28% of consignments (36% of leviable importations) are value between \$1,000 - \$5,000, with an average import value of \$2,385. The proposed \$23.40 increase in the BSEL rate represents 0.98% of the value of the imports. This is the BSEL increase as a proportion of value as at importation. This value does not include the cost before imports are at the point of retail such as transport, storage, and retail premises. For instance, socks are imported at \$1 a pair but retail for \$12, soap is imported at \$0.60 a bar but retails for \$1.20, and bananas are imported for \$1.10 per kilogram and retail for \$3.90 per kilogram. A 0.98% increase in price at importation is equal to a 0.28% increase at retail if goods have the same price difference between importation and retail as bananas.

For a typical product, a 1% increase in price reduces the quantity demanded by 1%. As such, even for the lowest value imports that will be impacted by the rate raise, we do not anticipate it will have a material impact on import decisions. It is possible that some import decisions for consignments value marginally over \$1,000 may no longer make sense if the costs associated with import increased by \$23.40 (2.34% of the value of the import and 0.66% of the value at retail if goods have the same difference between importation and retail as bananas), but MPI does not consider this material and importers may respond by consolidating imports to limit the impact on cost.

Figure 13: Impacts of \$23.4 BSEL increase (from \$23 to \$46.40), based on value of imports, 2021/22 actuals

Value of Import	Number of consignments	Proportion of total consignments	Average Value of import	BSEL increase, as a percentage of the average value
0 - \$1,000	347,250	22%	\$562	Taxpayer funded
\$1,001 - \$5,000	436,270	28%	\$2,385	0.981%
\$5,001 - \$50,000	515,674	33%	\$19,840	0.118%
\$50,001 - \$250,000	224,647	14%	\$104,590	0.022%
\$250,001+	42,247	3%	\$1,022,221	0.002%

8.2.5 Assessment against the cost recovery principles

8.2.5.1 Transparency and Justifiability

Justifiability requires that costs be reasonable.

MPI considers that the assessment of the why deficits are expected to arise is comprehensive and the factors identified are reasonable factors (including lower-than-expected volumes, maintaining services quality, etc), with no evidence of significant inefficiencies.

The assessment in this CRIS also appeared in the discussion document that formed the basis of consultation.

As such, MPI considers that both the Justifiability and Transparency principles are met and that any of Options 1, 2 or 3 are valid under these principles.

8.2.5.2 Efficiency

Funding of border activities by importers increases efficiency by encouraging importers to do three things:

- (1) Reduce risk that generates the need for border activities. For instance, if risk from imports reduces, there will be less need for border inspections.
- (2) Help MPI improve the cost-effective delivery of activities – if risks can be mitigated in less costly ways, this will be reflected in lower-than-otherwise charges to importers.
- (3) Think about whether their imports create sufficient value – that the value of imports is worth more than the cost of imports including biosecurity activities to manage risk.

Funding by importers also avoids deadweight loss of taxpayer funding. Option 2 has no deadweight loss. Option 3 has \$1.9 million of deadweight loss in total as a result of the \$9.3 million deficit write-off. Option 1 has \$29.4 million per annum of deadweight loss.

Overall, by minimising deadweight loss, and maximising the incentive on importers to reduce risk and costs, Option 2 is the most efficient option.

8.2.5.3 Equity

The equity principle says that beneficiaries (or exacerbators) should generally pay for services.

Some submitters in the transport/cargo sector were against increases to the levy and fees, citing high freight costs as a result of COVID-19 disruptions.

Public funding has been needed to cover deficits accumulated through to 30 June 2021 have been borne from public funding, and will cover the costs of the deficit accumulated through in 2021/22 (which will be written off on 1 July 2023). With trade increasingly returning to normal, the public may consider a return to importers paying to be more equitable than taxpayers paying.

Ultimately, the Government determines what is fair. Option 2 is most consistent with beneficiaries/exacerbators paying for services. If the Government considers that it is appropriate to provide further taxpayer support to importers, it could decide to write off the deficit in 2022/23 via Option 3 or hold the BSEL unchanged under Option 1.

8.2.6 Conclusion

In MPI's assessment, the Transparency and Justifiability principles have been sufficiently met.

Option 2 which fully recovers costs including 2022/23's expected deficit best meets the Efficiency principle and is consistent with the Equity principle that beneficiaries/exacerbators generally pay (though Government may determine that there are other fairness reasons why costs should not be fully recovered).

8.3 Setting (c): BSEL cap

8.3.1 What problem does this setting relate to?

This setting relates to problem 1: inflexibility in addressing deficits and surpluses.

The Director-General is permitted to set the BSEL up to the level of the cap in regulations. The cap is currently \$23. If the BSEL rate increases, as under the preferred option, the cap will need to be increased.

The intention of the cap is to provide flexibility to address deficits and surpluses, particularly in the status quo where there is only one year to address deficits and surpluses. If the window to address deficits and surpluses extends to three years as under the preferred option for setting (a), the need for headroom between the BSEL rate and the cap reduces.

8.3.2 Identified options

This section considers the following options:

Option 1 – the cap is the same as the BSEL rate from setting (b) (either \$23, \$46.40, or \$43.93). This option provides no headroom for the Director-General to increase the BSEL without going to Cabinet.

Option 2 – the cap is around 13% higher than the BSEL rate (either \$25.98, \$52.42, or \$49.63). This is the same headroom as in the 2018 levy order.

Option 3 – the cap is around 8% higher than the BSEL rate (either \$24.78, \$50.00, or \$47.34).

Only Option 3, a \$50.00 cap to the proposed \$46.40 BSEL rate, was consulted on.

8.3.3 Estimated financial, and associated economic, impacts

The existence of a cap by itself does not have financial impacts, but will if the BSEL rate is raised above the level in the levy order to a new rate up to the cap.

A cap of \$52.42 under Option 2, assuming the BSEL rate is raised to \$46.40, would allow up to a further \$7.6 million per annum to be raised from importers. This would raise the increase in cost from \$29.4 million per annum to \$37.0 million – more than a 25% increase.

A cap of \$50.00 under Option 3, would allow up to a further \$4.5 million to be raised from importers per annum. This would raise the increase in cost from \$29.4 million per annum to \$33.9 million – around a 15% increase.

8.3.4 Assessment against the cost recovery principles

8.3.4.1 Transparency

Option 2 was not consulted on so there may be concerns about whether it would sufficiently meet the Transparency principle.

The Transparency principle has been sufficiently met for Option 3 which was consulted on, along with the cost estimates, and discussion of its merits.

8.3.4.2 Justifiability, Efficiency and Equity

Increasing the window (setting (a)) helps address inflexibility in dealing with deficits and surpluses, and addresses an anomaly around the BSEL when compared to other of MPI's cost recovery regimes (which have windows of three to four years).

With a longer window addressing the risk of deficits and surpluses being written-off, a question then arises about whether the Director-General needs additional flexibility to address deficits and surpluses. A cap is also somewhat of an anomaly among MPI's cost recovery regimes.

The longer window means there is almost certainly not the need for a headroom as large as it was the last time the cap was set in 2018. For this reason, we rule out Option 2 as best meeting the Justifiability, Efficiency and Equity principles.

The discussion document cited the typical nine month time it takes from identifying that the BSEL may need to change to Cabinet making a decision. This is not unusual among MPI's cost recovery regimes, however, and Cabinet adds additional scrutiny that MPI's proposals are reasonable.

In favour of retaining a cap is that the amount of expenditure and revenue under the BSEL is large and it is important that deficits and surpluses do not get out of hand, and that there is considerable uncertainty around the New Zealand and world economies that means actual financial results may differ substantially from those forecast. Additionally, Cabinet is able to decide how much scrutiny to give up and leeway to give MPI when it sets the cap. Option 3 best meets the Justifiability, Efficiency and Equity principles.

8.3.5 Conclusion

On balance we consider that there should be some headroom for the Director-General to set the BSEL rate above that set by Cabinet, at least for the next levy period, but that it be less than the previous headroom. This is Option 3.

9 Fees

This CRIS addresses biosecurity fees. The problems are independent of each other, so are considered one at a time.

9.1 Status quo around biosecurity fees

9.1.1 Biosecurity fees

The Regulations specify fixed and variable fees that recover the costs of a range of services associated with border biosecurity for cargo. Most of these are based on the base hourly rate of \$102.27.

In November 2019, MPI publicly consulted on raising the \$102.27 rate to \$138.00 per hour from 1 July 2020. This was deferred due to the then-unknown impacts and uncertainty caused by COVID-19.

Biosecurity NZ recovered approximately \$12.2 million from these fees in 2021/22. Figure 14 below provides a breakdown of the high-level types of services performed by Biosecurity fees. The full breakdown of the fees is set out in Appendix 1.

Figure 14: Summary of fee types charged under the \$102.27 rate

Fee group	Service Description	Number of hours charged, 21/22	Percentage of fee activity
General Inspections and Audits	Clearance of goods after the first 15 minutes (the first 15 minutes is funded through the BSEL)	61,200	51.5%
Transitional Facilities and Containment Facilities	Audits and registrations of facilities to hold and clear imported goods	20,100	17.0%
Travel (zone) charges	Costs associated with travel for the clearance of goods	19,300	16.3%
Vehicle Inspections	For clearance of imported vehicles	6,400	5.4%
Regulated Import Certificates	Issuing certificates, primarily for live animal imports	5,200	4.4%
Personal Goods Inspections	For clearance of personal goods imported. The first 15 minutes is funded through the BSEL.	5,000	4.2%
Investigation and Diagnostic Centre	For specialist lab related work, such as identification of bacteria or screening for fungi.	1,500	1.3%

9.1.2 What services are being provided?

The services covered by the biosecurity fees are unchanged. They include:

- inspecting imported biosecurity risk consignments, including unaccompanied personal baggage and effects, used vehicles, and machinery;
- inspecting offshore crafts and shipping containers that do not meet entry requirements;
- testing, treating, destroying, and disposing of risk consignments;
- call-outs and other work conducted outside of standard working hours, travel, and waiting time for MPI inspectors to carry out biosecurity clearance activities;
- monitoring controls on new organisms in containment facilities;
- approving and auditing transitional and containment facilities and their operators; and
- approving permits issued under Import Health Standards.

These are functionally grouped into the categories outlined in Figure 14 above.

9.1.3 Why are biosecurity fees appropriate?

The individual services funded by the biosecurity fees are private goods. Among importers¹⁸, only the person/business who uses the service benefits from its use. Importers as a group do not benefit from the consignments of individual imports being inspected.

As the biosecurity services provided under these regulations benefit private individuals or businesses, it is appropriate to charge a fee.

9.2 Problem 1: Financial deficits

9.2.1 What is the nature of the problem?

The fees are expected to carry deficits in future. MPI consulted on increasing the fees to \$138 per hour from 1 July 2020, but this was deferred due to the then-unknown impacts of COVID-19. MPI has been under recovering costs since, however until 30 June 2021, deficits were funded by the government in order to support business.

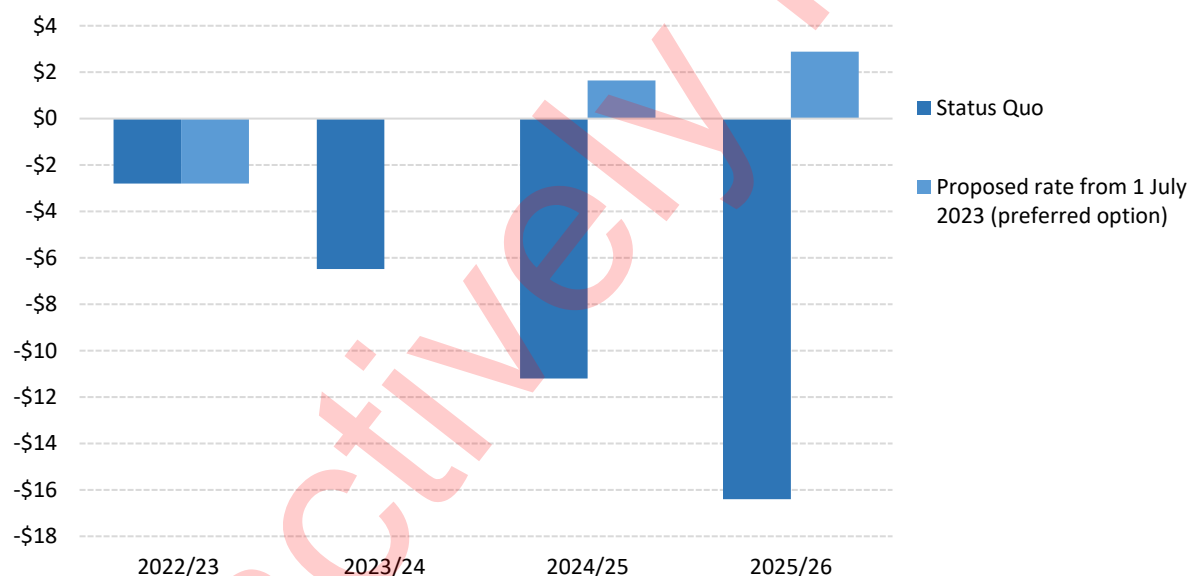
Deficits are an efficiency problem – either fees are too low for a desired level of service, or the level of service is too high, or a combination.

When deficits are written off, the cost to taxpayers may also be considered inequitable by many.

9.2.2 What is the size of the problem?

Based on current forecasts, funding these services over the three years from 1 July 2023 at the current rate will result in a deficit of over \$16 million accruing by 2025/26 (Figure 15 below), including an expected deficit of \$2.8 million in 2022/23.

Figure 15: Forecast memorandum account balance for fees (non-vet) under current and proposed rate, \$m



9.2.3 What are the causes of the problem?

Since the fees were updated to \$102.27 per hour in 2015, Biosecurity NZ has experienced cost escalation.

Additionally, the operating environment has changed significantly due to COVID-19, the ongoing change in diversity (and therefore complexity) of consignments entering New Zealand, and the new biosecurity risk pathways that growth presents. These developments have necessitated an increase in biosecurity services to maintain the integrity of the border clearance system.

A key part of this has been increased investment in personnel, reflecting the importance of recruiting, training, and retaining the right people to ensure that Biosecurity NZ maintains a world-class biosecurity system. The

¹⁸ Section 5.1 discusses a fuller range of parties that could be considered beneficiaries (and exacerbators). Section 5.2 notes the general approach that has emerged that importers, rather than domestic parties like farmers, regional councils and Government, are considered the appropriate party to charge for services at the border.

increase in staffing costs driving the fee increases is seen in the 17% increase in biosecurity staff salaries since 2019 (see section 7.1.3.1).

As a result, the cost of providing biosecurity inspector services is now greater than the revenue generated by the fees. If the fees are not increased to accommodate the cost increases that have occurred over the last seven years, the deficit will continue to accrue.

9.3 Identified options

The two options identified around this issue are:

Option 1 – The status quo base hourly rate of \$102.27.

Option 2 – Increasing the base hourly rate to \$155.50.

9.4 Discarded options

Reducing expenditure to keep the current rate would require a significant reduction in services, particularly given that costs are increasing year-on-year. Eliminating the current deficit and projected future under-recovery would require significantly reducing services to accommodate the existing deficit and future inflation. This would create an unacceptable level of border biosecurity risk. The current level of service is required to properly manage the existing border biosecurity risk, and reducing these services would create an enormous risk to New Zealand's flora and fauna and our primary industries.

The Biosecurity Act requires deficits under fees to be recovered within one year. As such, it is not possible to spread the deficit over three years as the proposals in this CRIS around the BSEL does. Extending the window may be considered in a future review of the Biosecurity Act.

9.5 Estimated financial, and associated economic, impacts

Option 1 would generate no additional financial impact on importers. The cost to taxpayers would be around \$16.4 million in total to 2025/26 (with associated deadweight loss of \$3.3 million).

Option 2 is forecast to increase the amount paid by importers by \$19.3 million in total to 2025/26 (\$6.4 million per annum). This is \$2.9 million more than expected to be needed to cover costs. The reason for this is that the Biosecurity Act 1993 only allows deficits to be recovered over one year. This means that fees must be set at a higher enough level in year one (2023/24) to recover the deficit. In this case, surpluses are currently expected in 2024/25 and 2025/26. The actual financial situation will be monitored, and fees adjusted if the currently-projected surplus eventuates.

The revenue increase under Option 2 is equivalent to 0.008% of the average value of a consignment at importation (and 0.002% of retail value if the difference between import and retail is the same as for bananas). Fees are charged when the service is required, and not on all importers, so some importers will see bigger increases in charges than others.

9.6 Assessment against the cost recovery principles

9.6.1 Transparency

The services funded by the biosecurity fees are set out above. MPI has worked closely with industry to develop a reporting framework used to produce an annual report on the performance of the BSEL and other biosecurity charges. The first report for border biosecurity in the cargo pathway was published in late 2021.

Between the ongoing engagement with industry, the annual performance reports and the information set out in this document on cost drivers, MPI considers that people will be able to understand which services generate the fees and how the costs are allocated. As such, MPI considers this principle is met.

9.6.2 Justifiability

While costs to maintain cargo clearance times and robust border biosecurity have increased, MPI continues to keep these costs as reasonable as possible without compromising the integrity of the system. Based on the analysis around the cause of the problem, MPI considers that this principle is met.

9.6.3 Efficiency

Funding of border activities by importers increases efficiency by encouraging importers to do three things:

- (1) Reduce risk that generates the need for border activities. For instance, if risk from imports reduces, there will be less need for border inspections.
- (2) Help MPI improve the cost-effective delivery of activities – if risks can be mitigated in less costly ways, this will be reflected in lower-than-otherwise charges to importers.
- (3) Think about whether their imports create sufficient value – that the value of imports is worth more than the cost of imports including biosecurity activities to manage risk.

Funding by importers also avoids deadweight loss of taxpayer funding. Option 2 has no deadweight loss (provided that fees are adjusted in future so that surpluses do not arise). Option 1 has a total deadweight loss of \$3.3 million.

Overall, by minimising deadweight loss, and maximising the incentive on importers to reduce risk and costs, Option 2 is the most efficient option.

9.6.4 Equity

Fully recovering costs from importers as the beneficiaries of, and risk exacerbators who create the need for, the services is consistent with the Equity principle that says beneficiaries/exacerbators should generally pay. This is Option 2.

Some submitters in the transport/cargo sector were against increases to the levy and fees, citing high freight costs as a result of COVID-19 disruptions. Option 1 leaves fee increases unchanged with would have deficits written-off at a cost to public funding. While Option 1 might be considered by some in the transport/cargo sector to be fairer, it is unlikely to be considered fair by many members of the public.

Ultimately, Option 2 is consistent with the general application of the Equity principle, but the Government may decide not to fully recover costs under the Equity principle.

9.7 Conclusion

In MPI's assessment, the Transparency and Justifiability principles have been sufficiently met.

Option 2 which fully recovers costs including 2022/23's expected deficit best meets the Efficiency principle and is consistent with the Equity principle that beneficiaries/exacerbators generally pay (though Government may determine that there are other fairness reasons why costs should not be fully recovered).

9.8 Problem 2: Inconsistency in how travel costs are charged

9.8.1 Problem

While the cost regulations specify fees to cover travel costs when travel is required, some fees – such as transitional facility fees – have a travel cost component built into the base rate.

There is no obvious reason for this inconsistency and, for the fees where travel costs are built in rather than charged separately, there is a risk that fees are less transparent and efficient than they could be.

We propose to increase the time-based component for all fees from \$102.27 to \$155.50, and to remove the travel component from the transitional facility fees. For example, item 18 (Processing an application for approval of a transitional or containment facility, or a facility operator) currently has a fee of \$887.70, made up of 8 hours at \$102.27/hour and travel costs of \$69.54. Under the proposed new charge, this item has a minimum fee of \$1,244.00 (minimum 8 hours at \$155.50/hour) plus travel costs. Appendix 1 details the full change.

9.8.2 Options

The two options are:

Option 1 – The status quo where travel costs are usually charged separately and sometimes built into fees.

Option 2 – Standardising fees by separating travel cost components from fees. Under this option, travel would be charged as an additional charge where appropriate.

9.8.3 Financial, and associated economic, impacts

Option 2 only changes how travel costs are recovered, not whether travel costs are recoverable. There should be no financial impacts.¹⁹

9.8.4 Assessment against the cost recovery principles

The relevant principles here are Transparency and Efficiency which are enhanced by the alternative option. Separating out transport costs increases transparency around the make up of charges for service users. Increased transparency has the potential to improve efficiency by allowing service users to make decisions about how frequently to use services with better information.

9.8.5 Conclusion

Our preferred option is to standardise fees by separating travel cost components from fees. This will improve transparency and efficiency.

9.9 Problem 3: An inconsistency exists for one fee arising from a previous rate reduction

9.9.1 Problem

The Government reduced rates used for functions provided by New Zealand Food Safety from \$155 to \$135 per hour from 1 July 2019. Food safety staff sometimes undertake biosecurity duties. Due to an oversight, the rate for food safety staff performing biosecurity functions was not reduced.

This service is not frequently used, but will have been over-recovering cost.

9.9.2 Options

The two options are:

Option 1 – The status quo of \$155 per hour for technical staff providing support for the delivery of specialist services.

Option 2 – \$135 per hour, in line with the standard rate used for similar services across MPI.

9.9.3 Financial, and associated economic, impacts

Option 2 will see a reduction in cost to service users by \$20 per hour. This service is infrequently used, so the overall impact will be small.

9.9.4 Assessment against the cost recovery principles

Reducing the fee to the true cost improves efficiency. It also improves equity as users of this service will not be charged differently depending on the regulation the service falls under.

9.9.5 Conclusion

Our preferred option is to reduce the fee from \$155 to \$135.

10 Consultation

MPI released a consultation document, and proactively contacted industry representatives, covering the above analysis in January 2023. Consultation was open for four weeks.

Organisations representing fruit and vegetable growers including Horticulture New Zealand, Citrus New Zealand, the New Zealand Asparagus Council, and the New Zealand Persimmon Industry Council support the levy and fee increases in order to help prevent incursions of pests, weeds and diseases.

Feedback from transport and cargo entities was generally against the increases.

While one business, First Global Logistics, supports the increases citing increased biosecurity risk, the Customs Brokers and Freight Forwarders Federation of New Zealand and the New Zealand Council of Cargo Owners

¹⁹ There are financial impacts from the increase in the hourly rate in section 9.2.

(representing a range of large importers and exporters including The Warehouse Group, Sanford, and Fonterra) objected to the increases as freight costs remain high due to COVID-19 disruptions.

The Customs Brokers and Freight Forwarders Federation of New Zealand and the New Zealand Council of Cargo Owners said that increasing charges would contribute to inflation. MPI analysis earlier in this CRIS, however, shows that we might expect the increase in the BSEL to cause only around a 0.037% increase in import prices (a \$23.40 increase in the BSEL compared to a \$63,960 average value of consignments).

Submitters sought improvements in cargo processing times. This is one of MPI's focuses for the additional revenue the levy and fee increases will generate.

The New Zealand Council of Cargo Owners also said that there may be a risk that trade partners interpret the levy and fee increases as protectionism. MPI considers, however, that the levy and fee increases have been well-justified in the analysis in this CRIS.

The Conference of Asia Pacific Express Carriers (representing international couriers such as FedEx) objected to the increases saying that they were not able to pass the increased cost for cargo reports onto customers. Officials consider this to be incorrect, and expect the BSEL increase to ultimately flow through to marginally higher prices to New Zealand customers.

The Conference of Asia Pacific Express Carriers (representing international couriers such as FedEx) also raised a concern around the appropriateness of charging carriers rather than those residents and businesses in New Zealand receiving the goods. Charging carriers rather than receivers keeps administration costs low. Nevertheless, this is an issue that Customs is looking into and will be consulting industry on in the very near term.

No changes were made to the preferred options following consultation.

11 Implementation

Changes to give effect to the above proposals will require amendments to the:

- Biosecurity (Border Processing Levy) Order 2015
- Biosecurity (System Entry Levy) Order 2010; and
- Biosecurity (Costs) Regulations 2010.

MPI proposes that the changes come into effect by 1 July 2023, at least 28 days after Cabinet makes decisions. If implemented, MPI will notify fee and levy payers of the new rates and update forms and other material to include the appropriate rates.

The changes are to update existing charges. Enforcement risks are low as the regulatory frameworks are already in place.

12 Monitoring and Evaluation

MPI will continue to monitor the impact all fees and levies will have on the relevant memorandum account to ensure that surpluses and deficits are managed appropriately, that costs are being fully recovered, not over-recovered.

We recognise that timely reporting on this is a critical component of providing transparency to industry and other interested parties, as well as ensuring ongoing system efficiency.

We will continue, in conjunction with the New Zealand Customs Service, to provide the annual Border Clearance Levy performance report to industry. Work is underway to produce the first annual performance report for the cargo pathway. We will continue to work closely with industry to ensure that the performance information produced in these reports is meaningful.

Appendix 1 – Proposed Fee Updates to the Biosecurity (Costs) Regulations 2010

Reference	Service	Current fee	Proposed fee
Regulations			
Travel costs			
r8 (2)(a)	For an activity at a site that is 4 km radius or less from the base	\$34.86	\$53.00
r8 (2)(ab)	For an activity at a site that is more than 4 km radius, but not more than 10 km radius, from the base	\$70.75	\$107.57
r8 (2)(b)	For an activity at a site that is more than 10 km radius, but not more than 25 km radius, from the base	\$109.24	\$166.10
r8 (2)(c)	For an activity at a site that is more than 25 km radius, but not more than 50 km radius, from the base	\$149.19	\$226.84
r8 (4)	The hourly rate for travel costs for a general inspector or a biosecurity adviser	\$102.27	\$155.50
Waiting-time costs			
r9(3)(a)	The hourly rates for waiting-time costs for a general inspector or a biosecurity adviser	\$102.27	\$155.50
Call-out costs			
r10(3)(a)	The hourly rate for call-out costs for a general inspector or a biosecurity adviser working at 1.5 times hourly rate	\$116.16	\$233.25
r10(3)(b)	The hourly rate for call-out costs for a general inspector or a biosecurity adviser working at 2 times hourly rate	\$130.05	\$311.00
r10(4A)(a)	The daily rate for call-out costs for a general inspector or a biosecurity adviser on a public holiday	\$222.28 per day in addition to the applicable hourly rate in subclause (3)(a) or (b)	\$337.97 per day in addition to the applicable hourly rate in subclause (3)(a) or (b)
Schedule			
Inspection of consignments generally			
Item 1	Inspection of consignments (except consignments imported for the personal use of the importer) ...	\$102.27/hour for each general inspector involved...	\$155.50/hour for each general inspector involved...
Tests, examinations, and treatment of consignments that harbour or may harbour organisms			
Item 2	Tests, examinations, and treatments of imported consignments that harbour, or may harbour, an organism.....	\$102.27/hour for each general inspector involved...	\$155.50/hour for each general inspector involved....
Inspection of motor cycles, mopeds and motor vehicles at ports approved as places of first arrival			
Item 3	Inspection, and each re-inspection after treatment, of a consignment of a single used motor cycle or moped....	\$18.08 per motor cycle or moped	\$27.49 per motor cycle or moped
Item 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)...	\$49.53 per motor vehicle	\$75.31 per motor vehicle
Item 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)...	\$60.79 per motor vehicle	\$92.43 per motor vehicle

Reference	Service	Current fee	Proposed fee
Inspection of unaccompanied consignments imported for personal use			
Item 6	Inspection of unaccompanied consignments imported for personal use of the 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 20 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	\$38.88 for 1 item \$77.75 for 2 to 4 items \$155.50 for 5 to 12 items \$202.15 for 13 to 20 items \$241.03 for 21 to 28 items \$279.89 for 29 to 36 items \$38.88 for each block or part block of 8 items exceeding 36 items
Inspection of consignments not prescribed elsewhere in Schedule			
Item 7	Inspection, and each re-inspection after treatment, of any consignments (except accompanied consignments imported for the personal use of the importer) that are required to be inspected under the Act....	\$102.27/hour for each general inspector involved....	\$155.50/hour for each general inspector involved....
Monitoring controls on new organisms and inspection of animals, animal material or plants			
Item 8	Monitoring controls on new organisms in containment facilities	\$102.27/hour for each general inspector involved....	\$155.50/hour for each general inspector involved....
Item 9	Inspection of an animal after arrival for the purpose of ascertaining whether the animal should be cleared; or be directed to be held in a transitional or containment facility for inspection and monitoring....	\$102.27/hour for each general inspector involved...	\$155.50/hour for each general inspector involved....
Item 10	Inspection of an animal that is on board a craft within New Zealand territory; and is not intended to be cleared	\$102.27/hour for each general inspector involved...	\$155.50/hour for each general inspector involved....
Item 11	Inspection and monitoring of an animal or plant held in a transitional or containment facility.....	\$102.27/hour for each general inspector involved....	\$155.50/hour for each general inspector involved....
Item 12	Inspection of a consignment of animal material (other than fish meal)...	\$102.27/hour for each general inspector involved....	\$155.50/hour for each general inspector involved....
Treatment, destruction or disposal of risk consignments			
Schedule Row 16	Supervising, or advising on, destruction, transportation, reshipment or other disposal of consignments	\$102.27/hour for each inspector or biosecurity adviser involved	\$155.50/hour for each inspector or biosecurity adviser involved
Permits issued under import health standards			
Item 17	Processing an application for a permit, or amendment to a permit, under import health standards	\$191.95 per application processed; plus \$102.27/hour for each biosecurity adviser for processing beyond the first 1.5 hours	\$233.25 per application processed; plus \$155.50/hour for each biosecurity adviser for processing beyond the first 1.5 hours
Transitional and containment facilities			
Item 18	Processing an application for approval of a transitional or containment facility, or a facility operator	\$887.70 for each application processed, plus \$102.27/hour for each inspector or biosecurity adviser for processing beyond the first 8 hours	\$1,244.00 for each application processed, plus travel costs as specified in Regulation 8, plus \$155.50/hour for each inspector or biosecurity adviser for processing beyond the first 8 hours

Reference	Service	Current fee	Proposed fee
Item 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	\$102.27/hour for each inspector or biosecurity adviser involved	\$155.50/hour for each inspector or biosecurity adviser involved
Item 20	Investigation and compliance auditing of a facility operator, or proposed operator, to ascertain whether the operator or proposed operator should be approved, or continue to be approved, under section 40 of the Act	\$102.27/hour for each inspector or biosecurity adviser involved	\$155.50/hour for each inspector or biosecurity adviser involved
Item 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.....	\$298.05 per annum for each registered facility	\$453.18 per annum for each registered facility
Functions, powers, and duties not prescribed elsewhere in Schedule			
Item 23	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	\$102.27/hour for each general inspector or biosecurity adviser involved...	\$155.50/hour for each general inspector or biosecurity adviser involved...
Item 24	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.....	\$102.27/hour for each biosecurity adviser involved	\$155.50/hour for each biosecurity adviser involved
Item 25	Technical staff providing support for the delivery of specialist services	\$155/hour, in 15-minute increments, plus actual and reasonable costs incurred	\$135/hour, in 15-minute increments, plus actual and reasonable costs incurred