

Stage 1 Cost Recovery Impact Statement

This Stage 1 Cost Recovery Impact Statement (CRIS) details the proposed cost recovery settings for two sets of proposed regulations under the Fisheries Act 1996 (the Fisheries Act) that aim to improve the biosecurity system for New Zealand's aquaculture industry (the industry).

One set of regulations will detail the requirements for on-farm biosecurity plans and recordkeeping and reporting requirements for the industry (the policy regulations). The other set of regulations will detail cost recovery components related to the policy regulations (the cost recovery regulations). The analysis in this CRIS provides an initial high-level assessment of the cost recovery implications of the policy regulations.

Both sets of regulations will be developed by the Ministry for Primary Industries (MPI) in collaboration with stakeholders from the industry, Treaty partners, academia and research institutions and relevant government agencies.

Proposed policy regulations for the Aquaculture Biosecurity Programme

It is proposed that the policy regulations contain the following regulatory requirements to improve the biosecurity system for the industry:

- Mandatory requirements for on-farm biosecurity management plans for aquaculture farms.
- Mandatory requirements for recordkeeping and reporting requirements for aquaculture farmers.
- Associated activities related to the above regulatory requirements, including the registration of on-farm biosecurity plans and the provision of information to MPI.

The policy regulations are a key component of MPI's Aquaculture Biosecurity Programme (the Programme). The Programme's objective is to provide a comprehensive biosecurity system across aquaculture that can be delivered by 2025. The aim of the Programme is to promote, protect and sustain the industry and minimise biosecurity risks to the aquatic environment.

In addition to the policy and cost recovery regulations, the Programme proposes to:

- Repeal the Freshwater Fish Farming Regulations 1983 (the Freshwater Fish Farming Regulations) to unify the regulatory framework for aquaculture.
- Implement a national pathway management plan that would apply to the four northernmost regions of New Zealand (Northland, Auckland, Waikato, and Bay of Plenty).
- Establish an aquaculture surveillance programme to determine the presence and distribution of endemic diseases and assist in the early detection of exotic or emerging diseases that affect farmed aquatic animal health.

Status quo

A description of the activity and why it is undertaken

New Zealand's aquaculture industry

The industry was established in the early 1960s and is primarily based on the production of Green-lipped mussels, King salmon, and Pacific oysters. Other species that are farmed at smaller scale or that are being trialled for commercialisation include snapper, hāpuka, kingfish, pāua, whitebait, koura (native freshwater crayfish), grass carp, and seaweeds.

There are approximately 1,147 marine-based farms in New Zealand. The three regions where most of these farms are based is Marlborough (~ 580), Waikato (~ 270) and Northland (~ 100). There are 62 licenced land-based farms Under the Freshwater Fish Farmer Regulations.

The industry contributes significantly to New Zealand's regional economic development. The Government's *Aquaculture Strategy* outlines the vision of New Zealand being globally recognised as a world-leader in sustainable and innovative aquaculture management.¹ The goal of the Aquaculture Strategy is to accelerate the growth of New Zealand's aquaculture sector's annual revenue from \$600 million to \$3 billion by 2035. In addition, *Fit for a Better World*, the Government's primary sector plan to boost New Zealand's economic recovery, identified the Aquaculture Strategy as a significant lever to achieve this target as soon as 2030.²

Current legislative and cost recovery settings for aquaculture

New Zealand's aquaculture industry is managed under two separate systems via primary and secondary legislation. The system used depends on if the aquaculture farm is contained on land (land-based aquaculture) or in the ocean (marine-based aquaculture). Anyone undertaking fish farming must be registered under Part 9A (Aquaculture) of the Fisheries Act 1996 (the Fisheries Act).

Marine-based farms are managed primarily by regional councils and unitary authorities under the Resource Management Act 1991 (RMA) through resource consents and the National Environment Standards for Marine Aquaculture (NES-MA). Charges for marine-based farm charges under the Fisheries Act are set out in Table 1.

¹ The New Zealand Government (2019). [The Government's Aquaculture Strategy](#). Wellington, New Zealand.

² Ministry for Primary Industries (2020). [Fit for a Better World](#). Wellington, New Zealand.

Table 1: Marine-based farm charges under the Fisheries Act

Application and levy details	Charge (excl GST)	Charge (incl GST)
Processing application for an aquaculture decision (the average time to process is about 15 hours)	\$116.42 per hour	\$133.88 per hour
Administration and processing of a compensation declaration registration*	\$240, then \$21 for each additional stock	\$276 for one stock, then \$24.15 for each additional stock
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Annual levy (administration fee to maintain fish farmer register)*	\$84.23	\$96.86

Land-based farms are managed under the Freshwater Fish Farming Regulations 1983 (the Freshwater Fish Farming Regulations). Anyone operating a land-based aquaculture farm who intends to sell stock must obtain a licence under the Freshwater Fish Farming Regulations before farming can occur. These regulations contain provisions on disease control and notification and enable licenses to be subject to certain conditions. Charges for land-based farms under the Fisheries Act are set out in Table 2 below.

Table 2: Land-based farm charges under the Fisheries Act

Application and levy details	Charge (excl GST)	Charge (incl GST)
New fish-farm licence* (the average time to process is about 15 hours)	\$116.42 per hour	\$133.88 per hour
To renew a fish-farm licence* (the average processing is about 6 hours)	\$116.42 per hour	\$133.88 per hour
To vary a fish-farm licence (ther avergae processing time is about 6 hours)	\$116.42 per hour	\$133.88 per hour
To transfer a fish-farm licence (ther avergae processing time is about 6 hours)	\$116.42 per hour	\$133.88 per hour
To cancel a fish-farm licence	No Charge	No Charge
Annual levy (administration fee to maintain licence data)	\$84.23	\$96.86

The biosecurity system for aquaculture

MPI considers that the prevention of the introduction, exacerbation and spread of unwanted pests and diseases is critical for enabling the sustainable growth of the industry.

Managing pests and diseases in the aquatic environment poses unique challenges when compared with the terrestrial environment, due to the nature of the aquatic environment. For example, biofouling, the accumulation of aquatic organisms on surfaces immersed in, or exposed to, the aquatic environment, is one of the main pathways for the introduction and spread of pests and diseases.

The RMA allows regional councils to set biosecurity requirements as a condition for marine-based farms obtaining resource consents. However, there are limitations to these

requirements, and they are used inconsistently by regional councils and unitary authorities, with some setting biosecurity requirements while others have not.

The Conservation Act 1987 includes requirements that may apply and assist in the management of biosecurity, such as requiring a permit for the release of fish into the environment. The Fisheries (Recordkeeping) Regulations 1990 include requirements on what records must be maintained for aquaculture farms, which could assist biosecurity responses.

The Biosecurity Act 1993 (the Biosecurity Act) provides the overall legal framework for New Zealand's biosecurity system. The Biosecurity Act provides important tools for managing domestic biosecurity matters beyond the border, including the creation of pest or pathway management plans to manage pests and diseases. Pathway management plans manage the 'pathway' by which pests or diseases may spread. Both pest or pathway management plans can be regional or national.

Currently there are no pathway management plans in place for aquaculture. There are two regional council-managed pathway management plans for the wider aquatic environment in the Fiordland and Northland regions that manage regional vessel movements to prevent the spread of pests and diseases through biofouling. However, these pathway management plans do not directly address biosecurity matters for the industry.

The development of a national pathway management plan for the top of the North Island for the Northland, Auckland, Waikato, and the Bay of Plenty regions is occurring in partnership with the Biosecurity New Zealand and the Department of Conservation.³

Proposals to improve the biosecurity system for aquaculture

MPI has identified that a robust biosecurity system for aquaculture is an important component for the sustainable growth of the aquaculture industry. Having two separate systems to regulate marine and land-based aquaculture under the Fisheries Act and the Freshwater Fish Farming Regulations constrains MPI's ability to manage biosecurity for the industry.

MPI proposes to repeal the Freshwater Fish Farming Regulations to simplify the framework for managing biosecurity for aquaculture. One set of regulations, the policy regulations, will manage the biosecurity for both marine-based and land-based aquaculture farms.

The proposed policy regulations will introduce:

- **New regulatory requirements for aquaculture farms to have on-farm biosecurity management plans** – these will introduce mandatory requirements for aquaculture farmers to have on-farm biosecurity management plans that set out biosecurity measures that are to be undertaken by the farmer to proactively manage how a pest or disease can enter, exit, and move within their farm.
- **New recordkeeping and reporting requirements that are specific to supporting and improving aquaculture management** – these will introduce new information requirements for aquaculture farmers as part of on-site recordkeeping and reporting to MPI.

³ Biosecurity New Zealand is a branded business unit within the Ministry for Primary Industries.

Services associated with the proposed policy regulations

MPI uses the Voluntary-Assisted-Directed-Enforced (VADE) model as its enforcement and compliance framework. MPI considers that the existing offences, penalties, and compliance tools within the Fisheries Act are sufficient to address offending for the policy regulations in line with the VADE compliance framework.

The compliance and enforcement role for on-farm biosecurity management plans and recordkeeping and reporting requirements would be led by Fisheries New Zealand. Fisheries Officers would exercise their legal powers under the Fisheries Act when determining their response to non-compliance with the policy regulations.

MPI will be responsible for inspection requirements to ensure farmers' compliance with the new regulatory requirements for on-farm biosecurity plans, recordkeeping, and reporting. There may also be services relating to verification and monitoring. Activities that MPI would provide as part of the policy regulations are detailed in Table 3.

MPI may require additional resourcing for compliance and enforcement to ensure that on-farm biosecurity plans are in place for all aquaculture farms and that recordkeeping and report requirements are maintained in line with the policy regulations. For example, MPI may need to develop an information management system to gather recordkeeping and reporting information from farmers to assist with compliance.

MPI may also require additional resourcing to support the implementation of the policy regulations. For example, MPI could develop guidance and educational materials and engage with the industry, Treaty partners, and academia and research institutions to ensure that the requirements of the policy regulations are understood and correctly implemented.

Table 3: Proposed services or activities

Service or activity and description	Output	Economic character	Equity and allocative efficiency considerations	Where and how should charges be directed
<p>Approvals</p> <p>Registering on-farm biosecurity management plans with MPI.</p> <p>To assist in the development and registration process, MPI may wish to develop an information software system or database to allow farmers to upload the required information for on farm biosecurity plans. MPI may also be required to develop guidance material and online resources to provide information to farmer to assist in the development and implementation of on-farm biosecurity plans and collecting and maintain adequate recordkeeping and reporting data.</p>	<p>Approval of on-farm biosecurity plans</p>	<p>Private good for compliant parties</p>	<p>The individual or organisation who has a registered on-farm biosecurity plan can provide services for private benefit. The individual or organisation responsible for the plan may not meet the required standards set out in the proposed regulations.</p>	<p>A fee targeted at the individual or organisation seeking the registration</p>

<p>Monitoring and compliance</p> <p>Fisheries Officers conducting inspections or audits are part of routine monitoring and ongoing compliance. Fisheries Officers would undertake inspection and verification of on-farm biosecurity plans and the surveillance of pests and diseases and other biosecurity risks associated with stock.</p> <p>This could involve MPI hiring and training additional Fisheries Officers. Dedicated MPI staff may be required to upload information of on-farm biosecurity information and reporting to an MPI database to assist in the collation and analysis of this data.</p>	<p>Identifying compliance with requirements</p>	<p>Private good for compliant parties</p> <p>Public good when non-compliance is identified</p>	<p>The risk is created by aquaculture farmers who undertake activities that are required to be audited or inspected. Beneficiaries are the industry and those groups or individuals who have an interest in the industry being monitored for biosecurity risk.</p>	<p>A fee or an industry levy where a fee is not efficient</p> <p>A fee targeted at the individual who is undertaking the activity and requiring an audit or inspection</p>
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What policy outcomes will the activity achieve?

The policy regulations would ensure that the industry operates in a way that prevents the incursion or exacerbation of harmful pests and diseases, rather than relying on a reactive approach that is focussed on costly government-led biosecurity responses.

The outcomes that the policy regulations will seek to achieve are:

- A nationally consistent and comprehensive biosecurity system for the industry, which proactively manages the risk of pests and diseases being introduced, exacerbated, or spread will and will enable opportunities for the industry to be fully realised.
- The protection of the environmental, recreational, and cultural values of the wider aquatic environment through the prevention of the introduction or exacerbation of pests and diseases.
- Improved knowledge and information to enable MPI and the industry to make biosecurity management decisions and to improve aquaculture management in general.
- Achieving the vision of New Zealand being globally recognised as a world-leader in sustainable and innovative aquaculture management.
- Enabling the growth of New Zealand’s aquaculture sector’s annual revenue from \$600 million to \$3 billion by 2035, which is a goal of the *Aquaculture Strategy*.
- Upholding the Crown’s commitments to Te Tiriti o Waitangi / Treaty of Waitangi to protect and uphold taonga species that are significant to Māori.

What is the rationale for government intervention?

There is not a consistent approach for biosecurity management for aquaculture

To date, there has not been a consistent national approach for managing the biosecurity system for aquaculture. The legislative and regulatory frameworks have indirectly addressed some aspects of biosecurity for the industry. However, the lack of a singular regulatory regime across marine-based and land-based farms has been identified as an impediment to the strengthening the biosecurity system for aquaculture.

MPI has identified the following rationale for regulatory intervention:

- The status quo does not adequately manage the level of biosecurity risk and the impact that biosecurity events have had and would continue to have on the industry.
- Approaches for effective pest and disease management have been inconsistent across the industry.
- There are information and data gaps on New Zealand's aquatic flora and fauna (including microorganisms) that constrain the ability for their proactive management (if required) and effective biosecurity responses.

Retaining the status quo would not improve biosecurity practices for the industry

A comprehensive biosecurity system for the industry would require on-farm biosecurity plans, recordkeeping and reporting from aquaculture farms, and inspection and surveillance from MPI to ensure that farms are meeting biosecurity requirements.

MPI considers that the status quo for managing biosecurity for the industry under separate legislative and regulatory systems is no longer adequate. This approach constrains the ability to manage both land-based and marine-based farms. If the status quo is retained, it will not be possible for MPI to introduce new regulatory requirements to strengthen the biosecurity system for aquaculture.

Rationale for on-farm biosecurity management plans and recordkeeping and reporting

Currently there are no regulatory requirements for an on-farm biosecurity plans for aquaculture farms. The introduction of the mandatory requirement for on-farm biosecurity plans will enable MPI to better manage the pathways for pests and diseases that can enter, exit, and move within aquaculture farms.

Improved recordkeeping and reporting is necessary to enable MPI and the industry to ascertain compliance with rules, respond effectively to biosecurity events, establish an auditable record for aquaculture farming activities, and enable product traceability for biosecurity, food safety, and marketing purposes. Quality information is also necessary to assist in responding effectively to biosecurity incursions and ensuring that the industry complies with regulatory rules.

What are the relevant policy decisions that have been made?

Cabinet decisions on the delivery of a national biosecurity approach for aquaculture

The NES-MA is a regulatory instrument under the RMA that came into effect in 2020. The purpose of the NES-MA was to standardise the resource consenting process for marine-based aquaculture farms and to provide certainty for councils, industry, and communities.

The biosecurity component of the NES-MA was withdrawn because it was not considered to be the most effective tool to regulate biosecurity for aquaculture. This was because the NES-MA only applied to marine aquaculture, only limited controls could be established, and there was also a concern from regional councils about implementing a biosecurity management plan framework which was not a regional council expertise.

In 2020, Cabinet agreed to the biosecurity requirements being removed from the NES-MA and directed officials to report back to the Ministers for Biosecurity, Fisheries, Environment and Conservation on the best approach for introducing a comprehensive biosecurity system for aquaculture by 2025. In response, MPI officials reported back to Ministers and established the Programme. The following matters have informed the scope of the Programme:

- The need for a national approach to how biosecurity risks are managed for aquaculture at the farm-level.
- An approach to biosecurity that has comprehensive coverage across all aquaculture activities and pathways (i.e. not just marine farms).
- Including users of the aquatic environment and pathways that affect aquaculture (e.g. recreational vessel movements).
- A clear signal towards regulatory requirements for aquaculture.
- The delivery of an approach for aquaculture biosecurity by 2025.

The Minister for Oceans and Fisheries and the Minister for Biosecurity and are the Ministers with joint responsibilities for the Programme.

What is the statutory authority to charge?

The statutory authority to cost recover for the regulations is under Part 14 (Cost Recovery) of the Fisheries Act. Part 14 enables the Crown to recover costs in respect of the provision of conservation and fisheries services. The cost recovery principles are set out in Section 262 of the Fisheries Act, and sections 262(c) and section 262(d) are relevant for the proposed cost recovery regulations for the Programme.

Section 262(c) states that the costs of conservation or fisheries services provided to manage or administer the harvesting or farming of fisheries resources must, so far as practicable, be attributed to the persons who benefit from harvesting or farming the resources. The benefits of the regulations would be from aquaculture farmers, who the cost recovery is proposed to be obtained from.

Section 262(d) states that the costs of conservation services or fisheries services provided to avoid, remedy, or mitigate a risk to, or an adverse effect on, the aquatic environment or the biological diversity of the aquatic environment must, so far as practicable, be attributed to the

persons who caused the risk or adverse effect. In some cases, biosecurity risks could be spread from aquaculture farms.

Section 263(1) and section 265 of the Fisheries Act allow for rules for the imposition of levies to be made by the Minister for Oceans and Fisheries by an Order in Council. These rules may prescribe the costs of conservation and fisheries services to be recovered as levies, who pays for the levies and how these costs are to be apportioned between the persons who pay the levies.

Section 264 allows for the Governor-General, by an Order in Council made on the recommendation of the Minister for Oceans and Fisheries, to impose levies. The proposed cost recovery regulations would be required to give effect to this.

Is this a new or amended fee?

The proposed cost recovery regulations would set out new fees and/or a new levy under the Fisheries Act. The cost of a fee or levy would be determined by MPI in consultation with the industry. A more detailed Cost Benefit Analysis will be developed before any final policy approvals are sought.

Policy Rationale: Why a user charge? And what type is most appropriate?

Why is cost recovery appropriate for the activity?

Cost recovery is considered appropriate for the Programme as the implementation of the policy regulations will have costs for both MPI and the industry. While the industry may face compliance costs from the implementation of the policy regulations, they would also be the beneficiaries of an improved biosecurity system for aquaculture. The industry would also benefit from standardised recordkeeping and reporting and a surveillance programme to improve aquaculture-related baseline data, which may serve as an 'early warning' biosecurity system.

What is the nature of output from the activity?

The outputs of the activities will be set out in the policy regulations and will include on-farm biosecurity plans for each aquaculture farm and information in the form of recordkeeping and reporting for each individual farm.

Is full or partial cost recovery being proposed? What is the rationale for proposing full or partial cost recovery?

When considering cost recovery proposals, MPI considers the four cost recovery principles:⁴

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

⁴ These principles are in line with Treasury's and the Office of the Auditor General's cost recovery guidance.

Applying the above principles, MPI has undertaken an initial cost recovery analysis to identify the risk exacerbators and beneficiaries of the policy regulations. Potential options for cost recovery have been identified.

An initial analysis suggested that the benefits of a comprehensive CBA will exceed the costs associated with the Programme. Due to a lack of numerical data available at present, MPI expects to conduct a comprehensive CBA in the future. With the absence of a comprehensive CBA, it is challenging to produce a full cost recovery analysis for the Programme. MPI proceeded with this CRIS based on the suggestions contained in an initial analysis.

Transparency and Justifiability

Crown funding may be required if MPI does not sufficiently meet the transparency and justifiability principles. To meet the transparency principle, MPI must provide sufficient information to stakeholders and the public to consider the on-farm biosecurity proposals and the options for cost recovery. This includes material for public consultation on the policy regulations for the Programme, stakeholder meetings, any targeted engagement on the specific level of levy/fees following public consultation, and any future changes to charges. MPI will ensure that the transparency principle will be met throughout the Programme's work on cost recovery.

The justifiability principle (to ensure that costs are reasonable) will be met by:

- The collaborative technical-design of on-farm biosecurity plans with the industry (i.e., those that will be subject to new regulations including land-based and marine-based farmers).
- A CBA showing high confidence that the benefits exceed the costs.
- Potential costs being considered by further technical, policy, and cost recovery work.⁵
- Public consultation on whether the proposed costs are reasonable or can be minimised further.

MPI expects to sufficiently meet these principles and therefore does not need to consider options for Crown funding under the transparency and justifiability principles.⁶ Crown funding would not be considered for those costs that should be paid by beneficiaries or exacerbators.

Efficiency

Three factors are considered core to the efficiency principle - beneficiaries pay, exacerbators pay, and cost-effective delivery.

Cost recovery for on-farm biosecurity is complex due to a wide range of exacerbators and beneficiaries, along with different stakeholder views about who should pay. A full CBA would

⁵ This will be informed by the Cost Benefit Analysis. An example is our work to adapt MPI's best practice technical document *Options for on-farm biosecurity management* to consider practical factors and reasonableness of costs.

⁶ Crown funding may still be appropriate under the Efficiency and/or Equity principles.

clarify this analysis. MPI has undertaken initial analysis with the information that is available at present.

The assumption is that on-farm biosecurity plans provide net benefits. If on-farm biosecurity plans are considered to not provide net benefits, then decisions will be required on whether the proposals proceed. If they do proceed, decisions need to be made on whether a Crown contribution is appropriate and that the amount sought from cost recovery is justified.

Beneficiaries

Aquaculture farmers have been identified as the main beneficiaries of the Programme. Cost recovery will encourage farms to focus on the scope of their plans and consider whether they are worthwhile. The benefits to farmers will include:

- Reducing the risk of transmission and spread of pests and diseases between and within aquaculture farms.
- Allowing for the early detection of pests and diseases, which could result in the impacts of biosecurity incursion in aquaculture being dealt with more efficiently.
- Better alignment with international market expectations to support improved market access (i.e. a strong biosecurity system for the industry could make meeting trade requirements and trade negotiations/access to new markets easier).
- Maintaining on-going social licence for aquaculture industry.

A full range of beneficiaries is likely to include aquaculture farmers, vessel owners / operators, the fishing industry, the tourism industry, people undertaking recreational activities (including recreational fishing/gathering), aquatic structure owners (marina, ports, etc), tangata whenua, and the public. For example, the wild oyster population and fishery in Foveaux Strait will benefit from on-farm biosecurity management.

View on cost recovery from beneficiaries

A CBA would identify the relative benefits that each party receives from on-farm biosecurity plans and, thus, the appropriate cost shares.

MPI's initial analysis shows that aquaculture farmers are the primary beneficiaries. As such, costs should be recovered from aquaculture farmers under this principle. The benefits to other parties could be more than negligible (e.g. more than 10 percent of the benefits), such that a share of costs could be recovered either directly from those parties where it is practical to do so, or from the Crown on behalf of a range of smaller beneficiaries.

Table 4: Options for cost recovery from beneficiaries

Option	Description	Cost shares	
Option (A)	Treat aquaculture farmers as sole beneficiaries	Aquaculture farmers	100%
		Government and other beneficiaries	0%
Option (B)	Treat other parties as the beneficiaries	Aquaculture farmers	0%
		Government and other beneficiaries	100%
Option (C)	Combination of (A) and (B) based on relative benefits received by parties	Aquaculture farmers	>X% *
		Government and other beneficiaries	<Y%*

*X% and Y% could be any combination i.e., it could be $X \geq 50\%$ and $Y \leq 50\%$ or any such combination decided based on relative benefits and equity concerns of the Crown.

Exacerbators

Aquaculture farmers are the main risk exacerbators, as farming activities heighten the risk of the spread of pest and diseases in the aquatic environment. For example, aquaculture farmers move stock, craft, and equipment that may harbour pests or disease from one farm to another or into the environment.

Recovering costs from aquaculture farmers would encourage them to undertake good biosecurity practices to reduce costs. For instance, if compliance with on-farm plans is high, then monitoring and enforcement costs would be expected to decrease and cost recovery charges would be lower.

Other risk exacerbators include the vessel owners and operators, the fishing industry, aquatic structure owners, the tourism industry, and other users of the aquatic environment. Their activities contribute to the spread of pests and diseases in the aquatic environment. For example, recreational vessels may visit an infected farm and move a pest/disease to another farm or the aquatic environment. These could be managed through other initiatives, such as pathway management plans under the Biosecurity Act.

Table 5: Options for cost recovery from risk exacerbators

Option	Description	Cost shares	
Option (D)	Allocates costs in proportion to the contribution to risk	Aquaculture farmers	90%
		Government and other users	10%
Option (E)	No cost allocation to other parties	Aquaculture farmers	100%
		Government and other users	0%
Option (F)	Farmer as the main Exacerbator. Government in lieu of other users and on equity basis. Will be based on relative risks contributed by parties	Aquaculture farmers	>50% *
		Government and other users	<50%

*Contribution of the farmers is assumed to be the main and hence >50% is allocated to the farmer. However, these figures are indicative only.

Current view on cost recovery from risk exacerbators

A CBA would identify the relative risks that each party contributes and the cost shares that flow from that. Current analysis shows aquaculture farm practice is likely to be a bigger contributor to risk than unrelated vessel movements such as from the fishing industry. As such, costs should be recovered from aquaculture farmers under this principle.

The risks from other parties could be more than negligible (e.g. 10 percent or more of risk). Therefore, a share of costs could be recovered either directly from those parties where it is practical to do so, or from the Crown on behalf of a diffuse range of smaller exacerbators.

Cost-effective delivery

Biosecurity plans are to be implemented at an on-farm level. As such, aquaculture farmers, rather than any other party such as vessel operators, will have insight into how to deliver them cost-effectively. Cost recovery encourages those insights to be shared so that costs can be reduced.

Equity

There may be relevant considerations that have a bearing on cost recovery around the equity principle, which is ensuring that cost recovery is fair. It will usually be considered fair that beneficiaries or exacerbators pay. However, different people hold different views on what is considered to be fair.

For instance, while it is appropriate under the efficiency principle to consider that all potential beneficiaries and exacerbators to pay, one potential party, for example marine vessel owners, may consider it unfair to be charged for on-farm biosecurity plans and any future pathway management plans.

Furthermore, following a cost benefit analysis, if it is determined that aquaculture farmers should be subject to cost recovery under the efficiency principle, the Government may opt to contribute on fairness grounds. For instance, the Government may want to support aquaculture as an emerging industry until it is more established.

In the absence of a full CBA, the table below outlines when the Crown and other party contributions might be appropriate in addition to contributions from aquaculture farmers. These factors will be used to consider what the level of Crown or other funding contributions should be.

Table 6: Crown and other parties' contribution

Factor	Crown contribution	Other party contribution
Clarity and size of benefits to aquaculture farmers	<p>Benefits are unclear, or it's uncertain whether benefits exceed cost. Benefits would be clear if, for example:</p> <ul style="list-style-type: none"> cost-benefit analysis shows a benefit-cost ratio of 2⁷ so that we are confident it's a good use of industry money compared to other demands and that this will remain true if costs are higher than expected; and there is clear industry demand through feedback. 	
Other beneficiaries	<p>Size of benefits to other parties are, collectively more than negligible, and there is a risk that other parties would influence the Crown to further regulate on-farm biosecurity plans, but those parties/benefits are diffuse and thus require Crown funding to reduce the risk of over regulation</p>	<p>Size of benefits to other parties are individually more than negligible, and there is a risk that other parties would influence the Crown to further regulate on-farm biosecurity plans</p>
Other exacerbators	<p>Size of risks from other parties are collectively more than negligible, but parties/risks are diffuse</p>	<p>Size of risks from other parties are individually more than negligible, such that cost recovery is administratively efficient</p>
Cost-effective delivery	<p>Government should bear some cost or risk where it can't clearly demonstrate that costs are efficient</p>	
Equity	<p>Government may have reasons to contribute to meet its own objectives around fairness – e.g. supporting aquaculture as an emerging industry</p>	<p>If more than a negligible beneficiary or exacerbator, it will generally be considered fair that beneficiaries and exacerbators contribute</p> <p>Some parties may consider it unfair to contribute if they are also contributing to the development of any pathway management plans.</p>

⁷ Means that there is a benefit of \$2 for every \$1 incurred as costs.

The initial analysis above suggests three broad options for funding the Programme: full Crown-funding, full cost recovery, and a mix of Crown funding and cost recovery. There are also options within a full cost recovery option such as whether to recover only from the industry or whether to recover from other parties as well.

MPI's current view is that full Crown funding is unlikely to be the best option, as the industry are expected to be the primary beneficiaries of the policy regulations, as well as the primary exacerbators. Full cost recovery from the industry may not be the best option if more than a negligible amount of benefit is likely to accrued to other parties, and more than a negligible amount of risk is likely to be caused by other parties or if the Government wishes to contribute funding for equity reasons.

If a CBA demonstrates that the benefits of the Programme outweigh the costs and the benefits accrued by other parties and/or their contribution to risk are more than negligible, or the Crown decides to support aquaculture industry, partial cost recovery from aquaculture farmers could be best option. The exact cost shares between aquaculture farmers and the Crown (and/or any other party if appropriate) are currently unclear. This would need to be informed by a more comprehensive CBA analysis.

Cost recovery would be for activities associated with implementing, administering, and ensuring compliance with the policy regulations.

Further work is required on several matters:

- Quantifying the costs and benefits of implementing the policy regulations.
- A mechanism for cost recovery - whether a levy, charge or fee should be established, and how would they be decided (flat rate vs different rates for marine and land-based farms vs different rates based on risk factors, revenue, production etc.).
- The potential impacts on different parties.

What type of charge is being proposed? What is the rationale behind selecting this type of charge?

A cost recovery model may result in costs to the industry in the form of a mixture of new fees and / or a new levy. Generally, MPI endeavours to allocate costs in proportion to the level of benefit received or risk caused by the individuals. Whether the fees and the levy are to be set at a flat or variable rate will depend on information available upon which MPI could differentiate fees and levies. The available data sources and possible ways of differentiating fees and levies between individual fee and levy payers will be considered as part of full cost recovery analysis. These factors may include variables such as the geographical area and production type.

The rationale for using a mixture of fees and / or a levy for the cost recovery method is that fees are appropriate in cases where there are private benefits and levies are appropriate in cases where there are public benefits.

For example, various primary sector industries are levied as part of the Government Industry Agreements (GIA) that fund biosecurity preparedness activities and responses to biosecurity incursions. Generally, a levy would be used by MPI for cost recovery from an industry for biosecurity responses as it is viewed as a club good due to the nature of the benefits, where the benefits are excludable to the members of the industry that the response supports.

Who will pay the cost recovery charges? Include data on the number and size of businesses, individuals etc, if possible.

Based on 2021 figures, the industry generates approximately \$600 million in annual revenue and records a 7 percent annual growth. Information is not available for the annual expenses for the industry at this stage.

For the industry, it is proposed that the new fees and/or a new levy is paid by aquaculture farmers.

High level cost recovery model (the level of the proposed fee and its cost components)

What are the estimated charge levels?

At this stage, the estimated that the charge levels for the fees and / or a proposed levy are not yet known. MPI will carry out detailed work on a cost recovery model following public consultation on the Programme (detailed in the *Consultation* section of this CRIS).

What are the main cost drivers of the activity?

The main cost drivers of the activities undertaken by MPI will be inspecting and verifying on-farm biosecurity plans and the recordkeeping and reporting information provided by farmers for the policy regulations.

Breakdown of the user charges

Further details providing a breakdown of the user charges have not been examined as part of this CRIS, due to the uncertainty of the information. Further information on these user charges will be examined as part of the cost recovery model that will be developed following public consultation on the Programme.

Present estimates of expenses and revenue for the activity. The estimates should illustrate the potential for revenue and expenses to align.

Regarding how many hours per year MPI is likely to be billed at an hourly rate and how much levy revenue will be received, this information is yet to be confirmed and will be examined as part of the development of the cost recovery model.

Discuss how changes in the underlying assumptions will affect financial estimates

Underlying assumptions could be made using the number of marine-based and land-based aquaculture farms that could potentially be charged a fee and / or levy. If there are a greater number of aquaculture farms, the fixed costs established under a levy (such as an information technology system) will be shared by more beneficiaries, and therefore individual levy payers would pay less.

For fee-based activities that are billed on an hourly basis, MPI's level of expenditure could be scaled up and down in response to the level of demand over the medium term. In the short term, if the demand for fee-based activities (such as registration of on-farm biosecurity plans with MPI) reduces, then the services would run at a deficit. If demands rise faster than MPI could respond, wait times could increase for MPI to undertake services or MPI could rely on contractors paid at a higher price, which would potentially generate a deficit.

Consultation

Who has been consulted?

To date, MPI has not undertaken substantive discussions on cost recovery with the industry.

MPI is using a collaborative process to design the technical requirements with stakeholders on which the policy regulations could be based. These stakeholders include farmers, industry associations (Aquaculture New Zealand, the New Zealand Salmon Farmers Association, the Marine Farming Association), and academia and research institutions (the National Institute of Water and Atmospheric Research).

Consultation with Te Tiriti o Waitangi / Treaty of Waitangi partners

A strong biosecurity system protects Aotearoa's native biodiversity, enables growth of natural capital, and underpins trade and primary production both for Māori and New Zealanders.

Engagement with Treaty partners is a key component of the success of the Programme. Māori have a wide range of interests in aquaculture through Māori agri-business as aquaculture farmers and investors in aquaculture operations, and as kaitiakitanga of Aotearoa's marine environment. Additionally, the Government has Te Tiriti o Waitangi / Treaty of Waitangi obligations to protect Aotearoa's taonga species that are of significant to Māori.

MPI will actively engage with Treaty partners during the public consultation process and will ensure that conversations and engagement with Treaty partners occur following public consultation.

Te Ohu Kaimoana, the Māori Fisheries Trustee with roles and responsibilities under the Māori Fisheries Act 2004 and the Māori Commercial Aquaculture Claims Settlement Act 2004, has been invited to contribute and will also be invited to provide feedback on the regulations. Te Tira Whakamātaki, an indigenous environmental not-for-profit organisation with a Memorandum of Understanding with Biosecurity New Zealand, has also been invited to contribute to the development of the proposals.

Key feedback received

Consultation on aquaculture biosecurity projects, including the NES-MA, found that the industry was generally supportive of the need for improved biosecurity practices. The industry is likely to be generally supportive of regulations to strengthen the biosecurity system for aquaculture and interested in ensuring that the policy and cost recovery regulations are practicable, proportionate and can be successfully implemented.

MPI has informed several industry stakeholders on the policy regulations and the progress of the Programme. Stakeholders have been generally supportive of the policy proposals, including on-farm biosecurity plans and recordkeeping and reporting requirements.

MPI will consider all the feedback that is received from submitters following public consultation that will occur in 2023.

How consultation will be managed for the rest of the process

Proposed consultation on the Aquaculture Biosecurity Programme

MPI is proposing two rounds of consultation for the Programme, due to the detailed nature of the policy proposals and the regulatory requirements.

The first round of consultation will be broad public consultation to enable the refinement of the high-level policy positions of the Programme. MPI has drafted a discussion document for public consultation that incorporates these high-level positions, which include:

- Repealing the Freshwater Fish Farming Regulations.
- New regulations requiring each aquaculture farm or facility to implement on-farm biosecurity management plans and recordkeeping and reporting requirements for farmers.
- Focusing on pathway management and the delivery of a national pathway management plan that would apply to the four northernmost regions of New Zealand (Northland, Auckland, Waikato, and Bay of Plenty).
- Establishing an aquaculture focused surveillance programme for farmed aquatic animal health.

Feedback from the public consultation process will enable MPI to undertake detailed work on the policy proposals, the regulatory design, and a detailed cost recovery model. Technical work on the regulatory design will continue at the same time as public consultation.

Before the final proposals are taken to Cabinet seeking their authority to commence drafting of regulations, MPI officials will conduct a second round of targeted consultation on the detailed proposals seeking the views from those that will be directly affected by them. This will include the industry, and Treaty partners. The focus of targeted consultation will be the detail of the proposed policy regulations and detailed cost recovery model.

In addition to the two rounds on consultation, collaborative technical-design workshops will be completed and will inform the detailed requirements for on-farm biosecurity plans. A complete set of recommended requirements will provide a more comprehensive understanding of on-farm biosecurity and will inform the development of a detailed cost recovery model.

MPI will advise the Minister for Oceans and Fisheries and the Minister for Biosecurity on the outcome of the two rounds of consultation and on the details of the regulatory requirements. Once agreed, both sets of regulations will be presented to Cabinet for their consideration and approval with the aim of having the regulations implemented during 2025.