

## EXECUTIVE SUMMARY

Government makes key biosecurity decisions in consultation with stakeholders and usually fully funds activities undertaken. Decisions are made on a case-by-case basis with limited pre-planning and prioritisation. As a result, biosecurity activities may not be optimally designed and government may not be spending resources in highest-priority areas. It is proposed that government and industry enter into joint agreements whereby priority organisms are identified, consensus decisions are made about how best to carry out activities, and the costs of those activities are shared. Joint decision-making and cost-sharing will improve the planning and delivery of biosecurity services and improve the allocation of resources by directing funding towards organisms of highest priority. Cost-sharing will initially result in higher costs for industry, but will be at least partially offset by lower impacts from risk organisms as a result of improved biosecurity decisions. Although there are significant incentives to joint agreements, participation is voluntary and the level of investment industries make in biosecurity is up to them to decide. Where industries do not enter into agreements, biosecurity activities may cease unless the activity provides significant public benefits.

## ADEQUACY STATEMENT

Treasury's Regulatory Impact Analysis Team has reviewed this Regulatory Impact Statement and considers it to be adequate according to the adequacy criteria.

## STATUS QUO AND PROBLEM

### Background

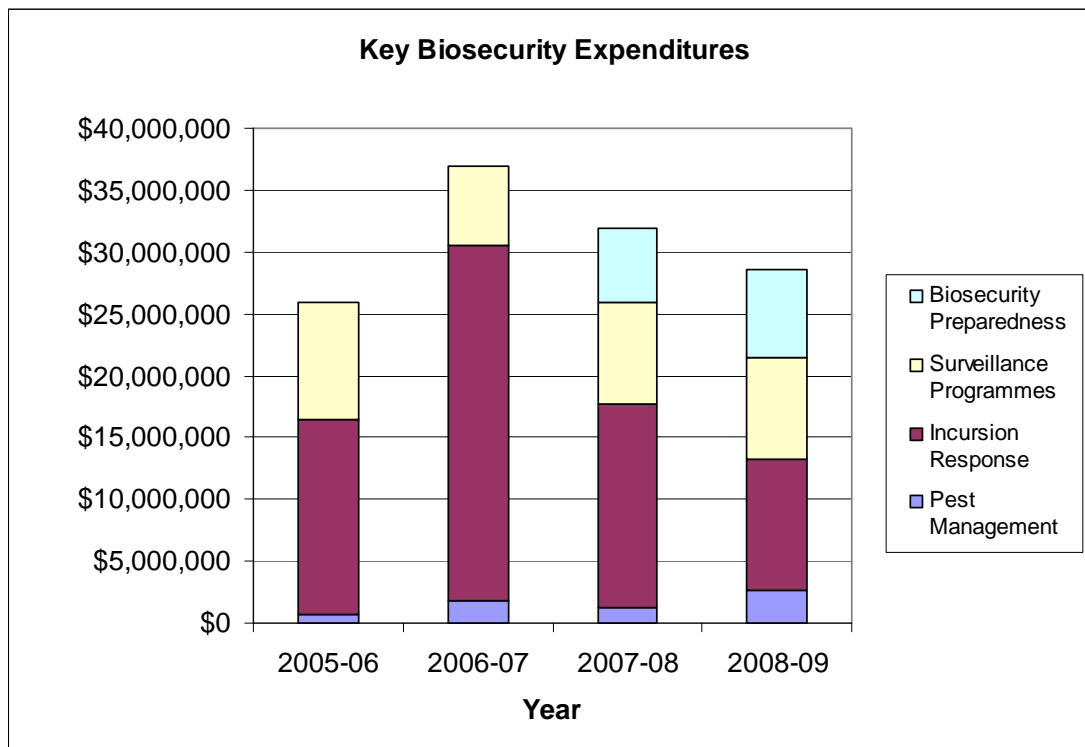
The long term trend of biosecurity risks is that they are escalating. Growth in trade and travel increases the probability of incursions through new and busier pathways, and climate change is extending the range of organisms that pose a biosecurity risk. With limited resources, there is an increasing need to accurately set biosecurity priorities and to deliver biosecurity effectively and efficiently.

Between 2002 and 2007, the Ministry of Agriculture and Forestry has responded to 227 new organisms. Of these, a number involved significant expenditure. Examples of significant incursion responses are detailed in the table below:

<b>Incursion Response</b>	<b>Year started</b>	<b>Crown costs to 2009</b>
White-spotted tussock moth	1996	\$12.4 m
Southern Saltmarsh Mosquito	1998	\$51.0m
Painted apple moth	1999	\$67.0m
Varroa bee mite (NI)	2000	\$10.7m
Red imported fire ant	2001	\$11.2m
Fall webworm moth	2003	\$7.8m
Asian gypsy moth	2003	\$5.4m
Didymo	2004	\$13.6m (to date)
Sea squirt marine fouling pest	2005	\$4.4m (to date)

(styela)		
Varroa bee mite (Nelson)	2005	\$10.1m (to date)
Sabella	2009	\$0.6m (to date)

The Crown also spends resources on other key post-border areas: preparedness (including contingency planning and capability building), pest management, and surveillance. The last four years' expenditures in these areas are presented in the graph below:



MAF has been working to improve priority setting and efficiency and effectiveness through a number of initiatives including a High Priority Organisms project to guide what readiness (eg surveillance) work should be highest priorities for New Zealand; implementing the new response policy and procedures; and completing a surveillance strategy for New Zealand. This goes some way to improving the efficiency of the biosecurity system, but government working alone can only take us so far.

Status quo and problem

There are dozens of industries across the agriculture, horticulture, viticulture, forestry, aquaculture and fisheries sectors affected by biosecurity activities and potential biosecurity incidents, from small industries like the tamarillo industry with around only 175 growers and \$0.7 million in exports, to large industries like the beef industry with around 14,500 farmers and \$2 billion in exports.

At present, government is the decision-maker and funder for most readiness activities and responses and generally does so on a case-by-case basis in reaction to the latest crisis or industry lobbying. Industry and other stakeholders are consulted to the extent possible within time and resource constraints. MAF has a formal business casing

approach and uses a decision making framework, but latest biosecurity events and industry lobbying remain influential in decisions.

The current case-by-case decision-making process does not facilitate good priority setting or timeliness in decisions (essential to keep response options available as, for instance, eradication can quickly become infeasible as organisms spread), and can leave stakeholders uncertain about how government will respond to incursions. Additionally, the reactive nature of the status quo does not effectively allow other parties, with their expertise, to help improve the design and implementation of readiness and response so that the most value can be gained from biosecurity spending.

Furthermore, the government does not have good information about how much biosecurity is desired and efficient. With the government being the primary funder of readiness and response, MAF often gets signals from industries that everything is a top priority. Because government does not have accurate information about biosecurity needs, the government might not be spending enough on biosecurity, might be spending too much, and/or spending money addressing risks that are not priorities.

Additionally, because post border parties are not a significant funder of biosecurity activities, particularly incursion responses, there may not provide adequate incentives for post-border parties to do things to reduce biosecurity risks and, therefore, the need for those activities.

## **OBJECTIVES**

The policy objectives are to improve the efficiency and effectiveness of biosecurity including the allocation of biosecurity resources by:

- improving the planning and delivery of biosecurity services;
- improving the prioritisation of biosecurity services and, therefore, making sure biosecurity resources are used where they are most valued;
- encouraging parties to do things to reduce biosecurity risks and, therefore, the need for biosecurity services.

## **ALTERNATIVE OPTIONS**

### Use existing legislative powers 1: mandatory cost-sharing

Government could continue to be the sole decision-maker with funds recovered from industry using powers to levy under the Biosecurity Act. This would encourage post-border parties to consider the costs of biosecurity services when determining what biosecurity they want undertaken. It would not, however, address the problem of a lack of planning and priority setting, nor would it allow other parties to directly influence the level of service or improve service delivery.

### Use existing legislative powers 2: national and regional pest management strategies

National pest management strategies (NPMS) were intended to facilitate improved planning. Any person is allowed to develop a NPMS that sets out the strategy for addressing an organism or groups of organisms, who has responsibilities under the strategy, and how the strategy is to be funded. NPMSs, however, have a reputation of being cumbersome; the varroa NPMS took four years from inception to approval. Only three NPMSs have been approved since their introduction in 1998. Because of the difficult past experiences with developing NPMSs, NPMSs are unlikely to be pursued voluntarily by many parties, and would likely be resisted by industries if more forcefully promoted by government. Another key limitation of NPMSs is that they must specify what organisms the strategy applies to and, therefore, cannot deal with unknown organisms. This means that NPMSs cannot, for instance, include provision of surveillance that looks for particular symptoms where the organism is unknown.

Regional pest management strategies (RPMS) aim to serve the same purpose as NPMSs, but at a regional level. RPMSs are unlikely to be used much by industry as many industries are distributed across many regions and the pests of interest to them require national-level planning. Only two RPMSs have been produced with industry.

A variation to this option that was considered was to amend the Biosecurity Act's NPMS provisions to make them more flexible and alleviate some of the issues above. However, due to industry and government frustration with the NPMS process, it was considered better to start afresh with a new process. The place and design of NPMSs and RPMSs are to be reviewed as part of a project on the future of pest management.

#### Alternative key features of the preferred option

##### *Joint decision-making only*

Joint decision-making without cost-sharing was considered whereby industry would enter into agreements similar to the preferred option, but without sharing the costs of their decisions. This would have partially helped planning and prioritising for particular industries by allowing industries to help determine that certain biosecurity activities are not priorities, and to promote other activities. That is, industries would be able to tell us what their first priority is, and what their 20<sup>th</sup> priority is, and also be able to improve the delivery of activities targeting those priorities. However, without cost-sharing, it would be difficult to get accurate signals about whether addressing the top 20 priorities would be worthwhile. Without cost-sharing, it would also be difficult to judge how important one industry's priorities are against another industry's priorities (one industry's 20<sup>th</sup> priority might be more important than another industry's first priority – something that can be signalled through an industry's willingness to help fund priorities). The lack of cost sharing also means that industry would have little incentive to help improve the cost-effective delivery of biosecurity services, or to do things to reduce biosecurity risks such as investing in readiness activities.

##### *Incentives*

A number of options were considered to encourage industries to sign up to joint government-industry agreements.

To encourage take-up of the Australian government-industry agreements, the government offered compensation that was not previously available. This included not only compensation for losses caused by the use of biosecurity powers, but compensation for losses caused by pests, such as diseased animals and production losses. MAF considers that compensation for losses caused by pests is not desirable because it dilutes incentives for parties to do things to reduce biosecurity risks and would result in a large financial cost to the Crown.

MAF also considered changing the compensation provisions of the Biosecurity Act so that only signatories to agreements would be eligible to compensation. This was rejected because removing compensation would undermine the specific purposes of compensation, that of encouraging compliance with the exercise of Biosecurity Act powers and of encouraging the early reporting of new pests.

As an incentive to join agreements and to give industries an idea of the benefits of joint decision-making, MAF considered starting with joint decision-making only and including cost-sharing at a later time. This was rejected for similar reasons as above: that decisions need to be linked to cost-sharing. In addition, once joint decision-making becomes entrenched, it would be more difficult to then introduce cost-sharing (without the benefit of decision-making to offer at the same time as an incentive).

### *Structures*

Two other options for structures to support joint government-industry agreements were considered. One was similar to the preferred structure, with a team attached to MAF carrying out work, but with oversight by an independent Board. The benefits over the preferred approach would be of independent oversight to ensure that agreed activities are delivered, and a forum through which to work out disputes. The second option involved setting up an entirely independent unit to oversee and carry-out work. The cost of these two options is \$0.7 million and \$9.3 million more than the preferred option over five years, respectively, and it is not yet clear what level of independence is desirable. Signatories to an agreement may decide at a future point that more independence is desirable, and amend the structure accordingly.

### *Government funding mechanism*

There are a couple of funding mechanisms available to the Crown to finance its share of activities under joint agreements. One option is to set aside a standing fund from which to draw funds when needed. This could involve a significant amount of money which the Crown may not want sitting idle, or unused. Another option is detail risk organisms and associated cost shares in a schedule in regulation with a Crown commitment to bear those costs provided the cost-benefit analysis justified it, and industry paid their share. Funds would be drawn as required.

## **PREFERRED OPTION**

The preferred approach is for government and industry to have the option to enter into agreements covering joint decision-making and cost-sharing for readiness and response activities that provide a mix of public and industry benefits, or industry benefit only. Ideally, all post-border parties that have an ability to help prioritise, plan

and carry out readiness and response would have the option to enter into joint decision-making and cost sharing. Given the effort involved in establishing joint agreements, the preferred approach is to start with industry, with the government representing the interests of other groups. In the future, it may be that other groups are invited to enter into agreements.

Where government and industries do not enter into agreements, the decision-making process reverts to the status quo with industries consulted and government as the sole decision-maker. Unless the activity also provides significant public benefits, Crown funding may be phased out for some existing surveillance programmes, new readiness activities that industry may request will not be undertaken, and some incursions may occur where the Government does not respond. Where Government undertakes activities, costs may be compulsorily recovered where industries appear to be free-riding on the government's provision of the activity.

A master deed sets out the high-level parameters for a partnership between MAF and industries. It describes how joint decision-making and cost-sharing works. Below the master deed are operational agreements with each industry that set out the details relevant to each industry. The operational agreements will be agreed separately and reviewed and updated on a regular basis.

Cabinet approves the master deed, and decides whether to approve funding for activities under operational agreements.

#### How decision-making works

Government and industry will initially identify their own priorities independently; industry on behalf of its members, and government on behalf of other interests. The High Priority Organisms project will help government determine what organisms are most important from a national perspective.

Each industry will then consider the organisms it is interested in and the organisms government is interested in which also have impacts on that industry. Industries will consider what benefits it gets from contributing towards the costs of managing those organisms, and agree with government which organisms they will jointly manage. Government will also consider the organisms it is interested in, and the organisms all willing industries are interested in which also have impacts on the wider public. Government will determine, subject to available resources, which of the organisms to include in joint agreements.

The agreements will allow planning and decisions to occur, as much as possible, in advance of incursions happening. Where an activity is not a joint priority, either government or industry will decide whether they wish to undertake that activity themselves.

*Decisions:* Signatories (government and industries) will make joint decisions on the goals, strategy, outputs and budgets for readiness activities; operational response plans; and cost shares based on the relative share of benefits each party receives from the biosecurity activity.

Decisions are made by consensus; all signatories must agree on a collective decision. If consensus is not reached, signatories may withdraw from joint decision-making and cost-sharing for that activity.

*Mandate:* Industry bodies must demonstrate that they have sufficient mandate to make decisions and commit resources on behalf of the industry they represent. In one scenario, industries might be prepared to contribute funds on behalf of the entire industry (including ‘free-riding’ businesses that are not part of the industry body). So long as membership of the body is voluntary so that members can leave the body if they do not wish to share costs, then the industry is only committing resources and making decisions on its own behalf and does not need to provide further evidence of mandate.

In another scenario, an industry may wish to make decisions and commit resources on behalf of all businesses in the industry, including those that are not members. Here, the industry must demonstrate that it represents a sufficiently large and representative portion of the industry, and that it is accountable to its members.

Industries large and small and across the agriculture, horticulture, viticulture, forestry, aquaculture and fisheries sectors are well-represented by industry bodies. 25 industry bodies have Commodity Levies Act levies in place demonstrating the mandate requirements of that Act. Meeting the requirements of the Commodity Levies Act is almost sufficient to meet the proposed requirements of joint agreements. For example, the feijoa industry with only \$1.8 million in domestic sales and exports is represented by the New Zealand Feijoa Growers Association and has a Commodity Levy for the purposes of product and market research and development, promotional activities, quality assurance and education.

*Structures:* Structures are needed to deliver joint decision-making and manage cost-sharing. The preferred approach is to use existing MAF and industry structures with some modifications, and to keep open the possibility of moving to a more independent structure in the future if needed. For response, this means that industry signatories become members of MAF committees that make strategic, financial and technical decisions, and have oversight of these processes. For readiness, a Joint Activities team is established within MAF to work on government-industry agreements. Existing MAF financial, monitoring and audit processes are used. Existing MAF committees allocate, at the request of project managers, MAF resource to undertake joint activities.

*Chief Technical Officer:* A MAF CTO will be responsible for exercising Biosecurity Act powers. Industry representatives with decision-making authority and a MAF CTO would review proposed activities, request changes, and sign them off. Cost-sharing would not apply to departures from agreed activities if the CTO has reason to depart at the time Biosecurity Act powers are exercised.

#### How cost-sharing works

Costs will be shared on the basis of the proportion of benefits each signatory receives from the biosecurity activity. Industry benefits are through avoiding, reducing, or delaying the impacts on such things as: market demand and access for their

commodities; animal and plant mortality and morbidity or declines in production; and ongoing disease and pest management costs. Benefits to other groups and the wider public, for which government is responsible, are through avoiding, reducing, or delaying the impacts on such things as: human health; the environment; social/cultural values; non-industry producers like ‘backyard’ growers. The government may also contribute to protect commercial impacts where the beneficiaries are difficult to identify, or where an incursion might have such large impacts as to cause macro-level damage to the economy.

Prospective signatories will develop cost share tools as part of finalising the master deed. A possible tool is a decision tree that contains a series of questions to guide parties to the appropriate cost shares. Possible cost share categories are set out below:

Category	Cost share percentage	
	Public	Industry
1: Public benefits only (any industry benefits are negligible). Any activities in this category will be placed outside the scope of the master deed.	100	0
2: Much greater public benefits relative to industry benefits, but industry benefits do exist.	75	25
3: Proportion of public to industry benefits is roughly equal	50	50
4: Much greater industry benefits relative to public benefits, but public benefits do exist.	25	75
5: Industry benefits only (any public benefits are negligible).	0	100

Industry may either choose to raise funds upfront, or to refund the government their share over a period up to ten years.

*Direct and additional costs:* Only direct and additional costs are cost-shared, that is, costs that are directly incurred by signatories when carrying out readiness and response activities. These costs will include such things as: salaries for additional persons to develop and manage activities; contracted costs associated with the delivery of activities; the hiring of facilities; diagnostic and taxonomic services; research; vaccines and medicines; and compensation.

*Baseline:* Signatories must agree what functions each party will carry out to deliver generic biosecurity capability and capacity. Baseline commitments are not cost-shared because they are not direct and additional costs. Examples of baseline commitments might include: the identification of priority risk organisms; the development of generic response plans; and investigation of suspected risk organisms (baseline for the government).

*Compensation:* Compensation is currently paid under the Biosecurity Act for losses that arise as the result of the use of Biosecurity Act powers to manage or eradicate an organism. Because compensation is a cost that directly results from decisions to respond, compensation should be cost-shared. If compensation is not cost-shared, the government would favour responses that had relatively low compensation costs and relatively high other costs, while industry would favour responses that had relatively high compensation costs and relatively low other costs.



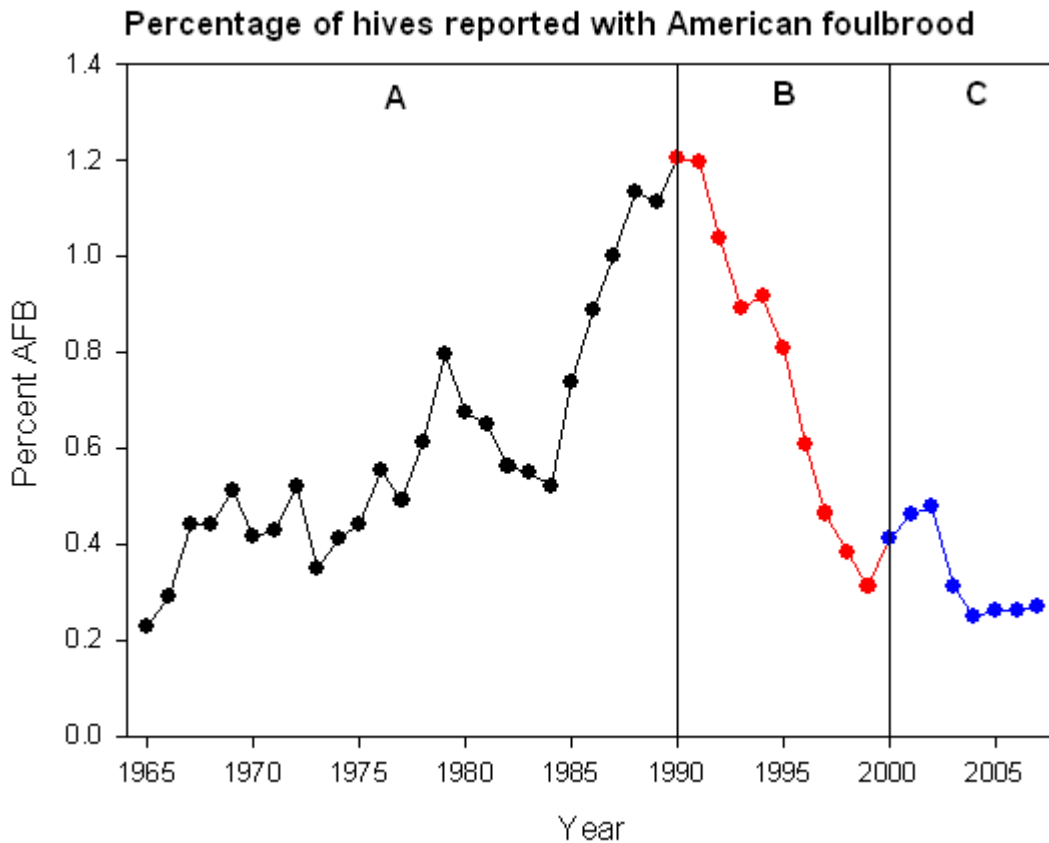
*Fiscal caps:* To ensure that signatories do not incur liabilities beyond what they wish to invest, signatories may set fiscal caps. If a fiscal cap is reached, the signatory must decide whether to withdraw from joint decision-making and cost-sharing, or to exceed the fiscal cap.

*Sources of funding:* Industry has a number of options to raise funds for cost-sharing: voluntarily developed levies, Commodity Act levies, or Biosecurity Act levies. How government will source its shares of resources has not yet been determined and MAF will provide advice on this by the end of the year.

#### Net benefits

*Benefits:* By allowing government and industry to consider, commit to and plan readiness and response activities in advance, the efficiency and effectiveness of biosecurity will be improved. Pre-planning for biosecurity will: allow more consideration to be given to the design and implementation of activities; improve the timeliness of decisions when incursions occur; and reduce uncertainty for industry about whether and how the government will respond. Involving industry will also help improve the design and implementation of biosecurity activities by expanding the capability and capacity beyond what MAF or industry has on its own. Improved biosecurity services will reduce the risks and impacts of harmful organisms.

An example of this is indicated by the incidence of American foulbrood in bees. American foulbrood is a disease that causes death of bees before the larva become complete adult bees, and results in the hives dying. The incidence of American foulbrood is divided into periods A, B and C in the graph below. Government was responsible for managing American foulbrood in period A and shows a steady increase American foulbrood incidence. Period B is characterised by a steep fall in American foulbrood incidence and coincides with the period where the National Beekeepers' Association and government worked together to address the disease. The National Beekeepers association determined itself what activities would best control the disease and contracted MAF to carry out those activities. In period C, industry took sole responsibility for managing the disease including undertaking activities, locking in, and perhaps further limiting the impact of American foulbrood.



Better planning will also help align readiness activities to response activities. By identifying, prior to their introduction, pests that would be responded to, parties have more opportunity to consider what readiness activities could be undertaken to reduce or prepare for those risks. Both government and industry benefit from a more effective biosecurity system.

To access these benefits, parties must prioritise their biosecurity needs and help fund activities jointly agreed to. This encourages parties to consider whether particular activities are worthwhile to the extent that they are willing to commit resources to attain those benefits. As a result, resources will be better targeted at higher priority and higher value biosecurity activities, with fewer resources wasted on activities that are not priorities.

By having a financial stake in biosecurity activities, industries will have more incentive to do things to insulate themselves from biosecurity risks and, therefore, the need to spend resources on biosecurity activities. For instance, in the event of an incursion, industries may do things that help to limit the incursion's spread in order to limit the size and expense of the biosecurity response.

The overall financial impact on the government is unknown, but is within the government's control as a joint decision-maker. There may be increased investment in readiness as industries propose new activities that are a priority for their industry and which also offer public benefits that the Crown is willing to fund. Fewer government resources are likely to be needed for existing readiness programmes and responses that are currently fully Crown-funded. Cost savings may also occur where

industry knowledge is able to improve the cost effective delivery of activities, and where industries do more things to mitigate their biosecurity risks.

Australia has similar joint decision-making and cost-sharing agreements in place for responses to animal and plant pests. Federal, State, and Territorial Government and industries are parties to agreements for decision-making and resourcing for incursion responses. Decisions are made by consensus. Committing to providing a share of the costs is a prerequisite for signing an agreement.

Australian industries and government report that the agreements have made industries' priorities much clearer, improved readiness, and resulted in more cost effective responses. For example, during two responses to Newcastle Disease in 2002, the impacts and costs were lower, and the speed of eradication quicker, than a previous, solely Government response to the same disease.

There have been a handful of other joint activities undertaken in New Zealand. One is illustrative of the benefits attainable. The Avocado Industry Council (AIC) was concerned that their market access to Australia could be compromised by uncertainty over New Zealand's status for a disease, Avocado Sunblotch Viroid. The work was not considered by MAF to have sufficient public benefit. The avocado industry agreed to fund the \$500,000 cost of the surveillance, with MAF providing in-kind resources of people to ensure the programme would meet international standards. MAF and the AIC jointly developed the programme, and the AIC carried out the surveillance. The programme is almost complete and there will soon be a declaration of freedom from the disease. Without the joint approach, this programme would not have been undertaken, or industry would have undertaken a programme which risked not meeting international standards.

*Costs:* The cost of establishing and running the structures that support joint government-industry agreements is estimated at approximately \$2.0m in year one, and between \$0.7m and \$1.0m in out years. The estimates assume that four industries sign up to agreements initially. MAF will prepare detailed costings and provide advice on what can be funded by re-prioritising baselines by the end of the year. To transition industries to joint agreements, it is proposed that MAF fund the first six years establishment and running costs at a total cost of around \$6m.

Industries will incur costs from activities they agree to cost-share. The total cost will depend on how much biosecurity industries are willing and able to spend. Several examples help to illustrate the scope of costs that industry might have to consider:

- The Corn Smut response is a small scale response that has cost \$189,083 (\$18,544 in compensation) so far, over three years. The response had almost entirely industry benefits. If industry chose to pay this over those three years via a commodity levy on tonnes of corn and maize grain, the levy would be around 12.89¢ per tonne of sweetcorn and 26.41¢ per tonne of maize grain. This compares to a gross margin (revenue less direct costs of growing, harvesting, and marketing crops) of sweetcorn of \$71.14 per tonne and of maize grain of \$90.80 per tonne.
- The Painted Apple Moth response was one of the larger biosecurity activities, costing \$65 million in 1999. The industry share (to radiate pine plantations) of

the benefits of that response has been estimated at around 30%. If paid over a 10-year period, this would add \$1.24 per year per hectare to forestry production costs. This compares to the value of wood grown per year per hectare of between \$500 and \$1,500.

- It costs an estimated \$10,700 to design, and \$310,000 to implement, a typical surveillance programme.
- Moderate response plans can take 30 days to develop; large response plans can take 60 days. To make joint decisions, industry will need to contribute people to these processes.

To raise funds, industries may use commodity levies which can take up to 18 months to put in place. To participate in decision-making, industries will need to provide a representative to attend committee meetings, liaise with industry boards and contribute analysis. An estimated one-off contribution of approximately 160 days will be needed to establish agreements, and then approximately 40 days per year in reviewing and implementing agreements. For incursion responses, the typical time taken to develop a response to an incursion is 20 days and industries are likely to provide a representative to fully participate in that planning. While much response planning will now be done prior to incursions, the total effort required will be similar though there will be reductions in the amount of effort industry will have to spend in consultation and lobbying.

### Risks

The primary risk to joint government-industry agreements is low take-up. While consensus decision-making will provide some incentive for industry to be involved, particularly where they may only receive small benefits from activities, industries remain very opposed to cost-sharing. However, there has been similar opposition in the past where industry has been asked to contribute to the costs of a biosecurity activity, and yet have cost-shared where they have determined that the activity is worthwhile. The risk of low take-up is mitigated by features detailed in the 'implementation' section below.

Some small industries have indicated that they will not be able to afford to contribute financially to biosecurity activities. The Crown could consider assisting very small industries to participate in the agreement, possibly through: higher Crown cost shares, funding the costs of participating in joint agreements, a longer-pay back period for response cost-shares; and/or encouraging small industries to 'club-together' and share resources to address biosecurity risks common to them all.

## **IMPLEMENTATION AND REVIEW**

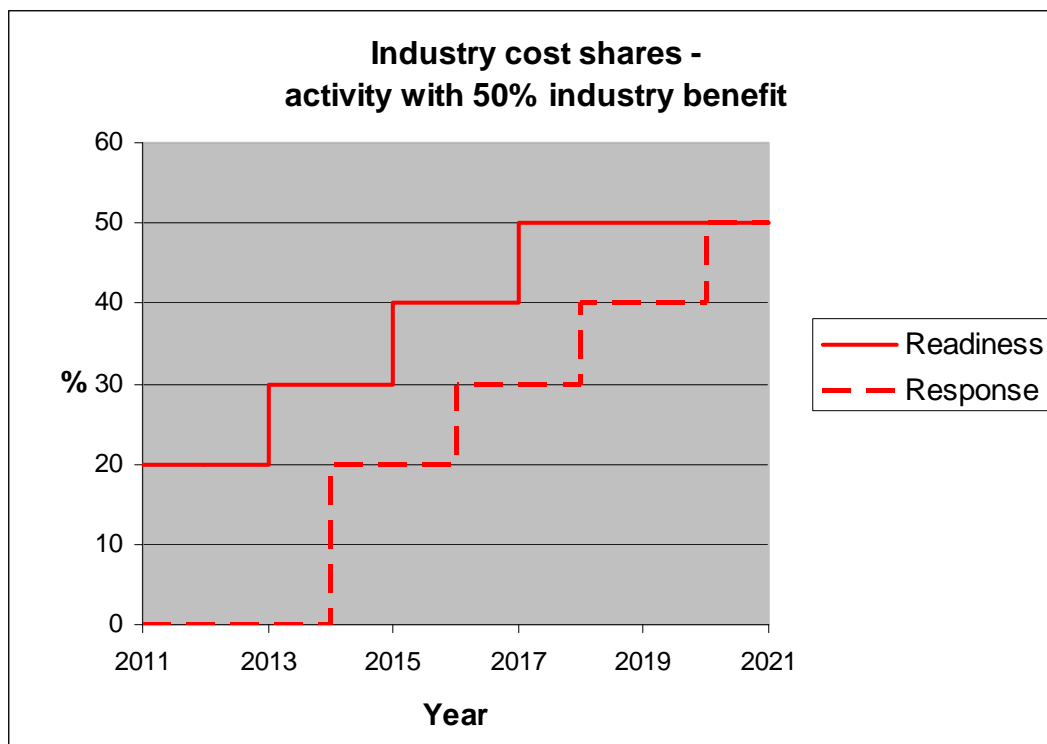
Government will fund the costs of administering the agreement for the first six years of its operation.

Although some industries have had some experience with cost-sharing for one-off activities, joint government-industry agreements are a big shift for all parties, particularly industry. It is proposed, therefore, to adopt an industry suggestion to begin collaboration on readiness first, and responses later. This will give industry stronger evidence of the benefits of joint decision-making and will help to build trust

between MAF and industries through collaboration on activities that require only relatively small levels of investment.

In addition, the preferred approach is to ease industries' transition to cost sharing by offering a 60% reduction in industries' readiness cost shares for each of the first two years, a 40% reduction for the following two years, and a 20% reduction for the third two years. Where industries enter into agreements, responses will be fully Crown-funded for the first three years. The same discounts are offered for response activities when the Agreement comes into force for responses in 2014. The transitional reductions in industry's cost shares and their effect on the cost shares for activities where 50% of the benefit is received by industry and 50% by government, as an example, are detailed below:

	Industry cost share reduction		Cost shares for activities with 50% benefit to industry			
	Readiness	Response	Readiness		Response	
Year			Industry	Government	Industry	Government
2011	60		20	80	0	100
2012	60		20	80	0	100
2013	40		30	70	0	100
2014	40	60	30	70	20	80
2015	20	60	40	60	20	80
2016	20	40	40	60	30	70
2017	0	40	50	50	30	70
2018	0	20	50	50	40	60
2019	0	20	50	50	40	60
2020	0	0	50	50	50	50



Where industries do not enter into agreements and appear to be free-riding on the government's provision of an activity, cost shares may be compulsorily recovered. Once the agreement is available for signing, MAF should direct Crown resources towards activities that are being cost-shared and/or that provide significant public benefit.

### Timetable

Activity	Indicative date
Willing industries, assisted by MAF, consult their members to ensure there is adequate support to proceed and identify high priority risk organisms	Aug 2009 – April 2010
MAF and willing industries: <ul style="list-style-type: none"> <li>• negotiate the final agreement;</li> <li>• decide on readiness to undertake for high priority organisms;</li> <li>• agree on cost shares for readiness and responses for each organism</li> </ul>	April 2010 – Sept 2010
Willing industries consult their members to get approval to sign the final agreement, and put levies or other arrangements in place to fund readiness	Sept 2010 – March 2011
Agreement is signed by willing industries and comes into effect for readiness	March 2011
Agreement comes into effect for responses	April 2014

The contents of specific agreements will be periodically reviewed by Government and industry to ensure that only priority organisms are included in agreements. The performance of the overall joint government-industry agreements policy will be reviewed prior to June 2014 to see whether the agreements need to be improved. Given the uncertainty in the magnitude of the benefits available from this approach, a rigorous evaluation framework is essential at least to measure the benefits and costs, and to encourage industries' participation. Details of how joint agreements will be reviewed will be included further advice to be provided with the final agreement.

### CONSULTATION

Since 2005, MAF and primary industry bodies in the Surveillance and Incurion Response Working Group have been developing ideas on how to create a government and industry partnership for readiness and response.

A discussion paper was released in September 2007, and MAF consulted with stakeholders through to December 2007. MAF received 34 submissions. Most submitters were supportive of joint decision-making between government and industry as a way to improve the readiness and response system. Regional Councils, the Department of Conservation, and environment groups supported the concept so long as agreements did not undermine government's role to protect the public interest.

A sub-committee of the working group comprising representatives from industry and

MAF developed the draft agreement that forms the basis of the preferred option.

Although several industries were initially willing to consider cost-sharing, most industries now oppose cost-sharing. MAF considers that decision-making must be linked to cost-sharing in order to get accurate signals from industries on their priorities, to drive cost effective delivery of activities, and to enhance incentives to reduce biosecurity risks.

Industry proposed separating cost-sharing from decision-making at least until industry has a better idea of what gaps exist in biosecurity and how they can be filled. This issue has been addressed by focussing first on readiness activities because they require relatively low levels of financial contributions.

Industry representatives raised concerns that the CTO could undermine joint decision-making by making a unilateral decision to use Biosecurity Act powers contrary to an agreed response plan. Industry wondered whether some CTO powers could be delegated to industry decision-makers. This approach is not preferred because it would risk decisions being judicially reviewed on the grounds that an industry decision-maker has inherent bias. In addition to the legal costs, this would risk slowing or stopping responses.

Some industries suggested that industry should participate in decision-making for border activities. This cannot occur. To comply with international trade rules, government must set activities independently and must impose measures only to the extent necessary to protect human, animal, or plant life or health. The appropriate role for domestic industries is to have input through consultation.