

Biosecurity New Zealand

Tiakitanga Pūtaiao Aotearoa

Investing in Protecting the Border

Proposals to Update Cost Recovery for New Zealand's Biosecurity System

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1 OVERVIEW

Biosecurity protects our human health and environment, including our taonga (treasured) species, provides the platform for us to grow our economy through primary production, tourism and trade and maintains and enhances our way of life into the future. Cost recovery plays an important role in making sure that Biosecurity New Zealand has sufficient funding to maintain a robust biosecurity system.

Biosecurity New Zealand is consulting on three proposals to improve cost recovery arrangements in the biosecurity system. **The deadline for feedback is 5pm, 16 December 2019.** The proposals are summarised in Table 1.

Table 1: Summary of proposals for implementation from 1 July 2020

| Proposal | Rationale | Current rate/cap | Proposed rate/cap | Fee payer impact | Biosecurity NZ impact* |
|--|---|-------------------|--|------------------------------------|---|
| Increase BCL rate (non-cruise) | Update the levy rates to reflect increased investment needed in border clearance services. Update the maximum that can be levied (the cap) to provide appropriate headroom for future adjustments. | \$8.50 | \$10.16 | \$1.66 increase per passenger | \$12 m |
| Increase BCL cap (non-cruise) | | \$8.80 | \$12.00 | \$1.84 above proposed 2020/21 rate | Capacity to further invest up to \$14 m |
| Increase BCL rate (cruise) | | \$3.81 | \$5.15 | \$1.34 increase per passenger | \$0.4 m |
| <u>Decrease</u> BCL cap (cruise) | | \$17.90 | \$6.50 | \$1.35 above proposed 2020/21 rate | Capacity to further invest up to \$0.4m |
| Increase BSEL rate (combined) | | \$23.00 | \$27.00 | \$4 increase per consignment | \$6 m |
| Increase BSEL cap (combined) | | \$23.00 | \$35.00 | \$8 increase from 2020/21 rates | Capacity to further invest up to \$11 m depending on option |
| Increase biosecurity inspector fees | Update fees to ensure those using the services are charged the full cost and the rate reflects the increased investment needed since fees were last updated in 2015. | \$102.27 per hour | \$138.00 per hour | \$35.73 per hour increase | \$4 m |
| Total financial impact | | | Increases to meet current costs | | \$22.4 m |
| | | | Capacity for further investment** | | \$25.4 m |
| * Financial impact is per annum based on current volume growth assumptions | | | | | |
| ** Biosecurity New Zealand consults with key stakeholders prior to any decision to update rates within the caps. | | | | | |

BCL = Border Clearance Levy

BSEL = Biosecurity System Entry Levy

MAKING A SUBMISSION

We welcome submissions on the proposals contained in this document. We are seeking your views on all those proposals that interest you. All submissions must be received no later than **5pm on 16 December 2019**.

You can return your submission to:

Email: costrecovery@mpi.govt.nz
Mail: Cost Recovery Directorate
Ministry for Primary Industries
PO Box 2526
Wellington 6140

We encourage you to make your submission using the template available on the MPI website at: www.mpi.govt.nz/consultations. Please include the following information:

- the title of this discussion document
- your name and title
- your organisation's name (if you are submitting on behalf of an organisation) and whether your submission represents the whole organisation or a section of it
- your contact details (such as phone number, address and/or email).

Providing a submission is optional and not a legal requirement.

OFFICIAL INFORMATION ACT 1982

Submissions are official information and may be the subject of requests for information under the Official Information Act 1982 (OIA). The OIA specifies that information is to be available to requesters unless there is a good reason for withholding it.

Submitters may wish to indicate grounds for withholding specific information in their submissions, such as where they consider information is commercially sensitive or they wish personal information be withheld. We will consider these requests in accordance with the provisions of the OIA. Should we decide to withhold information on request, any such decision is reviewable by the Ombudsman.

GOODS AND SERVICES TAX (GST)

All of the proposals in this document describe fees and levies on a GST-exclusive basis. This approach means that regulated charges will still be valid in the event of any GST variations.

NEXT STEPS

All submissions received within the timeframe will be considered and used to inform final policy decisions in relation to these proposals. We aim to implement policy decisions from 1 July 2020.

We will undertake stakeholder engagement during the consultation period. If you would like to meet with us to discuss the contents of this document, or other matters related to cost recovery, please contact us by emailing costrecovery@mpi.govt.nz.

2 COST RECOVERY AT MPI

Cost recovery plays a significant role in ensuring that services critical to protecting New Zealand's food safety, biodiversity and the \$46.4 billion (2018/19) in primary industry exports annually are sufficiently funded. In 2018/19 approximately 30% (\$220 million) of MPI's departmental funding was from cost recovery through more than 300 fees and levies authorised under ten Acts.

Given the scope and significance of cost recovery, we have an ongoing work programme to ensure the systems and processes that support it remain fit for purpose. As part of this cost recovery, settings are reviewed annually to ensure they are fair and effective.

The scope and diversity of services MPI provides across different sectors means that it is not practical to adopt a 'one-size-fits-all' approach to cost recovery settings. Instead, we take a principles-based approach, as described in MPI's cost recovery policy guidance.¹ Further information about MPI's approach to cost recovery is set out in Appendix 1.

3 THE BIOSECURITY SYSTEM

BIOSECURITY IS FUNDAMENTALLY IMPORTANT TO NEW ZEALAND

Biosecurity New Zealand is the Ministry for Primary Industries' (MPI's) business unit that delivers the services that protect New Zealand from imported pests and diseases that pose a risk to the economy, environment, human health and social and cultural wellbeing.

The biosecurity system is based on activities across a range of inter-related areas – internationally, at the border and within New Zealand. These interconnected activities reduce or minimise the risk at different points on the many pathways into New Zealand – boats and ships, cargo, passengers, mail and environmental pathways (for example, wind and tidal currents).

Biosecurity New Zealand is the lead agency for the biosecurity system but all those involved are critical to its success. The system involves government, industry, māori and all New Zealanders working together to manage risks.

The Biosecurity Act 1993 underpins the biosecurity system

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. This includes:

- pre-border risk management and standard setting
- border management
- readiness and response
- long term pest management.

The Act provides for MPI to recover the costs of services that manage biosecurity risks. Most cost recovery in the biosecurity system is for services related to clearing travellers and goods at the border.

Current cost recovery under the Act is set out in the Biosecurity (Border Processing Levy) Order 2015, the Biosecurity (System Entry Levy) Order 2010 and the Biosecurity (Costs) Regulations 2010. Further information about these mechanisms is discussed within the relevant proposal below.

To ensure our biosecurity system remains robust and resilient, the Government recently announced a broad review of the Act, which will include a review of the cost recovery framework under it.²

While this review of the Act may result in changes to cost recovery settings, this document sets out three proposals targeting implementation from 1 July 2020. These changes are required now to enable required investment and to ensure the system remains fit for purpose.

¹ <https://www.mpi.govt.nz/dmsdocument/30855-ministry-for-primary-industries-cost-recovery-policy-guidance>.

² <https://www.beehive.govt.nz/release/big-changes-biosecurity-system>.

BIOSECURITY RISKS ARE GROWING IN SCALE AND COMPLEXITY

New Zealand is exposed to increasing biosecurity risk. The causes include increasing volumes and diversity of trade and tourism, climate change, population growth and increasing public and consumer expectations. There are a number of pressures that are increasing our biosecurity risks:

- Approximately seven million arrivals, including 3.9 million international visitors, crossed New Zealand's borders in 2018. This is expected to grow to 5.1 million international visitors in 2025.³ This places increasing pressure on biosecurity clearance services, particularly at our international airports.
- Global logistics networks are becoming increasingly sophisticated. For example, there has been strong ongoing growth in New Zealand consumers importing goods directly via the internet. The resulting growth in mail and courier parcels is exposing us to both more and different risks from pests and diseases and increases the complexity of risk profiling across these pathways.
- Climate change means pests and diseases that were not previously seen as a threat may be able to become established here. This could have serious implications for our native biodiversity, as well as the ability of the primary sector to access and be competitive in some overseas markets.
- Over the last few years there has been an increase in large biosecurity responses, including *Mycoplasma bovis*, *Bonamia ostreae*, Myrtle Rust and Queensland Fruit Fly. These require significant resources to contain, manage and eradicate. The estimated 10-year cost to eradicate *Mycoplasma bovis* alone is \$886 million.

Biosecurity New Zealand continues to invest in future-proofing the system

In recent years Biosecurity New Zealand has invested in the biosecurity system to ensure it continues to manage the growing scale and complexity of these risks.

While this has resulted in ongoing improvements, a recent independent review commissioned by MPI found that more needs to be done in response to the rapidly expanding range and intensity of biosecurity risks, combined with ongoing growth in travellers and goods crossing the border.⁴ Biosecurity New Zealand is working to make sure the system continues to be ready to respond to future challenges and take advantage of opportunities created by ever-evolving innovations in technology. This includes:

- working with other border sector agencies to make better use of intelligence, data analysis and risk-based profiling
- harnessing new tools and innovative technologies
- increasing public and business participation in the system.

As noted above a comprehensive review of the Biosecurity Act is under way. Key areas the review will cover include:

- the Act's overarching purpose and set of guiding principles
- how te ao Māori (the Māori world) is reflected in biosecurity regulation
- clear and consistent roles and responsibilities across the biosecurity system
- how the system is funded, including for biosecurity responses
- setting import requirements
- getting the right balance between enforcement and incentives
- filling gaps in the legislation that past biosecurity responses and other events revealed.

MAINTAINING COST RECOVERY FOR THE BIOSECURITY SYSTEM

It is important to ensure that cost recovery in the biosecurity system remains appropriate – that the costs to fund the investment required to meet future challenges are recovered in line with MPI's cost recovery policy guidance.

This document outlines three proposals for changes to current cost recovery settings in the biosecurity system, targeting implementation from 1 July 2020.

³ Ministry of Business, Innovation and Employment *New Zealand Tourism Forecasts 2019-2025*.

⁴ Rob Delane Consulting, *Independent Assurance Review of New Zealand's Biosecurity International Border Defences for Passenger and Mail Pathways*. April 2019.

4 PROPOSED CHANGES TO COST RECOVERY IN THE BIOSECURITY SYSTEM

PROPOSAL 1: CHANGES TO THE BORDER CLEARANCE LEVY

Background

The Biosecurity (Border Processing Levy) Order 2015, also known as the Border Clearance Levy (BCL), came into force on 1 January 2016. The BCL recovers the costs for Biosecurity New Zealand to manage biosecurity risks from international travellers.

Travellers arrive in New Zealand via air or sea. Around 95% of travellers cleared at the border are from commercial passenger airlines, with a further four percent from cruise ships. The remaining one percent includes commercial non-passenger craft, such as cargo ships, private aircraft, yachts and the military. Around 45% of arriving passengers are New Zealanders.

Travellers pay the BCL as part of their air or cruise ticket price. The New Zealand Customs Service (Customs) collects the levy for these travellers on behalf of MPI from the air and cruise industry. The BCL is billed to the registered craft owner for private marine craft, such as yachts.

Levy rates for biosecurity services are set as prescribed in the BCL. The levies are based on forecast border processing costs and traveller volumes, as well as any deficit or surplus from the previous period. Some under- or over-recovery of costs is likely because rates are set based on forecasts. Biosecurity New Zealand uses a memorandum account⁵ to track whether border services are operating at a surplus or deficit.

The BCL includes two rates – one for travellers arriving by cruise ship and one for all others (essentially those arriving by commercial flight).

The Director-General can reset the levy rate, provided it remains below the maximum rate specified in the BCL (the cap). The rates can be set based on one-, two- or three-year periods. This provides flexibility to increase or reduce the levy rates if under- or over-recovery is forecast. Increases above the cap require government agreement and amendment to the BCL. Table 2 sets out the current rates and caps specified in the BCL.

Table 2: Current BCL rates for biosecurity services

| | Rate | Cap |
|-------------------|--------|---------|
| Non-cruise | \$8.50 | \$8.80 |
| Cruise | \$3.81 | \$17.90 |

What services are being provided?

The services being provided are unchanged. The BCL funds services related to border clearance to manage biosecurity risks for all travellers arriving in New Zealand. These include assessment of arrival documentation against biosecurity requirements, verification for compliance and detector dogs and x-ray searches as required. Further information about the activities the BCL covers is set out in the latest annual performance report for the BCL.⁶

Charging arriving travellers is equitable as they create the biosecurity risk that the services funded by the levy are in place to manage. A flat charge on all international travellers⁷, collected through their tickets, is administratively efficient and ensures that collectively they meet the costs of border clearance services.

⁵ Memorandum accounts record expenditure, revenue and the balance of surpluses and deficits from fees and charges.

⁶ Border Clearance Levy Performance report for the year to 30 June 2018 – <https://www.mpi.govt.nz/dmsdocument/33825/send>.

⁷ The BCL Order sets out those travellers who are exempt from paying the levy.

What’s the problem and why?

Over the last few years Biosecurity New Zealand has invested to maintain and improve border services for travellers, particularly through continued investment in technology and staff capability. While this has allowed robust and efficient clearance services to be maintained, more investment is planned to future-proof this key part of the biosecurity system.

The need for ongoing investment was highlighted in a recent independent review of New Zealand’s biosecurity system for passenger and mail pathways.⁸ For example, the review recognised the need to ensure the physical and digital infrastructure keeps pace with the changing nature of travel and trade, noting that although this is not peculiar to New Zealand “*there is relatively more at stake due to New Zealand’s greater reliance of the national and regional economies on industries and businesses vulnerable to biosecurity threats*”.

As part of this, the report stated that “*ongoing (recurrent) investment in improving information systems is mission-critical so that they can keep pace with, or even drive, improved border intervention*”. Biosecurity New Zealand recognises this and is investing in testing new scanning technology for luggage that will provide a step-change improvement in managing biosecurity risks for arriving air travellers. This will improve both the biosecurity outcomes and the customer experience. The forecast costs to manage travellers arriving through this pathway includes this ongoing investment.

Biosecurity New Zealand is also working to ensure that the services it provides remain cost-effective. For example, it has implemented significant changes to the process to clear passengers arriving by cruise ship. As a result the costs to clear travellers arriving by cruise ship have reduced. At the same time it has led to improved biosecurity outcomes.

The memorandum account for the BCL moved into deficit during the 2018/19 year, sooner than forecast when the current rates were set. Based on current forecasts this deficit is expected to increase during 2019/20.

What is Biosecurity New Zealand proposing to change?

We propose two changes:

- increasing the levy rates to fully recover the forecast costs of border biosecurity for international travellers
- resetting the maximum levy rates (caps), to provide an appropriate level of flexibility to adjust the rates if required in future, using the normal process set out in the BCL.

Table 3 sets out the current and proposed rates and caps for both cruise and non-cruise travellers arriving in New Zealand. The rates are calculated by dividing the total forecast costs of the border biosecurity services by the estimated volume of travellers arriving via each pathway, taking any over- or under-recovery in earlier levy periods into account. The proposed rates are based on a one-year levy period (ie, fully recovering the forecast costs of providing the services in 2020/21) but spreading the recovery of the deficit over two years.

Table 3: Current and proposed BCL rates for biosecurity services

| | Current | | Proposed | |
|-------------------|---------|---------|----------|---------|
| | Rate | Cap | Rate | Cap |
| Non-cruise | \$8.50 | \$8.80 | \$10.16 | \$12.00 |
| Cruise | \$3.81 | \$17.90 | \$5.15 | \$6.50 |

Based on the forecast revenue and expenditure and taking the memorandum account balance into account, the rate required to fully recover the costs of border biosecurity services from 2020/21 is expected to be \$10.16 for non-cruise and \$5.15 for cruise arrivals. The proposed rate for the non-cruise pathway is \$1.36 higher than the current cap in the BCL of \$8.80. The proposed rate for the cruise pathway is substantially below the current cap of \$17.90.

Decreasing the cruise cap recognises that changes to passenger processing have resulted in significant ongoing savings. Increasing the non-cruise cap will provide headroom to enable the levy to

⁸ Rob Delane Consulting, *Independent Assurance Review of New Zealand’s Biosecurity International Border Defences for Passenger and Mail Pathways*. April 2019.

be adjusted if required in future – it allows for variation to forecasts and some potential future investment required to maintain the system.

Table 4 shows the expenditure for biosecurity services funded by the BCL for 2018/19, along with forecast expenditure for the next three years. It also shows revenue for the same years, based on forecast arrival volumes and the proposed new levy rates from 2020/21.

Table 4: Forecast arrival volumes, expenditure and revenue (\$m) and proposed rates (\$) for border biosecurity services for travellers

| | 2018/19 Actual | 2019/20 Forecast | 2020/21 Forecast | 2021/22 Forecast |
|---------------------------------|-------------------|---------------------|---------------------|---------------------|
| Arriving passengers (m) | 7.176 | 7.432 | 7.722 | 8.053 |
| Rate per passenger (\$) | Current | | Proposed | |
| Non-cruise | 7.30 | 8.50 | 10.16 | 10.16 |
| Cruise | 5.34 | 3.81 | 5.15 | 5.15 |
| Expenditure (\$m) | | | | |
| Non-cruise | 63.28 | 66.12 | 69.66 | 71.28 |
| Cruise | 1.30 | 1.34 | 1.37 | 1.41 |
| Total expenditure | 64.58 | 67.46 | 71.04 | 72.69 |
| Revenue (\$m) | | | | |
| Non-cruise | 50.38 | 60.77 | 75.45 | 78.68 |
| Cruise | 1.47 | 1.08* | 1.52 | 1.59 |
| Total revenue | 51.85 | 61.85 | 76.97 | 80.27 |
| Surplus/(deficit) (\$m) | | | | |
| | (12.73) | (5.61) | 5.94 | 7.58 |
| Closing balance ** (\$m) | | | | |
| | (8.00) | (13.61) | (7.68) | (0.09) |

*The revenue for cruise is based on forecast arrivals of approximately 300,000 per year.

** The closing balances exclude the Crown component of \$2.5 million surplus.

The proposed caps create an approximately 20% buffer above the proposed rates. This provides the Director-General some flexibility to reset the levy rates in future years through the normal process set out in the BCL. The Director-General would consult with key stakeholders on any proposed reset.⁹

Further information on the volumes, revenue, expenditure, assumptions and cost break downs is included at the end of this proposal.

What is Biosecurity New Zealand trying to achieve through this proposal?

The objectives of this proposal are to:

- ensure that the costs of biosecurity services for arriving international travellers reflect the cost of providing them (including taking account of past under-recovery)
- provide some headroom for the Director-General to update the BCL rates in future, if an increase is required for increased costs or planned investment to maintain and improve border clearance services.

Updating the levy rates will ensure that travellers who generate the costs of biosecurity border clearance make a fair contribution. Having different rates and caps for the cruise and non-cruise pathways is equitable, as it reflects the different costs for each pathway.

Providing some headroom for the Director-General to update the rate will maintain administrative efficiency. The process is simpler and less time consuming than returning to Cabinet to amend the

⁹ Although not required under the BCL, Biosecurity New Zealand has agreed with key industry stakeholders that any proposed rate changes will be consulted on prior to any decision to update the rate.

BCL each time the rate needs to change, while placing an appropriate constraint on how far the rate can be raised.

What impact will this have on people who pay these fees and on Biosecurity New Zealand?

Impact on levy payers

The proposed rate increase will have an impact on all travellers arriving in New Zealand. This impact is expected to be minimal. The marginal increase of the proposed levy rate is \$1.66 and \$1.34 for non-cruise and cruise pathways respectively. Any further increase in future years under the proposed cap would be up to a maximum of \$1.84 and \$1.35 respectively.

The BCL is one of a number of government charges on arriving travellers. Further information about other charges is set out in Appendix 2. The charges include the new International Visitor Levy (IVL), which came into force on 1 July 2019. The majority of international visitors entering New Zealand are charged the \$35 IVL, which is invested in sustainable tourism and conservation projects.

The Ministry of Business, Innovation and Employment's (MBIE's) *New Zealand Tourism Forecasts 2019-2025*, published in May 2019,¹⁰ states that the industry committee contributes to the forecasting process agree that the IVL is expected to have relatively little impact on overall visitor volumes and any impact would be within the margin of error of the forecasts.

The much smaller proposed increase to the BCL rates, combined with the range of factors that can influence demand,¹¹ suggests that the proposed increase would have negligible, if any, effect on individual travel decisions.

Impact on Biosecurity New Zealand

The importance of sufficient funding to maintain investment in border biosecurity was highlighted in the recent independent review of New Zealand's biosecurity system for passenger and mail pathways. The increased levy rates are forecast to provide an additional \$11 million per annum from 1 July 2020. Taking into account planned investment, and the memorandum account deficit, this will enable full cost recovery for this critical component of the biosecurity system.

The proposed rates will also allow the memorandum account to track towards zero over a two-year period. Biosecurity New Zealand will continue to monitor how the balance is tracking within the memorandum account and the levy rate will be reset if required. In addition to expenditure increasing (forecast at 2.8% per annum) the proposed rates take account of the forecast deficit of \$13.6 million by June 2020 (Table 4). The proposed \$1.66 and \$1.34 rate increases (non-cruise and cruise pathways respectively) include recovering this deficit over two years. Once returned, this cost would not be included in forecast rates.

Resetting the caps allows some flexibility for the Director-General to make adjustments to the BCL rates without requiring decisions from Ministers. The proposed \$12 cap for the non-cruise pathway provides for an additional \$14 million to be recovered. The proposed \$6.50 cap for the cruise pathway provides for an additional \$0.4 million. Inside the cap the rates are set using the prescribed formula and before making a decision to change rates the Director-General would consult with key stakeholders.

Reducing the cap for the cruise pathway reflects ongoing cost savings as a result of Biosecurity New Zealand implementing significant improvements to processing cruise travellers. These significant process improvements have reduced expenditure and improved biosecurity outcomes.

¹⁰ New Zealand Tourism Forecasts 2019-2025, Ministry of Business, Innovation and Employment. May 2019.

¹¹ Factors that influence travel decisions include the exchange rate, and therefore the costs for travel and tourism while in New Zealand, the strength of the visitor's home economy, reasons for travel, such as visiting friends and family, or business.

What alternatives did Biosecurity New Zealand consider?

One alternative is not to change the levy rates or caps. This would mean that the costs of providing border clearance for travellers are not fully recovered, which is inequitable. It would also limit the ability of Biosecurity New Zealand to continue to invest in maintaining and improving border biosecurity services, which could create risks to our biosecurity status.

Increasing the current rates within the current caps specified in the BCL is also possible. While this would allow full cost recovery for the cruise pathway, it would mean the full costs are not recovered for the approximately 96% of travellers arriving via the non-cruise pathway, which is inequitable.

How and when will the changes take place?

Changes in this proposal will be implemented through amendments to the Biosecurity (Border Processing Levy) Order 2015. If progressed, the Order would be amended so that from 1 July 2020 the proposed levy rates and new cap would come into force.

MPI will continue to monitor the financial performance and cost drivers of the levy annually and make adjustments if necessary.

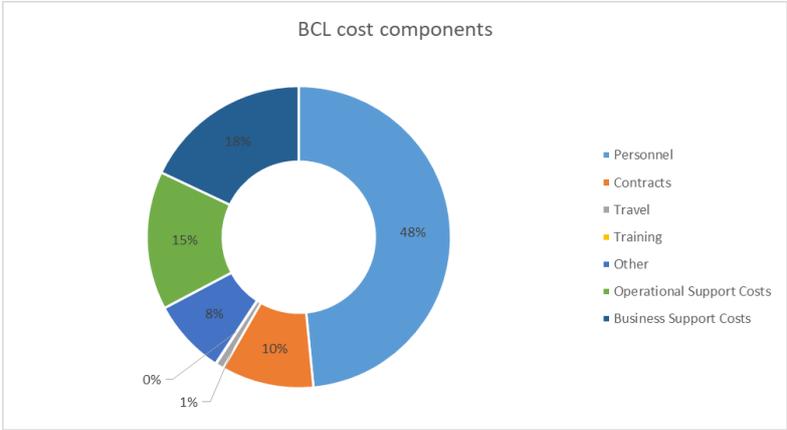
Additional information on cost and drivers

What does it cost Biosecurity New Zealand to deliver the services required to clear people arriving in New Zealand?

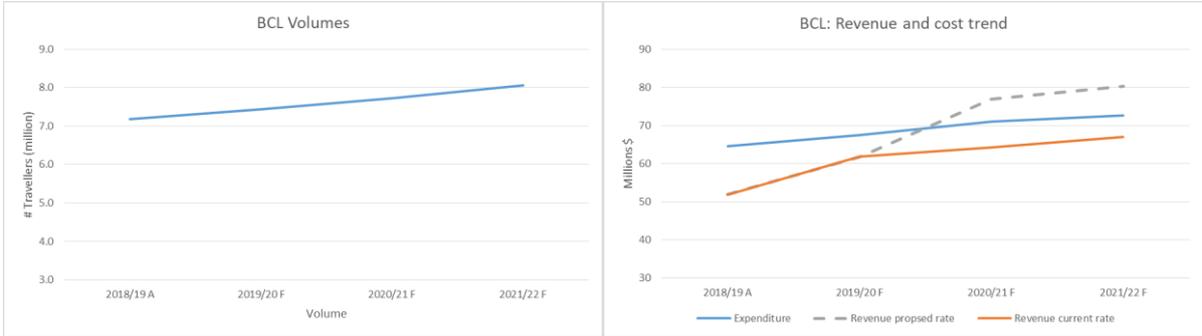
These services are forecast to cost approximately \$71 million annually in 2020/21. It is currently forecast that memorandum account balances associated with these services will have a deficit of \$13.61 million by June 2020.

What's driving Biosecurity New Zealand's costs?

The main cost drivers for clearing travellers entering New Zealand are personnel costs, along with operational and business support costs, as set out below.



In calculating the proposed rates, Biosecurity New Zealand has assumed that the number of travellers subject to the BCL will increase over the next four years. Taking into account planned investment, we also expect expenditure to grow, which under the status quo will result in an ongoing accumulating deficit (see graphs below).



Further information on the performance of the BCL, including information on costs and drivers, is provided in the joint Biosecurity New Zealand/Customs report – *Border Clearance Levy: Performance report for the year to 30 June 2018*.¹²

Questions

1 Do you agree that the levy rates for biosecurity services to clear travellers at the border should be increased to fully recover the forecast costs?

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Agree | Disagree | No opinion |

2 What are the reasons for your opinion?

3 What impact will the proposed levy rates have on you?

| | | | | | |
|-----------------------------|--------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Significant negative impact | Negative impact | No impact | Positive impact | Significant positive impact | Don't know |

4 Please describe any impact and quantify this if possible.

5 Do you agree that the maximum levy rates (caps) should be reset as proposed?

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Agree | Disagree | No opinion |

6 What are the reasons for your opinion?

7 Are there any other issues associated with the proposal you think Biosecurity New Zealand should be aware of?

¹² Border Clearance Levy Performance report for the year to 30 June 2018 – <https://www.mpi.govt.nz/dmsdocument/33825/send>

PROPOSAL 2: CHANGES TO THE BIOSECURITY SYSTEM ENTRY LEVY

Background

The Biosecurity System Entry Levy Order 2010 (BSEL) recovers Biosecurity New Zealand's costs associated with the clearance of imported goods at the border. The BSEL is collected on all imported goods that have an import entry or equivalent documentation lodged with Customs.

Under the BSEL levy rates for biosecurity services are set based on forecast border processing costs, as well as any deficit or surplus from the previous period. Because rates are set based on forecasts some under- or over-recovery of costs is likely. MPI uses a memorandum account to track whether border services are operating at a surplus or deficit.

The BSEL requires the levy rate to be set annually according to a specific formula. The Director-General of MPI may reset the BSEL annually by notice in the Gazette, provided that it remains below the maximum rate (the cap) specified in the BSEL, which is currently \$23. The BSEL rate was set at the cap on 1 July 2019 to maintain the level of service delivery and increase biosecurity investment at the border (including additional cargo scanners). Increases above the cap require government agreement and amendment to the BSEL.

What services are being provided?

The BSEL recovers the costs MPI incurs to manage biosecurity risks posed from the importation of all consignments into New Zealand. For around 95% of consignments the requirement to lodge an import entry is triggered by the consignment attracting customs duties of \$60 or more (this equates to a threshold of approximately \$400 in value).

From 1 December 2019 this value threshold will increase to \$1,000. As a result importers of goods valued at, or below, \$1,000 will no longer be liable to pay the BSEL. The Crown has replaced this forgone revenue to June 2020, until a sustainable funding solution can be found (see Table 5 below).

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 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.

Costs are recovered for the following activities:

- some surveillance activities
- data collection and analysis
- primary screening
- fifteen minutes of secondary risk assessment per consignment
- intervention monitoring programmes
- movement of consignments
- administration and collection of the levy.

The BSEL is paid by importers of goods. Charging importers is appropriate because they create the biosecurity risk that services funded by the BSEL are designed to manage. Importers are also the direct beneficiaries of the services that allow them to bring their goods into New Zealand. Charging the importer also supports efficiency, as it provides incentives for importers to take steps to reduce risk, which avoids extra inspection charges.

The levy is predominantly charged per consignment¹³ and every importer receives broadly the same level of service from Biosecurity New Zealand. This means that parties that import more consignments will pay more of the levy. This is equitable as it ensures that those that benefit more and create more risk pay more of the costs.

What's the problem and why?

Since the BSEL was last reset, the costs of providing biosecurity services at the border have increased and this is expected to continue. The increase is primarily owing to anticipated additional investment in the resources and infrastructure required to manage increasing volumes of

¹³ For goods recorded on Inward Cargo Reports (ICRs) the BSEL is charged per report. This accounts for approximately 5% of BSEL charged. An ICR may have several thousand small consignments.

consignments and emerging and increasingly diverse risks. While investment to date has allowed robust and efficient clearance services to be maintained, more investment is planned to future-proof this part of the biosecurity system.

Based on estimates for 2020/21 the costs of providing these services means that the BSEL rate would exceed the current cap by \$4.00. Table 5 shows the expenditure and revenue (\$m) for services funded by the BSEL for 2018/19, along with forecast expenditure for the next three years. It also shows revenue for the next three years, based on forecast volumes and the proposed \$27.00 rate from July 2020/21.

Table 5: Forecast expenditure, revenue and rates for border biosecurity services for cargo

| | 2018/19 Actual | 2019/20 Forecast | 2020/21 Forecast | 2021/22 Forecast |
|--------------------------------|-------------------|---------------------|---------------------|---------------------|
| <i>Levied consignments</i> | 1.782 | 1.555 | 1.384 | 1.415 |
| <i>Crown (LVG)*</i> | | 0.278 | 0.504 | 0.531 |
| <i>Total consignments (m)</i> | 1.782 | 1.833 | 1.888 | 1.946 |
| Total expenditure (\$m) | 36.80 | 42.41 | 46.31 | 47.88 |
| | Current | | Proposed | |
| BSEL rate (including JBMS) | 20.36 | 23.00 | 27.00 | 27.00 |
| Revenue (\$m) | | | | |
| BSEL | 35.78 | 35.36 | 37.01 | 37.84 |
| Crown (LVG)* | - | 6.99 | 12.52 | 11.82 |
| Total revenue (\$m) | 35.78 | 42.35 | 49.53 | 49.66 |
| Surplus/(deficit) | (1.02) | (0.06) | 3.22 | 1.78 |
| Closing balance (\$m) | (3.47) | (3.53) | (0.30) | 1.47 |

*The forecast expenditure and revenue account for the impact of the low-value goods (LVG) policy from 1 December 2019: <https://taxpolicy.ird.govt.nz/publications/2019-ir-cab-dev-19-sub-0153/overview>.

What is Biosecurity New Zealand proposing to change?

The proposed BSEL rate

We propose to increase the BSEL rate to fully recover forecast costs for the next levy period, including the JBMS component. The levy rate is calculated by dividing the total costs of these activities by the estimated volume of leviable importations. The calculation also takes into account any surplus/deficit in the year immediately preceding the new levy year (reflected in the balance of the memorandum account). Table 6 sets out the proposed BSEL rate for 2020/21 of \$27.00. No change is proposed to the JBMS component. The proposed rate is forecast to generate an additional \$5.6 million per year.

Table 6: Proposed BSEL rates (\$)

| | 2019/20 | 2020/21 | Change | Percent change | Impact pa |
|------------------------------|--------------|--------------|-------------|----------------|-----------------|
| BSEL (excluding JBMS) | 17.88 | 21.88 | | | |
| JBMS component | 5.12 | 5.12 | | | |
| BSEL | 23.00 | 27.00 | 4.00 | 17% | \$5.60 m |

The proposed BSEL cap

To enable an increase to the BSEL rate, we need to increase the cap prescribed in the BSEL. We are proposing two options based on providing headroom for additional investment of \$4.2 million or \$11 million annually above the amount recovered based on a \$27.00 rate from 1 July 2020.

Table 7: Options for cap

| | Option 1 | Option 2 (preferred) |
|------------------------------------|---------------|-------------------------|
| % above proposed BSEL rate \$27.00 | 11% | 30% |
| Proposed cap | \$30 | \$35 |
| Additional investment | \$4.2 million | \$11 million |

Note: Additional investment is based on an estimate that a \$1 increase to the BSEL results in approximately \$1.4 million of additional revenue per year.

The two options for the cap will create an approximately 11% and 30% buffer above the proposed 2020/21 rates. The preferred option is the \$35.00 cap (Option 2). This would provide the Director-General some flexibility to reset the levy rates in future years through the normal process set out in the BSEL. The buffer allows for variation from forecasts and for the potential future investment required to maintain the system. This should provide sufficient headroom in the cap to avoid further changes to the BSEL in the medium term.

Resetting the cap now will help ensure there are not delays to funding any future investment needed to ensure the biosecurity system remains fit for purpose. Any proposed changes to the rate in future levy periods, within the cap, would be consulted on with relevant industry members.

What is Biosecurity New Zealand trying to achieve through this proposal?

The services funded through the BSEL have not changed. We want to ensure the correct amount is paid by importers for the clearance of goods at the border. We also want to ensure that the cap allows for the anticipated future adjustments to the BSEL to ensure the costs of managing the risks created by the importation of goods can be adequately funded. Raising the cap in the BSEL provides flexibility for the Director-General to make adjustments to rates without requiring decisions from Ministers. This is an administratively efficient way of making sure the BSEL remains fit for purpose in the medium term and border biosecurity services protect the border from pests and diseases.

What impact will this have on people who pay these fees and on Biosecurity New Zealand?

Impact on levy payers

Increasing the BSEL rate will affect all importers of goods. Table 6 shows the change in rate per consignment, eg, single good or container of goods, would be \$4.00. The maximum increase in future under the proposed cap options would be a further \$3.00 or \$8.00 above the proposed rate.

This is unlikely to have a material impact on importers, the majority of whom are businesses importing in bulk, as the BSEL is only payable per consignment rather than on the individual good or package within each consignment. Volumes of imports are also unlikely to be affected as the proposed increase per consignment is minor compared to the value of imported goods.

The public who import individual goods from overseas are subject to the BSEL if they attract Customs duty (goods valued at \$1,000 or over from 1 December 2019).¹⁴ For those required to pay the BSEL it will still represent the smallest portion of the total fees and duties payable. The proposed \$4.00 increase equates to 0.4% of the \$1,000 threshold and is not expected to have a material impact on their import decisions.

The BSEL is one of a number of government charges on importers of goods. Further information about these other charges is set out in Appendix 2.

¹⁴ This threshold is currently \$400 but will increase to \$1,000 on 1 December 2019.

Impact on Biosecurity New Zealand

The proposed \$4.00 increase is forecast to provide an additional \$5.6 million per annum to fund biosecurity services from 1 July 2020. Taking into account planned investment and the memorandum account deficit, this will enable full cost recovery for this critical component of the biosecurity system.

The proposed rates will see the memorandum account balance track towards zero (with a small surplus forecast) over two years. Biosecurity New Zealand will continue to monitor how the balance is tracking and the levy rate will be reset if required.

Raising the cap provides flexibility for the Director-General to make adjustments to the BSEL rates without requiring decisions from Ministers. The two options for the proposed cap would allow approximately \$4 million (\$30.00 cap) or \$11 million (\$35.00 cap) additional investment per annum. Any proposed changes to the rate in future levy periods, within the cap, would be consulted on with relevant industry members.

What alternatives did Biosecurity New Zealand consider?

a) Maintain status quo for another year

Maintaining the status quo by waiting another year before increasing the BSEL is not technically permitted under the current BSEL Order because the formula prescribed for the levy includes the estimated annual expenditure. Recent investments have been made at the border to reduce biosecurity risk (frontline staff, infrastructure and technology). The only way to avoid an increase to the BSEL in 2020/21 is for MPI to reduce expenditure attributable to the levy, through reduction in frontline staff.

b) Increase the BSEL but only to the current cap

The BSEL is currently set at the maximum threshold.

How and when will the changes take place?

Changes in this proposal would be implemented through amendment to the Biosecurity System Entry Levy Order 2010. If this proposal is progressed, the Order would be amended to increase the cap and the levy rate from 1 July 2020.

MPI will continue to monitor the financial performance and cost drivers of the levy annually and make adjustments if necessary.

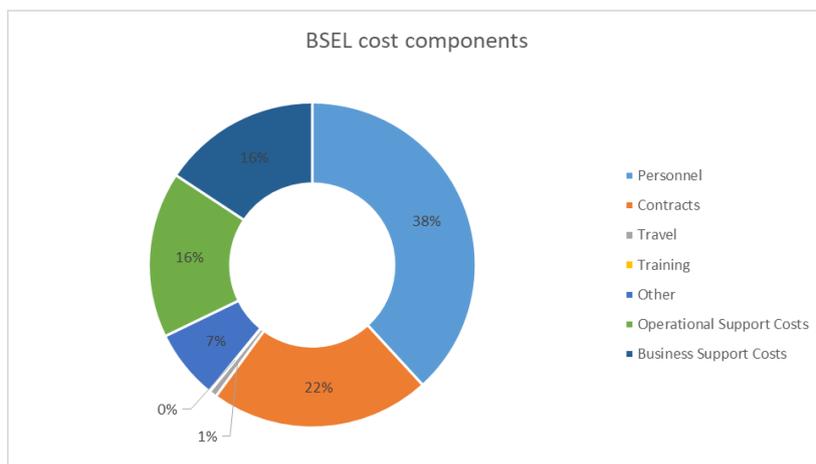
Additional information on cost and drivers

What does it cost Biosecurity New Zealand to deliver the services required to clear goods entering New Zealand?

These services are forecast to cost approximately \$46.3 million annually in 2020/21. It is currently forecast that memorandum account balances associated with these services will have a deficit of \$3.5 million by June 2020.

What's driving Biosecurity New Zealand's costs?

The main cost drivers for clearing goods are personnel and contract costs (below).



Based on historic growth we anticipate an increase in the volume of these services over the next three years. Consistent with this, and taking into account planned investment, we also expect expenditure (and revenue) to grow, which under the status quo will result in a deficit. The proposed new rate is forecast to generate a surplus of approximately \$1.5 million by June 2022 (see graphs below).



Questions

1 Do you agree that the levy rate for biosecurity services to clear goods at the border should be increased to fully recover the forecast costs?

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Agree | Disagree | No opinion |

2 What are the reasons for your opinion?

3 What impact will the proposed levy rate have on you or your business?

| | | | | | |
|--------------------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Significant negative impact | Negative impact | No impact | Positive impact | Significant positive impact | Don't know |

4 Please describe any impact and quantify this if possible.

5 Which option for the maximum levy rate (cap) do you prefer? Please tick one.

| | |
|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> |
| \$30 | \$35 |

6 What are the reasons for your opinion?

7 Are there any other issues associated with the proposed levy rate and cap (either option) that you think Biosecurity New Zealand should be aware of?

8 Are there any other issues with the way the BSEL is operating generally that you think Biosecurity New Zealand should be aware of?

PROPOSAL 3: UPDATES TO A NUMBER OF FEES FOR BORDER BIOSECURITY SERVICES

What services are being provided?

The services being provided are unchanged. The Biosecurity (Costs) Regulations 2010 (the Regulations) set the fees for a range of services provided to third parties by Biosecurity New Zealand, including:

- inspection of imported biosecurity risk goods, including unaccompanied personal baggage and effects, used vehicles and machinery
- inspection of offshore craft and shipping containers that do not meet entry requirements
- testing, treatment, destruction and disposal of risk goods
- call-outs and other work outside standard working hours, travel and waiting time for MPI inspectors to carry out biosecurity clearance activity
- monitoring controls on new organisms in containment facilities
- approval and audit of transitional and containment facilities and facility operators
- approval of permits issued under Import Health Standards.

Biosecurity New Zealand currently recovers approximately \$13.7 million annually through these fees, which were last updated in 2015. Most of the fees are variable charges based on the amount of time it takes to perform the service, with the hourly cost associated with the person performing it. There are two hourly rates that form the basis of most of the fees: the general inspector and biosecurity adviser rate of \$102.27 per hour and the veterinary inspector rate of \$186.30 per hour.

There are also a number of fixed fees. These were generally set based on the standard minimum time it takes to perform the service, and an additional amount to cover travel. A number of the fixed fees provide for additional time to be charged at the hourly rate.

What's the problem and why?

Costs should be recovered to meet the reasonable costs of providing services. Since the fees were updated in 2015 the operating environment has changed significantly. This includes growth in diversity of consignments crossing the border, resulting in increasing complexity and emerging biosecurity risk pathways.

This has required increased investment to maintain the integrity of the border clearance system. A key part of this has been the significant investment in personnel, reflecting the importance of recruiting, training and retaining the right people to make sure that Biosecurity New Zealand maintains a world-class biosecurity system.

If the fees are not updated, fee payers will be paying less than required to fully recover costs. In line with the cost recovery principles in the Act and best practice guidance, it is equitable for services to be fully cost recovered from users creating risks the service is designed to manage ('risk exacerbators').

Table 8 below shows the expenditure and revenue for services cost recovered through these fees (actuals for 2018/19 and forecast for the following four financial years. The revenue forecasts include the proposed rate from 2020/21).

Table 8: Expenditure, revenue and closing balance for biosecurity services for goods

| \$ million | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---------------------------------|---------|----------|----------|----------|----------|
| | Actual | Forecast | Forecast | Forecast | Forecast |
| Expenditure | 16.57 | 17.38 | 16.54 | 17.47 | 18.45 |
| Revenue at current rate | 13.34 | 13.69 | | | |
| Revenue at proposed rate | | | 18.79 | 19.26 | 19.74 |
| Surplus/(deficit) | (3.23) | (3.69) | 2.25 | 1.79 | 1.29 |
| Closing balance | (1.37) | (5.06) | (2.81) | (1.02) | (0.27) |

What is Biosecurity New Zealand proposing to change?

We propose updating fees in the Regulations that are based on the \$102.27 hourly rate to be based on \$138.00 per hour. This includes updates to both fixed and variable fees.

To provide consistency with other areas in MPI we propose re-setting fixed fees (apart from approvals for transitional facilities) based on a standard time to complete the service, including travel time. For transitional facility approvals, we propose re-setting the fixed fee to be based on the standard time to complete the service and a separate charge for travel, as specified in Regulation 8.

No change is proposed to fees based on the veterinary inspector hourly rate (currently \$186.30). This rate is for MPI veterinarians who work primarily in the food system – for example, providing services related to export of live animals under the Animal Products Act 1999.¹⁵

A full list of services and fees this proposal applies to, including the current and proposed fees, is set out in Appendix 3.

What is Biosecurity New Zealand trying to achieve through this proposal?

The objectives of these proposals are to address equity and efficiency by:

- ensuring charges for services reflect the costs of providing them (equity)
- ensuring services provided are fully cost recovered (equity)
- promoting consistency by using a common approach to fees for services of a similar nature and cost structure (efficiency).

What impact will this have on people who pay these fees and on Biosecurity New Zealand?

For these services Biosecurity New Zealand is forecast to recover around \$ 14.1 million in 2020/21 at current rates. Under the proposal this would increase by 33% to \$18.7 million, driven by the increase in hourly rate from \$102.27 to \$138.00.

Individual fee payers will incur an additional cost per service. However, this is not expected to have a material impact on industry or business-level profitability, drive behavioural change by those affected or have an influence on industry dynamics.

What alternatives did Biosecurity New Zealand consider?

Leaving these fees unchanged is an option. However, this would mean that Biosecurity New Zealand continues to under-recover the costs of service delivery, which is inconsistent with the principles of equity and efficiency. Not fully recovering the costs for these services may also limit Biosecurity New Zealand's ability to manage biosecurity risks at the border in future years.

How and when will the changes take place?

Changes for the above proposals will be through amendments to the Biosecurity (Costs) Regulations 2010, with effect from 1 July 2020.

Additional information on cost and drivers

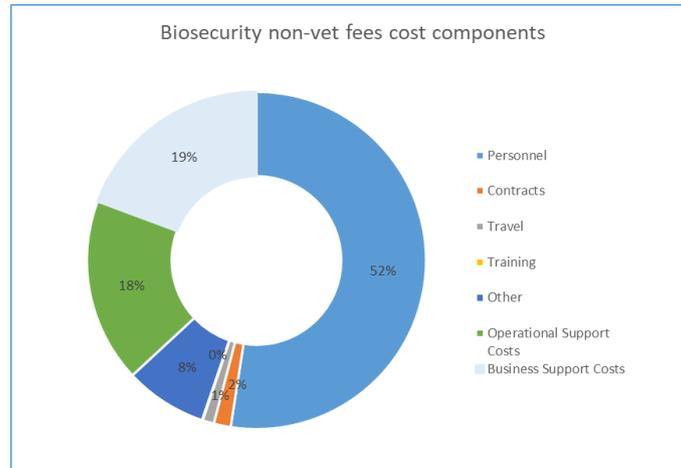
What does it cost Biosecurity New Zealand to deliver these services?

These services are forecast to cost approximately \$16.54 million in 2020/21. It is currently forecast that memorandum account balances associated with these services will have accumulated a deficit of \$5.06 million in July 2020. The proposed hourly rate is expected to prevent this from increasing and for the balance to trend towards zero over three years (Table 8 above).

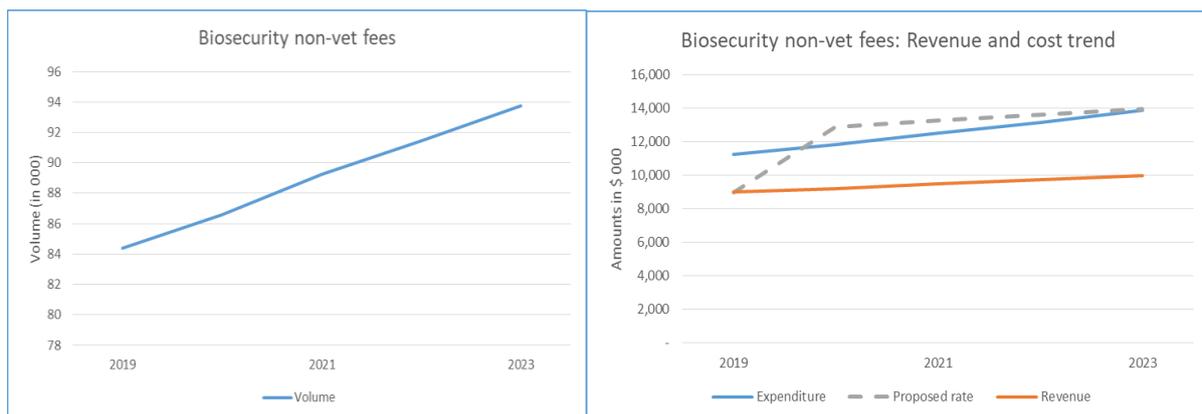
¹⁵ We also propose: reducing the hourly rate for technical staff to provide support for the delivery of specialist services from \$155 per hour to \$135.00 per hour. This will align this rate with a range of similar services across MPI, which were updated from 1 July 2019; and updating the per kilometre travel cost charge from 67 cents per kilometre to 79 cents per kilometre, in line with the rate for 2018/19 published by Inland Revenue - <https://www.ird.govt.nz/topics/income-tax/day-to-day-expenses/vehicle-running-costs/kilometre-rates-for-business-use-of-vehicles-2018-2019-income-year>.

What's driving Biosecurity New Zealand's costs?

The main cost drivers for services covered in this proposal are personnel costs, along with business and operational support costs (below).



Based on historic growth we anticipate an increase in the volume of instances of these services over the next three years. Consistent with this we also expect expenditure and revenue to grow, which under the status quo will result in an ongoing accumulating deficit (see graphs below).



Questions

1 Do you agree with the proposed fee updates?

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Agree | Disagree | No opinion |

2 What are the reasons for your opinion?

3 What impact will the proposed fee updates have on you or your business?

| | | | | | |
|-----------------------------|--------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Significant negative impact | Negative impact | No impact | Positive impact | Significant positive impact | Don't know |

4 Please describe any impact and quantify this if possible.

5 Are there any other issues with approval and related fees that you think MPI should be aware of?

5 APPENDIX 1: MPI'S APPROACH TO COST RECOVERY

Cost recovery is an important part of MPI's funding arrangements. It involves charges (usually fees or levies) to recoup the costs of providing services to individuals, businesses or other entities. Cost recovery is only undertaken where there is a lawful authority provided for in legislation or in some cases on a contractual basis.

MPI recovers costs associated with activities and services that deliver outputs. Our charges do not generally seek to recover costs or reflect benefits associated with the wider outcomes a service may contribute to.

Guiding principles

Four key principles guide our approach to cost recovery – equity, efficiency, justifiability and transparency. These four principles, described below, are the criteria that have been used to assess options in the proposals set out in this discussion document and are common features in most legislation that authorises us to recover costs:

- *Equity* – services should be funded from users that benefit from the service or users that create risks that the service is designed to manage ('risk exacerbators').
- *Efficiency* – costs should be charged to ensure that maximum benefits are delivered at minimum cost.
- *Justifiability* – charges should only recover the reasonable costs (including indirect costs) of providing the service.
- *Transparency* – costs should be identified and allocated to the service for the recovery period in which the service is provided.

Cost recovery guidance from the Treasury, and the Controller and Auditor-General

When setting or reviewing charges, in addition to the four principles, we also apply the general guidance on cost recovery for public entities published by the Treasury and Controller and Auditor-General (CAG). That guidance requires consideration of:

- *Authority* – does the public entity have legal authority to charge a fee for the goods and services provided?
- *Effectiveness* – are resources allocated in a way that contributes to the outcomes being sought by the activity? Is the level of funding fit for purpose?
- *Simplicity* – is the cost recovery regime straightforward and understandable to relevant stakeholders?
- *Accountability* – public entities are accountable to Parliament and to the public. To be accountable, entities need to ensure that their processes for identifying costs and setting fees are transparent.
- *Consultation* – has the entity engaged in meaningful consultation with stakeholders and is there opportunity for stakeholders to contribute to the policy and design of the cost recovery activity?

Treasury's guidance encourages agencies to adopt an open-book approach throughout the different stages of the cost recovery process. This consultation document includes information about the costs of each proposal, thereby addressing Treasury's guidance to provide this information.¹⁶ The cost information includes the drivers of costs and planned investments, the different types of cost which make up charges; service volumes; and information on service efficiency and effectiveness.

ENSURING COST RECOVERY REMAINS APPROPRIATE

Ongoing performance reporting

We recognise that performance reporting is a critical component of providing transparency to industry and other interested parties, as well as ensuring ongoing system efficiency. Together with Customs we have published the first two annual performance reports for the Border Clearance Levy.

¹⁶ This cost information is included in the additional information section in the proposals.

To improve transparency, we have worked with industry to create a framework for reporting on the performance of cost recovered services for all sectors. We have published the first two reports based on the framework, for the red meat and dairy sectors. Further reports covering cost recovery for other sectors will be released progressively over the coming year. We will continue to work closely with industry to ensure that the performance information produced in the reports is meaningful.

Ongoing monitoring and review

We monitor the financial performance of all of our cost recovered systems on an ongoing basis through the year. In line with best practice guidance, we generally review each cost recovery regime at least once every three years. This ensures that cost recovery regulatory settings remain appropriate. Reviews will consider both cost recovery policy settings and fee and levy rates.

Fees and levies may also be updated outside the review cycle if a material surplus or deficit accumulates in a memorandum account.¹⁷ However, we aim to set fees and levies at levels that ensure memorandum accounts trend towards zero over a three-year period.

¹⁷ Memorandum accounts record expenditure, revenue and the accumulated balance of surpluses and deficits from MPIs charges.

6 APPENDIX 2: EXAMPLES OF GOVERNMENT CHARGES FOR ARRIVING TRAVELLERS AND ARRIVING GOODS (GST EXCLUSIVE)

| Border charges that apply to travellers | 2019/20 | | | | | 2020/21 | | | | |
|---|---------|---------------|-------------|--------------------|---------|---------|---------------|-------------|-----------------------------|---------|
| | AvSec | Maritime Levy | BCL Customs | BCL Biosecurity NZ | Total | Avsec | Maritime Levy | BCL Customs | Proposed BCL Biosecurity NZ | Total |
| Most air passengers | \$11.98 | | \$8.99 | \$8.50 | \$29.47 | \$12.59 | | \$8.99 | \$10.16 | \$31.74 |
| Most cruise passengers | | \$5.40 | \$14.50 | \$3.81 | \$23.71 | | \$5.40 | \$14.50 | \$5.15 | \$25.05 |

Customs BCL is combined (one arrival, one departure). Exemptions include children under two, crew and people travelling on military orders. AvSec rates charged on departures.

Maritime NZ levy rate is an approximation based on the size and passenger capacity of typical visiting cruise ships and applies per port of call (most cruise ships make around eight port calls).

| Charges relating to eligibility to travel to New Zealand (2019/20) | | Visa fee | Immigration Levy | NZ Electronic Travel Authority | International Visitor Conservation and Tourism Levy | Total |
|--|---|----------|------------------|--------------------------------|---|-------------------|
| Australia | Citizen | | | | | \$0.00 |
| | Resident - individual | | | \$7.83 - \$10.43 | | \$7.83 - \$10.87 |
| | Resident - family group | | | \$31.30 - \$43.48 | | \$31.30 - \$43.48 |
| Visitor | Visa free - individual | | | \$7.83 - \$10.43 | \$30.43 | \$38.26-\$41.30 |
| | Visa free - family group | | | \$31.30 - \$43.48 | \$121.74 | \$153.04-\$165.22 |
| | Visa required - individual | \$165.22 | \$18.26 | | \$30.43 | \$213.91 |
| | Visa required - family group | \$165.22 | \$18.26 | | \$121.74 | \$305.22 |
| | Visa required (Pacific national) - individual | \$130.43 | \$18.26 | | \$30.43 | \$179.13 |
| | Visa required (Pacific national) - family group | \$130.43 | \$18.26 | | \$121.74 | \$270.43 |

| | | | | | | |
|-----------------------|---|------------|----------|------------------|---------|-----------------|
| Student | Visa required (<12 months) | \$234.78 | \$21.74 | | \$30.43 | \$286.96 |
| | Visa required (>12 months) | \$234.78 | \$21.74 | | | \$256.52 |
| | Visa free (<3 months) | - | - | \$7.83 - \$10.43 | \$30.43 | \$38.26-\$41.30 |
| Temporary work | Essential skills (<12 months) | \$382.61 | \$47.83 | | \$30.43 | \$460.87 |
| | Essential skills (>12 months) | \$382.61 | \$47.83 | | | \$430.43 |
| | Recognised seasonal employer (Pacific national) | \$234.78 | \$13.04 | | | \$247.83 |
| | Working holiday | \$165.22 | \$47.83 | | | \$213.04 |
| Residence | Skilled migrant category | \$2,156.52 | \$721.74 | | | \$2,878.26 |

Visa fees shown are for visa applications offshore and online. Pacific national rates reflect discounts for citizens of Pacific countries. Family group visa fees and levy rates are for a family of four (two adults and two dependant children under 18 years old). Non-Australian crew of commercial aircraft and cruise ships are subject to the individual ETA.

EXAMPLES OF GOVERNMENT CHARGES TO CLEAR GOODS AT THE BORDER (FROM 1 DECEMBER 2019)¹

IETF = Import Entry Transaction Fee

ICTF = Inward Cargo Transaction Fee

BSEL = Biosecurity System Entry Levy

| Private individual buying a book online (value under \$1000) | | | Private individual buying sports equipment online (value over \$1000) | | |
|--|-----------------|----------------------------|--|----------------|------------------------|
| Charge type | Current | Proposed | Charge type | Current | Proposed |
| MPI (BSEL) | n/a | n/a | MPI (BSEL) | \$23.00 | \$27.00 |
| Customs (IETF) | n/a | n/a | Customs (IETF) | \$25.44 | \$27.65 - \$30.43 |
| Total | \$0 | \$0 | Total | \$48.44 | \$54.65-\$57.43 |
| Small business importing a consignment ² of electronics (value over \$1000) | | | Large business importing a containerload of goods (value over \$1,000) | | |
| Charge type | Current | Proposed | Charge type | Current | Proposed |
| MPI (BSEL) | \$23.00 | \$27.00 | MPI (BSEL) | \$23.00 | \$27.00 |
| Customs (IETF) | \$25.44 | \$27.65 - \$30.43 | Customs (IETF) | \$25.44 | \$27.65 - \$30.43 |
| Total | \$48.44 | \$54.65-\$57.43 | Total | \$48.44 | \$54.65-\$57.43 |
| <p>1. From 1 December 2019, the IETF and BSEL will not be collected on imports valued at \$1,000 or less, under changes related to collecting GST on low-value imports.</p> <p>2. A consignment is a shipment of goods and can include multiple items.</p> <p>Transporters/carriers of the goods and any consolidators/freight forwarders involved in transporting goods must also pay a BSEL and ICTF. Some or all of these costs may be passed on to the importer as part of the shipping costs.</p> | | | | | |
| Goods transported by air: | | | | | |
| Charge type | Current | Proposed | | | |
| MPI (BSEL) | \$17.88 | \$21.88 | | | |
| Customs (ICTF air) | \$26.66 | \$65.22 - \$68.70 | | | |
| Total | \$49.66 | \$87.10 - \$90.58 | | | |
| Goods transported by sea: | | | | | |
| Charge type | Current | Proposed | | | |
| MPI (BSEL) | \$23.00 | \$27.00 | | | |
| Customs (ICTF sea) | \$312.89 | \$391.30 - \$452.17 | | | |
| Total | \$335.89 | \$418.30 - \$479.17 | | | |

7 APPENDIX 3: PROPOSED FEE UPDATES IN THE BIOSECURITY (COSTS) REGULATIONS 2010*

| Reference | Service | Current fee | Proposed fee |
|---------------------------|--|---|---|
| Regulations | | | |
| <i>Travel costs</i> | | | |
| r8 (2)(a) | For an activity at a site that is 4 km radius or less from the base | \$34.86 | \$34.50 |
| 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 | \$69.00 |
| 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 | \$138.00 |
| 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 | \$172.50 |
| r8 (3)(b) | For an activity at a site that is more than 50 km radius from the inspector's or biosecurity adviser's base - | (b) costs at the rate of 67 cents per kilometre.... | (b) costs at the rate of 79 cents per kilometre.... |
| r8 (4) | The hourly rate for travel costs for a general inspector or a biosecurity adviser | \$102.27 | \$138.00 |
| <i>Waiting-time costs</i> | | | |
| r9(3)(a) | The hourly rates for waiting-time costs for a general inspector or a biosecurity adviser | \$102.27 | \$138.00 |
| <i>Call-out costs</i> | | | |
| 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 | \$165.50 |
| r10(3)(b) | The hourly rate for call-out costs for a general inspector or a biosecurity adviser working at 1.5 times hourly rate | \$130.05 | \$193.00 |
| 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) | \$299.90 per day in addition to the applicable hourly rate in subclause (3)(a) or (b) |

* The table describes only the specific items in the Regulations where changes to the current fees are proposed.

| Reference | Service | Current fee | Proposed fee |
|---|---|---|--|
| Schedule | | | |
| <i>Inspection of goods generally</i> | | | |
| Item 1 | Inspection of goods (except goods imported for the personal use of the importer).... | \$102.27 per hour for each general inspector involved.... | \$138.00 per hour for each general inspector involved... |
| <i>Tests, examinations and treatment of goods that harbour or may harbour organisms</i> | | | |
| Item 2 | Tests, examinations and treatments of imported goods that harbour, or may harbour, an organism..... | \$102.27 per hour for each general inspector involved... | \$138.00 per hour for each general inspector involved.... |
| <i>Inspection of motor cycles, mopeds and motor vehicles at ports approved as places of first arrival</i> | | | |
| 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 | \$34.50 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 | \$69.00 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 | \$103.50 per motor vehicle |
| <i>Inspection of unaccompanied goods imported for personal use</i> | | | |
| Item 6 | Inspection of unaccompanied goods 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 | \$34.50 for 1 item \$69.00 for 2 to 4 items \$138.00 for 5 to 12 items \$34.50 for each block or part block of 8 items exceeding 12 items |
| <i>Inspection of goods not prescribed elsewhere in Schedule</i> | | | |
| Item 7 | Inspection, and each re-inspection after treatment, of any goods (except accompanied goods imported for the personal use of the importer) that are required to be inspected under the Act..... | \$102.27 per hour for each general inspector involved.... | \$138.00 per hour for each general inspector involved.... |

| Reference | Service | Current fee | Proposed fee |
|--|---|---|---|
| <i>Monitoring controls on new organisms and inspection of animals, animal material or plants</i> | | | |
| Item 8 | Monitoring controls on new organisms in containment facilities | \$102.27 per hour for each general inspector involved.... | \$138.00 per hour for each general inspector involved.... |
| Item 9 | Inspection of an animal after arrival for the purpose of ascertaining whether the animal should (a) be cleared; or (b) be directed to be held in a transitional or containment facility for inspection and monitoring.... | \$102.27 per hour for each general inspector involved.... | \$138.00 per hour for each general inspector involved.... |
| Item 10 | Inspection of an animal that (a) is on board a craft within New Zealand territory; and (b) is not intended to be cleared | \$102.27 per hour for each general inspector involved... | \$138.00 per 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 per hour for each general inspector involved.... | \$138.00 per hour for each general inspector involved.... |
| Item 12 | Inspection of a consignment of animal material (other than fish meal)..... | \$102.27 per hour for each general inspector involved.... | \$138.00 per hour for each general inspector involved.... |
| <i>Treatment, destruction or disposal of risk goods</i> | | | |
| Schedule Row 16 | Supervising, or advising on, destruction, transportation, reshipment or other disposal of goods | \$102.27 per hour for each inspector or biosecurity adviser involved | \$138.00 per hour for each inspector or biosecurity adviser involved |
| <i>Permits issued under import health standards</i> | | | |
| 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 per hour for each biosecurity adviser for processing beyond the first 1.5 hours | \$241.50 per application processed; plus \$138.00 per hour for each biosecurity adviser for processing beyond the first 1.5 hours |
| <i>Transitional and containment facilities</i> | | | |
| 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 per hour for each inspector or biosecurity adviser for processing beyond the first 8 hours | \$1,104.00 for each application processed, plus travel costs as specified in Regulation 8, plus \$138.00 per hour for each inspector or biosecurity adviser for processing beyond the first 8 hours |
| 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 per hour for each inspector or biosecurity adviser involved | \$138.00 per hour for each inspector or biosecurity adviser involved |

| Reference | Service | Current fee | Proposed fee |
|--|---|---|---|
| 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 per hour for each inspector or biosecurity adviser involved | \$138.00 per 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 | \$379.50 per annum for each registered facility |
| <i>Functions, powers and duties not prescribed elsewhere in Schedule</i> | | | |
| Item 23 | Performing a function, power or duty: (a) required to be undertaken under the Act or regulations made under the Act; and (b) not prescribed elsewhere in the Schedule | \$102.27 per hour for each general inspector or biosecurity adviser involved.... | \$138.00 per 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 per hour for each biosecurity adviser involved | \$138.00 per hour for each biosecurity adviser involved |
| Item 25 | Technical staff providing support for the delivery of specialist services | \$155.00 per hour, in 15-minute increments, plus actual and reasonable costs incurred | \$135.00 per hour, in 15-minute increments, plus actual and reasonable costs incurred |