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JOINT DECISION MAKING AND RESOURCING FOR READINESS AND INCURSION RESPONSES

INTRODUCTION

Horticulture New Zealand (HortNZ) represents New Zealand's 7000 commercial fruit, vegetable, berryfruit and olive growers. Horticulture occupies 90,000 ha of productive land and our products are exported throughout the world earning \$2.4 billion. The industry has grown from exports of \$200 million to \$2.4 billion in 25 years.

New Zealand's geographic isolation has meant our environment has remained reasonably free from significant pests and diseases. This has been one of the key foundations of our industry's growth as it has provided us with excellent international market access.

Biosecurity incursions can have devastating effect on the industry, including:

- Restrictions on market access due to the presence of pests that other countries do not want.
- Reducing export earnings due to reduced shelf life as a result of postharvest treatments (either on shore or off shore) to control unwanted pests.
- Increased costs of production through increased use of agrichemical and other control strategies
- Increased chemical use reduces our ability to leverage a premium from New Zealand's clean green image and minimum spray production systems
- Weakening the strength of organic production systems where in many cases no control measures are available

EXECUTIVE SUMMARY

1. We do not support the cost sharing arrangements proposed in the paper.
2. In view of the costs that are borne by industry (even without the cost sharing) as a result of biosecurity incursions and decisions it is appropriate that industry should have a full say in decision-making.
3. But while Government can make a decision and move on, industry has to deal with a new pest whatever decision is made.
4. The horticulture industry is sceptical about MAF Biosecurity NZ accepting industry in a full decision making capacity as envisaged in the paper.
5. We believe that the industry through its regional networks can play a significant role in surveillance, readiness and incursion response – if it is asked.
6. HortNZ does not accept there is a link between effective decision making and paying for resourcing.
7. If Government wishes to use the cost-sharing concept then HortNZ believes those responsible for the greatest biosecurity risks (including the public, importers, commercial shippers and tourists) should make the needed contribution.
8. HortNZ finds it extraordinary that a Government investing so much in export market development through Trade & Enterprise, and in negotiating market access via the Ministry of Foreign Affairs and MAF, could then ask industry to fund the key role of biosecurity.
9. Often the risks faced by the New Zealand horticulture industry are created by produce imports which compete with our own local production. We do not support a plan that requires the local industry to pay to control and eradication pests or diseases brought in via imports of products that directly compete with us.
10. We have very strong concerns about the ability of smaller industry groups to co-fund surveillance and incursion responses for pests that are specific to their particular product.
11. HortNZ has discussed and considered the numerous cost-sharing and funding options and finds it very difficult to envisage how a fair allocation of costs could occur within, or between, industry groups. Both now and in future.
12. Using figures supplied by MAF Biosecurity NZ we calculate a minimum annual potential liability to the horticulture industry of \$6 million, at least \$1000 for every grower annually.
13. In the current environment many of our members simply do not have ability to pay for these increased costs due to
 - a. Enormous leaps in on-farm business costs, due to increases in holiday pay rates, minimum wage rates and Kiwisaver compliance.
 - b. Likely further increases in energy and fuel costs, increased labour and transport costs and the possibility of a 12th public holiday.
 - c. The continued strength of the New Zealand dollar reduces the value of all exports and our international competitiveness.

DETAILED COMMENTS ON SECTION 5 SUMMARY OF THE PROPOSED FRAMEWORK

DIRECT BENEFICIARY PAYS

Exacerbator

The potential role of the exacerbator as a funder has been too quickly dismissed. More work is required to assess who is responsible for creating risk. Those that create the risk must be asked to fund the management of that risk.

Beneficiary of Risk Activity

The greatest biosecurity risks for the horticulture industry are created by commercial shipments of produce imported into New Zealand, 'hitch hiker' pests on other shipments/containers and passengers arriving in NZ.

All of these risk-creating activities occur for the benefit of the general public. Our very strong position is that the beneficiaries of the risk activity - importers, tourist operators and the public in general - should meet the full costs of their activity.

To ask productive and export industries to meet the costs of surveillance and incursion response is equivalent to cross-subsiding in favour of import and tourist industries.

Where is this Government's polluter-pays policy on this issue?

In many cases the risks faced by the New Zealand horticulture industry are created by imports of vegetables and fruit that compete directly with our members' production. In this case it is the public consumers who benefit from cheaper imports, certainly not the growers. It would be salt in the wounds for our growers to have to contribute to eradication of pests or diseases bought in via cheap imports purchased in direct competition with locally grown product.

A key aspect to this is that while industry is consulted it does not have a final say on the Import Risk Assessment process undertaken by MAF Biosecurity NZ.

If industry was asked to fund the cost of incursions, we would also want more say in how the risks that imports create are managed or at least an undertaking that where those systems fail agreed actions will be taken with no costs allocated to industry.

Fair Allocation of Costs

The paper argues in principle that costs should be allocated to the beneficiary of preventing, controlling or eradicating an incursion.

It is very difficult to envisage how a fair allocation of costs could occur within or between industry groups. We are also concerned how this might be calculated to change over time, given the impact of new incursions and the development of new products.

The horticulture industry comprises growers of over 80 different products, spread throughout the country and exports to over 100 different countries.

An individual pest will have different impacts on different growers, depending on :

- 1 The range of products a grower produces.
- 2 The pest's climate tolerance (which may or may not alter over time) and therefore its impact in a particular region.

- 3 The known host range of the pest including primary and secondary hosts (again, this may change over time). Pests may adapt to feed on other host plants despite the fact that this is not their preferred food source.
- 4 The production system used. For example, some pests may be more significant for organic producers because there is no method of control available when compared to conventional systems.
- 5 The different markets products are grown for will impact on the extent of market access problems generated by a particular pest.

There are likely to be other factors that will also impact on the costs that an individual grower would incur and therefore on the extent to which costs should be allocated to an individual grower.

Even if we did support the funding of these activities by our members, it is extremely difficult to imagine how this would be done in an equitable way given the range of factors that impact on the “benefits” they would receive.

Ability to Pay

In terms of timing it is hard to imagine a worse time for the introduction of cost sharing.

We have a very high dollar and most fruit growers made a loss in 2006/07 and are expecting to make a loss again in 2007/08. Kiwifruit Growers Incorporated and Zespri have instigated a cost savings programme. They are looking to make cost savings in every part of the growing, transport, packaging, shipping and marketing of products.

Many of our members will see this as another Government initiative (along with climate change costs in terms of additional transport and energy costs) where additional imposed costs will make them less internationally competitive. Especially with regard to the help other nations give primary producers, considerably more than New Zealand producers enjoy.

We see similarity in the nature of Biosecurity services to that of Police and Fire Services. Police serve in the protection of public safety and security and are funded through general taxation. Victims and more affected communities are not asked to contribute more. We submit that asking industries to fund eradication and control is tantamount to imposing a burden of double taxation.

Using figures supplied by MAF Biosecurity NZ we calculate that if industry is to pick up 50% of costs, then industry would need to have on hand at least \$6 million a year, with some more in reserve or at least the ability to borrow more for a “bad year”. This equates to about a \$1000 annual cost per grower and is much higher than any other levies growers are currently paying.

It is also most unlikely the industry will be able to agree on an equitable system for sharing this cost.

Biosecurity Funding Review

We do not support the conclusions reached by the Biosecurity Funding review (as reported on Page 7) about who should pay.

In particular:

1. Growers are not able to change their behaviour to reduce risks as their activity does not create the risk in the first place.

2. Growers may be able to reduce the costs of responding to an incursion through their industry knowledge or by undertaking activity on an in kind basis. However we do not believe that this means that they should pay for the service. It appears that such an approach would discourage growers from assisting to reduce the costs of a service.
3. Growers may be best placed to access the true benefits of a service against the ongoing costs but we fail to see why this qualifies us to pay those costs. This is akin to asking a victim of a crime to stump up with the costs of a prosecution.
4. Growers may be able to give advice on the most cost effective means of providing an incursion response. Why should we pay to be allowed to give advice?
5. The slower the reaction time, the more expensive the solution. Growers are concerned about decision making delays, which will be exacerbated if the question of payment becomes part of the incursion response process.

We agree that we are well placed to assess the benefits of the service but MAF Biosecurity NZ has the expertise and personnel to undertake a detailed cost benefit analysis.

Small Industry Impacts

We are very concerned about the impact of the proposed policy on small and developing industries.

If a pest or disease affects a smaller industry only, for instance the persimmon industry (with \$7.5 million of exports), then we feel the growers of that product will be at a distinct disadvantage to those involved in a big industry such as dairying.

Small industries would simply lack the resources and economy of scale to support surveillance, let alone an incursion response. A single new pest arrival could be devastating for a group that is reliant on a limited number of key markets and has fewer pest control options (many chemicals are not registered for smaller crops). This makes these groups very vulnerable.

The viability of smaller sectors which are nevertheless important to the regional economy could be more at risk. We also need to foster these smaller product groups as it creates strength and diversity to our regional and national economies.

Remember that it was not so long ago that kiwifruit was a small developing industry.

BIOSECURITY SYSTEM FUNCTIONS

While we agree that the proposed framework, if successfully implemented, would increase certainty around strategy we believe that this outcome could also have been achieved by putting in place a range of Pest Management Strategies under the Biosecurity Act.

HortNZ believes that the development of agreements between Government and industry will be a very difficult process. Such agreements will have to be binding on both parties. We question whether the resources are available either in industry or Government to successfully complete the process of negotiation over the wide range of potential agreements.

It is noted that a group entering into an agreement must have a mandate from the group they represent. We are unclear how this mandate would be obtained. Currently a mandate to levy any member can only be obtained via a referendum of growers. We are not clear of the process required to obtain the mandate of members to put in place a biosecurity levy.

HortNZ is strongly of the view that the funding of surveillance for key pests and diseases that threaten our market access should be Government funded.

Surveillance provides a range of purposes including:

- providing information about the presence and absence of pests which provides the basis for import controls and our own pest risk analysis process;
- providing early warning of the arrival of a new pest to enable the early activation of an incursion response; and
- providing the basis for our export market access.

As argued above we believe the activity that creates the risk is for the benefit of the public and therefore this should be a public cost.

The third purpose of surveillance should also be of primary interest to Government as it provides the basis of our export economy.

It seems extraordinary that a Government investing so much in export market development through Trade & Enterprise and in negotiating improved market access through the Ministry of Foreign Affairs and MAF then asks industry to fund the biosecurity that underpins our exports and market access.

It is also our understanding that MAF Biosecurity NZ as the “National Plant Protection Organisation” identified under the SPS agreement is required to undertake surveillance on pests in order to maintain our import measures.

A SYSTEMS AND ORGANISM SPECIFIC APPROACH

HortNZ agrees that any system must be generic and flexible to be able to accommodate a wide range of existing, new or unanticipated pests and diseases.

It needs to be noted that within the horticulture industry there will be a range of agreements.

Due to the wide range of crops it is unlikely that any one agreement will span the entire industry. In some cases the agreements will need to be organism and product specific. They will also need to be re-evaluated over time and changed, at significant ongoing cost.

RESPONSIBILITIES

We agree that MAF Biosecurity NZ should retain leadership in an incursion response as they have access to the necessary legal powers and the legislative responsibility.

It should be noted that this responsibility is not extinguished in the event of no industry agreement being in place.

We believe that industry through its regional networks and superior industry knowledge can play a significant role in surveillance, readiness and incursion response.

The proposed approach is a stark shift from the current situation where anyone connected to the industry affected by a pest is discounted as a source of knowledge due to a perceived “conflict of interest”. This is an area that could be managed much better in the future whether or not this proposed new system is implemented.

We do ask in this section about how industry would get to and maintain a constant state of readiness. Is something like the recent revival of the Rural Support Trusts envisaged?

It is all very well to have industry representation on the numerous committees, and strong and robust national frameworks as outlined, but many of the operations will occur in the regions. More thought is needed on how fighting an incursion regionally would happen.

To ensure we remain cost efficient and that there is no significant duplication of resources there will need to be co-operation between regions and industry groups.

LINK BETWEEN DECISION MAKING AND RESOURCING

HortNZ does not accept there is a link between effective decision making and paying for resourcing.

It should be noted that there is already an absolute requirement for Government to consult with industry and the public in general about biosecurity issues.

In many cases industry will and does meet significant costs related to an incursion even without cost sharing agreements in place.

A clear example of this was the Mt Roskill fruit fly incident in the mid 1980s when industry faced significant costs in:

- movement controls on products;
- increased procedural, transport and packaging costs when moving product through the controlled area; and
- loss of market access, and subsequently considerable revenue..

In view of the costs that are borne by industry as a result of biosecurity decisions it is appropriate that industry should have a full say in decision-making.

The paper appears to gloss over the fact that while Government can make a decision and move on, industry has to deal with a new pest whatever decision is made.

The horticulture industry is sceptical about MAF Biosecurity NZ accepting industry in a full decision making capacity as envisaged in the paper. There have been examples in the past when MAF Biosecurity NZ have acted outside agreed industry positions during market access negotiations that have been fully funded by industry.

The proposed framework will require a significant change in mindset by MAF Biosecurity NZ staff.

It is important that any agreements put in place include provision for rapid decision making particularly during the early phases of an incursion response when time is critical in preventing further spread.

We do not like the notion of 'no pay no say'. We see this as an unfortunate threat and not in the interests of developing the best solutions or for that matter the best relationships between Government and the sectors.

If these proposals are pursued we believe there is some merit in looking further at a National Co-ordinating Body for the plant industries (such as Plant Health Australia). Such a body could provide independent advice to industry groups contemplating entering into agreements, provide agreement templates, ensure co-ordination of resources and efficiently administer agreements once they are in place.

We believe that as Government has the primary legislative responsibility for biosecurity that during the initial five year phase this organisation should be Government funded. We understand that this is the basis on which Plant Health Australia was established.

JOINT RESOURCING

We have expressed above our concerns about joint resourcing in terms of the appropriateness, fairness, ability to pay and equity.

Our view is that biosecurity surveillance, readiness and response are activities best undertaken by Central Government. It is simply a matter of protecting our borders and maintaining our environment for future generations so that they can make choices about what and where they can grow crops and rear animals.

We do not support the separation of production from other “public interest” issues such as the environment, human health and conservation. In our view they are all in the public interest and should be adequately public funded.

While Government funding of biosecurity has increased in recent years in our view the current investment is minimal in terms of the relative importance of biosecurity to our national wellbeing. Irrespective of the proposal in this paper we believe that there could be some significant biosecurity cost saving if a better partnership with industry was developed.

Should the proposal proceed we agree that investigation costs should be met by Government. We do not understand the use of the term “fiscal cap” which we understand to mean Government expenditure but we trust that you meant “financial cap”. We assume both industry and Government would have a financial cap on contributions and we question what would happen if this cap was met.

We believe that if government wants to reduce its biosecurity exposure, then the establishment of a highly skilled, very portable, rapid response unit would work very effectively for incursion control.

We agree that further thinking is needed on the specifics on resourcing and we also need to know what past costs have been for MAF. The document is light on figures and hence what sort of commitment we may be asked to make.

Upon request some ballpark figures have been provided on which to calculate what we could be signing up for with this proposal. Early indications are that this could be a significant levy which currently industry just cannot afford.

We have not studied the cost sharing models in any detail as at this stage we are not convinced about the principle of cost sharing.

DEVELOPING AND AGREEMENT

Should this proposal proceed we believe that any agreement would need to be binding on all parties and should ideally cover all aspects of surveillance, readiness and response.

The development of these agreements will be a difficult and time consuming task requiring significant legal input. The possible formation of a National Plant Protection Organisation may be one way of reducing these costs and introducing some time efficiency for all parties.