

Application by The New Zealand Equine Health Association for a LEVY ORDER UNDER SECTION 100ZD OF THE BIOSECURITY ACT 1993

(a) How the levy may be spent;

and

The levy paid to the New Zealand Equine Health Association (NZEHA) will be used wholly for funding the Equine industry commitments under the GIA as agreed on their behalf by NZEHA in the GIA deed signed by the NZEHA and the Director General of Ministry for Primary Industries in January 2015. The levy will be used to fund minimum commitments, readiness activities, and build up a contingency fund to pay for the Equine industry share of costs during any equine disease response. (see attachment 1)

The objectives of the NZEHA are:

- a) To consult with Government agencies on behalf of all equine stakeholder organisations in New Zealand on all issues relating to New Zealand equine health, welfare and disease incursion;
- b) To ensure the interests and views of all stakeholders on all issues relating to New Zealand equine health, welfare and disease incursion are considered;
- c) To develop anticipatory plans on all issues relating to New Zealand equine health, welfare and disease incursion;
- d) To report to all stakeholders all relevant and appropriate information relating to the business of the Association, including strategies on all issues relating to New Zealand equine health, welfare and disease incursion;
- e) To determine training plans and to provide and promote advice on training and response planning for all stakeholders on all issues relating to New Zealand equine health, welfare and disease incursion. <https://nzeha.com/constitution/>

(b) the persons responsible for paying the levy;

and

The NZEHA represents the New Zealand equine sector. The importation and exportation of horses is an activity that is undertaken across many spheres of equine activity. Those importing and exporting horses, semen and embryos (germplasm) will be the persons responsible for paying the levy, unless exempted. Owners who export germplasm and equines have gained benefit in terms of less disease, less cost and more movement flexibility for their horses arising from New Zealand's enhanced equine biosecurity. Those that import horses and germplasm are bringing relatively high risk items into the New Zealand equine biosecurity landscape so a small levy (in comparison to the cost of the animal or germplasm and the transportation costs) on risk exacerbators is not unreasonable.¹ Currently the following equine bodies contribute a voluntary payment to Equine Biosecurity initiatives undertaken by NZEHA on behalf of the New Zealand resident horse population and this is not envisaged to change. Contributors are: New Zealand Thoroughbred Racing, Thoroughbred Breeders Association, Standardbred Breeders Association, Harness Racing NZ, Racing Board, Equestrian Sports New Zealand, Royal A&P Association, NZ Pony Clubs Association and Equine Allied industries.

¹ A recent review of factors resulting in equine disease events following international movement of horses from 1995 to 2014, identified from the databases of the World Organization for Animal Health (OIE) and international surveillance reports identified 54 disease events. Seven were contained in post arrival quarantine and the others resulted in the introduction of pathogens into importing countries. For 81% of the introductions, the OIE recommendations applicable to the diseases involved had not been complied with. Eighty-eight percent (36/41) of the regulated movements that resulted in introduction of pathogens into the importing country involved infected horses that showed no clinical signs at the time of import (asymptomatic carriers, inapparent infection or horses incubating a particular infection).

- (c) the persons, if any, exempt from paying the levy;
and
- (d) the basis on which the amount of levy must be calculated or ascertained;
and

No exemption from paying the levy is proposed.

All importers and exporters of horses and germplasm) will pay a fee per horse, embryo or artificial insemination dose exported or imported. A **maximum**² levy rate per horse exported or imported of \$500 is sought. A separate **maximum** levy rate of \$300 on embryos and a \$50 **maximum** per insemination dose is sought. *(MPI currently levy each horse or germplasm consignment at export an export unit fee of \$29.63 to cover MPI overheads associated with the export process. This is in addition to certification associated costs such as testing, inspections and treatments which range between \$300-\$600/per horse depending upon the varying requirements specified by the different countries New Zealand horses are exported into. The GIA levy at export will be collected simultaneously with the export unit related fee. The levy on imported horses and germplasm would be collected by MPI officers at the point at which the Biosecurity clearance is given and invoiced)* The price of each horse being imported or exported varies enormously but assuming the unit value is between \$10,000 and \$1,000,000 then the levy represents .25 to .0025% of the horse's market value. The quantum of fee in comparison to the cost of embryos and semen is of a similar quantum comparison.

The rate will be set regardless of horse type or age and market. The actual amount to be levied on equines and germplasm exports and imports each year will be set by the NZEHA and will be based on the forecasted GIA commitments and readiness activities of the NZEHA and will be notified to equine industry bodies and MPI 3 months prior to the date at which the levy will be collected. The maximum levy rates allowable are not envisioned to be collected unless the industry has recovered from a large disease incursion and must make good to its debt to the Crown. In peace time, it is likely levies may be of the quantum of 1/5th of the maximum rate.

The process for setting the levy is dictated by the GIA need and consultation with the various equine industry bodies and will occur during the NZEHA AGM or special meeting. The levy may be subject to yearly CPI fluctuations.

All changes and variations in the levy rate payable will be notified and communicated to levy payers by circulation of minutes to the constituent equine bodies and notification on the NZEHA website. Promotional material such as advertising in equine magazines will be circulated. Notes on the likely quantum collected and the cost estimates of the equine industry likely contribution to a response are discussed in Attachment 2

- (e) on the rate of levy, – _
- (i) whether there is to be a single rate or 2 or more different rates; and
- (ii) if there are to be 2 or more different rates, the things to which the different rates apply; and
- (iii) the maximum for each rate or rates; and
- (iv) the setting of the actual rate by the payee so that the industry organisation can meet its commitments under the agreement; and
- (v) how the rate or rates of the levy and variations of the rate or rates must be notified;
and

- (f) when and how the levy must be paid;
and

The levy will be invoiced to the importer by the Biosecurity Officer at the time the biosecurity clearance for either the horse or germplasm is invoiced. It will be collected by MPI into a separate levy cost centre. The levy paid by the horse or germplasm exporter will be invoiced by the MPI Verification services officer in a similar manner as the export unit fee but the levy amount will be directed to the separate levy cost centre. Every 3 months or an alternate negotiated interval MPI Finance will direct transfer the funds accrued under the levy cost centre to the NZEHA bank account.

² The Biosecurity Act specifies that the application organization must state a maximum amount that could be levied and if the organization seeks to raise it above this amount then it must reapply to the Minister and any agreed change requires Cabinet approval. For this reason the NZEHA have set the maximum at a rate much higher than will likely to be charged to build some time proofing into the application.

(g) the persons responsible for collecting the levy; and
(h) on the matter of a fee for recovery, -
(i) whether or not the persons responsible for collecting the levy are entitled to charge a fee for recovering it; and
(ii) if so, the amount of the fee or a means by which its amount may be calculated or ascertained;
and

The MPI Biosecurity Officers and Verification Services staff may set a transaction fee for levy recovery of up to 3% or a negotiated percentage of the levy amount. For each 3-month levy collection period or as negotiated, MPI will forward a tally of the total number of horses levied for that period to enable a reconciliation of the levies collected so it can be confirmed that the order is being complied with.

(i) for the purpose of ascertaining whether or not the order is being complied with, -
(i) the keeping of accounts, statements, and records of a specified class or description by all or any of the persons responsible for collecting the levy, the persons responsible for paying for it, and the payee; and
(ii) the retention of the accounts, statements, or records for a specific period;
and

In compliance with (section 100ZF), the existing MPI invoices already include the details relating to: payer, payee, date and place. The rate and class of levy paid will be added to this invoice. MPI keep records in accordance with government finance rules. NZEHA will maintain its records relating to the collection of levies for a minimum of 10 years in accordance with the timeframes laid out in the GIA documents relating to repayment of response costs.

(j) for the purpose of resolving disputes about whether or not a person is required to pay the levy and the amount of levy a person is require;
and

The provisions of the Arbitration Act 1996 will apply to the resolution of a dispute submitted to arbitration under the levy order.

(k) the remuneration payable to an auditor appointed by the Minister under section 100ZF.

An auditor appointed by the Minister under section 100ZF is entitled to receive remuneration from the payee for the auditor's fees and allowances.

(a)The returns to be made to the payee for the purpose of enabling or assisting the determination of amounts of levy payable:

Import and Export businesses will be notified of the levy rate 3 months ahead of implementation or any subsequent changes so they may factor this cost into quotes to customers relating to the cost of import or export.

(b) the circumstances in which, and conditions subject to which, persons may be allowed extensions of time for the payment of the levy:

It is not envisaged that extensions of time for the payment of the levy will be required taking into account the quantum of cost of the levy in comparison to the cost of the import or export process and commodity.

(c) a method of paying the levy that may be used by persons who object on conscientious or religious grounds to paying the levy in the manner provided in the order:

Other methods of paying the levy are not encouraged. No grounds for objection to paying the levy on religious or conscientious grounds are envisaged to be required.

(d) a requirement for the payment of additional or increased levy when amounts of levy originally payable have been paid late, paid in part, or not paid at all:

Requirements relating to late or part payment are deemed as not necessary

Section 100ZD(3) allows the levy rate to be set at zero. The NZEHA has the ability to set the levy rate at zero by virtue of its power to set the levy at any value under the proposed maximum rates which are: \$500 for horses, \$300 for equine embryos and \$50 for equine semen breeding doses crossing the border, at a meeting of the committee. A levy set to zero could arise if

NZEHA accumulates sufficient contingency fund for a response and can cover the costs of its minimum commitments and readiness activities by other means.

Attachment 1

NZ Equine Health Association minimum commitments and readiness activities to be funded by the levy as signed in the GIA deed:

Maintaining access to technical biosecurity capacity and capability.

Maintaining or improving the capacity to recognise and rapidly report the detection of any unwanted organism, such as disease surveillance, notification, testing and detection initiatives.

Promoting awareness and use of mechanisms to report changes in New Zealand's biosecurity status.

Establishing and maintaining mechanisms to communicate between Signatories and with relevant stakeholders.

Securing and maintaining sufficient resources to meet their commitments for the administration of this Deed including annual meetings, consultation and decision- making.

Establishing or accessing the necessary capacity and capability to engage in processes to implement this Deed, and any Operational Agreements developed.

Biosecurity Response Activities to be funded by the levy:

Responses to any disease outbreaks such as Equine Influenza, Equine Infectious Anaemia, Contagious Equine Metritis, Hendra and nipah virus infection, the Equine Encephalidities, Equine piroplasmiasis, Equine arteritis virus, Borna virus, Salmonellosis abortus equi, Glanders - Burkholderia mallei, Trypanosomiasis, African Horse sickness, Anthrax, Rabies, exotic ecto and endoparasitism, infections with Cochliomyia and Hypoderma species or any other equine exotic of emerging disease or endemic infections with unexpected or altered expression of disease.

Minimum commitments include: Raising awareness across the equine community of the benefits an effective biosecurity system brings to New Zealand.

Actively promote behaviours that reduce both the risk of entry and the risk of spread of equine unwanted organisms.

Participate in processes to actively identify, and take action to address, new and emerging equine biosecurity risks.

Communicate with relevant Signatories any significant emerging biosecurity risk they become aware of, either in New Zealand or offshore, that may impact on the industry concerned, and discuss actions that might be warranted to achieve Deed outcomes.

Be accountable to their GIA partners for their performance in managing the biosecurity risks that are their responsibility. This means that the Signatories are answerable to each other and have an expectation of account giving. It does not confer instructional authority on the Signatories to whom account is being given.

Maintain and share with other Signatories, a list of key Signatory contacts across the biosecurity system.

Meet in a biosecurity forum of all Signatories twice a year, or as agreed, for discussions on the biosecurity system.

Attachment 2

Supporting Data:

Surveillance Magazine Annual Report Vol 45, No 3, September 2018 states NZ imported 1700 horses and MPI issued 34 import permits for semen in 2017 noting that one permit may be used for several consignments. 2655 horses were exported and a total of 4418 semen consignments were exported.

Table 1: Numbers of imported live horses into New Zealand by country of origin, 2007 – 2017. These data include animals classified into 69 Harmonized Commodity Description and Coding System (HS) codes, but exclude asses, mules and hinnies. Source: Stats NZ.

Country of origin	Year											All
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Belgium	0	0	0	0	0	0	1	0	0	0	0	1
Denmark	0	0	0	0	0	0	0	0	1	0	0	1
France	0	0	0	0	0	0	0	0	1	0	0	1
Malaysia	0	0	0	0	0	0	0	0	0	1	0	1
Portugal	0	0	0	0	0	0	1	0	0	0	0	1
Thailand	0	0	0	0	0	0	0	0	0	1	0	1
Canada	0	0	0	0	0	0	0	0	2	0	0	2
Israel	0	0	0	0	0	0	0	0	0	2	0	2
Netherlands	0	0	0	0	0	0	1	0	1	0	0	2
Japan	0	0	0	0	0	0	0	0	0	3	0	3
Ireland	0	1	0	0	0	0	1	1	2	0	1	6
Germany	0	0	0	0	0	0	1	0	1	6	68	76
United States of America	4	1	0	1	1	52	13	30	10	14	11	137
United Kingdom	0	0	0	1	2	39	38	17	29	26	23	175
Hong Kong	0	0	0	0	0	78	93	143	105	104	175	698
New Zealand	4	2	11	6	12	330	386	398	342	301	336	2,128
Australia	3	2	79	43	28	493	501	571	576	600	617	3,513
All	11	6	90	51	43	992	1,036	1,160	1,070	1,058	1,231	6,748

If NZEHA set the levy at the maximum amount it could collect:
 $(1700+2655) \times \$500 = \$2,177,500$ from live horses
 assume each permit was good for 3 consignments then $34 \times 3 = 102$ imported doses
 $4418 + 102 = 4520 \times 50 = \$226,000$ from semen

The most that could likely be collected by this levy system if the maximum amount was enabled is \$2,403,500 per annum.

Preliminary industry consultation indicated a level of comfort with a preliminary level of levy at \$50-\$100 per live horse and \$5-\$10 per inseminating dose of semen. If set at this amount initially the levy system might collect in the order of \$220,000-\$440,000 per annum.

There are in excess of 25 non endemic equine diseases which are eligible for consideration for an incursion GIA response should they arise in New Zealand. Equine Influenza is but one of these diseases but it is highly contagious, infectious and circulates reasonably commonly in all but one country from which we import horses from, so is chosen as a worst case example to understand the quantum costs of a response. A range of economic modelling work has been done on the cost of an EI outbreak. In the Australian EI outbreak in 2007 where outbreak distribution was similar to the geographical size of New Zealand, AUD\$100million was spent on response and AUD\$260 million was spent on industry support. There are many variables (eg time of year) that can have a marked impact on the final cost. The least losses suffered as a result of an incursion response in New Zealand based on the most recent paper³ was NZD\$31 million with a worse case cost scenario of NZD\$260 million. While it may seem that the levy maximum appears set at an insubstantial amount for the equine industry to meet its cost obligations, it must be remembered that New Zealand has never had an EI incursion and the costs of other types of disease incursions are likely to be much less and the diversion of more funds to be spent on readiness and prevention strategies stack up as excellent risk mitigating initiatives.

³ An economic analysis of a contingency model utilising vaccination for the control of equine influenza in a non-endemic country Sarah Rosanowski et al Plos ONE 14(1):e0210885

Explanatory Note:

Many other levy collection mechanisms have been explored prior to proposing a levy on horses and germplasm at the border. They include direct invoicing to owners or placing a levy on equine related products such as horse, feeds, shoes or worming products. The Australian Equine industry has a levy but has set this to zero until such time as money is required to pay for a response. In Australia the levy proposed on horse feed and wormers has been highly contentious and has resulted in the Australian government department of Agriculture reviewing this approach. To date no levy money has been collected. The NZEHA has not pursued this approach on the basis that many of the reasons that were raised in opposition to this approach as espoused in the consultation documents also apply in New Zealand.

<http://www.agriculture.gov.au/biosecurity/emergency/review-horse-disease-response-levy>

Unlike other livestock species the equine industry has an extremely high owner to animal ratio and no single animal /owner identification system. It is estimated that there are approximately 100,000 equines in New Zealand. Over half of these are used for recreation and a proportion of these recreational horse owners are not aligned to national organisations or registers. The challenge to identify and invoice between 50-100,000 equine owners each year would consume the proceeds from the entire levy collection process. The third parties who sell equine related products could not be compelled under the existing legislation in New Zealand to comply with collecting the levy and forwarding it to the Equine industry.