

FEEDBACK

POST ENTRY QUARANTINE AND TESTING POLICIES AND PRICING

Submitted by:

New Zealand Plant Producers Incorporated (NZPPI)

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About NZPPI

New Zealand Plant Producers Incorporated (NZPPI) is the peak industry body for the businesses that propagate and grow plant for forests, ecology, food, wine and amenity plantings. Plant production is also referred to as 'nursery' production.

Our members produce the plants that the grow food that Kiwis eat and export, that regenerate New Zealand's forests, beautify our urban landscapes, and planted by millions of Kiwis in their backyard.

Employing approximately 4000 people, New Zealand's plant production sector has experienced rapid growth over the past 5 years, driven by growth in the plant-based sectors: horticulture, wine and forestry and the demand for greenlife (landscape, amenity) and native plants.

This growth is set to continue as markets and government policies drive a shift in our primary industries, to higher value and highly sustainable production systems, which include more horticulture and forests.

Many of our members import plant germplasm from overseas providers and plant breeding programmes to ensure that New Zealand has access the world's best plant genetics and high quality, high health plant material.

PHEL has invited feedback from industry on their proposed Post Entry Quarantine booking policy and to adopt MPI's Cost Recovery Policy for quarantine and testing services.

General feedback

MPI has proposed significant changes to the pricing of quarantine and testing services. These charges will more than double the cost of importing germplasm.

MPI has conducted an analysis of the costs of providing these services, which were last reviewed 2005, and have noted that since then inflation has increased the cost of delivering the services by 61%.

General feedback from membership was that PHEL's proposed prices were well above inflationary adjustments. Our members noted the proposed new pricing structure would result in significantly higher costs and could reduce plant imports. See some examples below of what the new pricing means to NZPPI members.

Diagnostic test increase examples

Example A - *Osteospermum*

A shipment of 11 varieties, 5 pots of each variety.

The testing costs increase from \$805 to \$1265 plus GST, a 57% increase.

The inspector also samples for fungi and under the proposed charges will go from \$805 to \$910, an increase of 23%.

Example B - Roses

Existing testing prices for a consignment currently in L2 PEQ:

Nucleic Acid Extraction: 1 @ \$105 and 19 @ \$50 = \$1055

PCR for *Phytoplasmas* 1@ \$50 and 19 @ \$15 = \$335

PCR for *Xylella fastidiosa* 1@ \$50 and 19 @ \$15 = \$335

Total: \$1725

Proposed New Pricing for this consignment in L2 PEQ:

Nucleic Acid Extraction: 20 @ \$50 = \$1000

PCR: 20 @ \$65 = \$1,300 (almost quadruple the price)

PCR: 20 @ \$65 = \$1,300 (almost quadruple the price)

Total: \$3600

Much of the increase is due to the flat rate being proposed for PCR testing, compared to the staged pricing previously.

Recommendation: That MPI adjusts prices to meet inflationary costs only.

Recommendation: That staged pricing breaks are kept in place, recognising the reduced time and consumables for subsequent multiple tests.

The public & industry benefit from plant imports

In the absence of onshore plant breeding and health capability, New Zealand relies heavily on the importation of plant germplasm from breeding programmes and plant health schemes around the world, including Europe, Australia, China, Thailand, Canada, and the United States. Reliance on domestic propagation of plants is a backward step for the industry, reducing business efficiency and the quality and health of plants.

The “User Pays” policy assumes the importer is the main beneficiary of imported plant material and should therefore bear all the costs and risks of plant quarantine. This is clearly incorrect. Many domestic and export-facing horticultural industries and the New Zealand public benefit from plant imports. This is also highlighted in the Plant Germplasm Pathway Strategy.

Strategies, such as the Government’s ‘Fit for a Better World’, describes how enabling better access to new high-value plant varieties is key to the success of our horticulture industry.

- *... accelerate access to new high-value plant varieties and cultivars and support the commercialisation of new products. \$45.3 million has been invested through Budget 2020 to ensure resilience and management of biosecurity, market and environmental risks, as well as improvements to biosecurity facilities for importing new plant materials. Work will continue on regulatory settings to better manage risk.*

The Aotearoa Horticulture Action Plan - Strategy includes the following outcomes that rely heavily on plant imports:

- *Ensure a robust, timely and cost-effective germplasm import pathway. Improved access to high quality, pest-free germplasm material imported into New Zealand has increased confidence to invest in breeding programmes.*
- *Review the current landscape for cultivar development and identify opportunities for new programmes or collaborations with international programmes to fill gaps.*
- *Lead formal discussion on the role of advanced breeding techniques (e.g. gene technologies) to speed innovation.*
- *Genetic material is being leveraged for maximum global value.*

Government and Council strategies for green infrastructure include targets for tree cover in urban areas and replacing failing drainage infrastructure with nature-based solutions, such as sponge cities. These strategies include:

- *Retrofitting cities and towns to become sponge cities to help us survive increasing rainfall associated with climate change. Take a holistic, nature-based approach to capture benefits for biodiversity and human health and wellbeing.*
- *Increase the average canopy cover to average 30% across urban areas with no area having less than 15 per cent canopy cover.*
- *Successful green infrastructure in modern urban environments will require new genetic material, with the following features:*
 - *Small stature - mature height rarely exceeds 7.6m, eliminate tree/wire conflicts*
 - *Street tough - disease and pest resistant, drought tolerant, require minimal maintenance*
 - *Adaptable - tolerant of varied soils, urban growing conditions and climates*
 - *Pedestrian friendly - compact or vase shape allows for easy passage of pedestrians and vehicles, won't lift pavements*
 - *Lower maintenance*

Recommendation: That a cost share model is developed that accounts for the Government, public and industry benefit from plant imports and from high level of biosecurity protection.

Requirements for diagnostic testing and L3B post entry quarantine

New Zealand's plant import system has extensive testing and quarantine rules and a substantial rise in diagnostic and quarantine costs has significant implications for plant imports.

The Chief Technical Officer (CTO) sets rules in place when issuing import health standards. Under Section 23 of the Biosecurity Act, the CTO:

- 4 (c) must be satisfied that the requirements proposed for inclusion in the standard are consistent with New Zealand's obligations under the SPS Agreement; and
- 4 (e) may have regard to
 - (i) the direct cost of the requirements on importers:

As the direct cost of the requirements to importers will change substantially (essentially doubling the cost of diagnostic testing and more than quadrupling the cost of L3B

quarantine), NZPPI believes that the CTO has a duty to review the requirements of all import health standards that require onshore diagnostic testing and/or L3B quarantine to take sufficient regard of the cost to importers.

Under Article 5 (3) of the SPS Agreement, in

- *determining the measure to be applied for achieving the appropriate level of sanitary or phytosanitary protection from such risk, Members shall take into account as relevant economic factors: the potential damage in terms of loss of production or sales in the event of the entry, establishment or spread of a pest or disease; the costs of control or eradication in the territory of the importing Member; and the relative cost-effectiveness of alternative approaches to limiting risks.*
- *(4) Members should ... take into account the objective of minimizing negative trade effects.*
- *(5) Members shall avoid arbitrary or unjustifiable distinctions in the levels it considers to be appropriate in different situations, if such distinctions result in discrimination or a disguised restriction on international trade.*

Greenlife importers are more affected by the proposed diagnostic test cost increases than other sectors in horticulture because they typically import large volumes of plants frequently.

For example: Measures for *Xylella fastidiosa*, implemented by MPI under “urgency” without consultation in 2017 have massively affected the volume of international trade in Greenlife plant species. While the establishment of emergency measures was considered appropriately justified in 2017 under Regional Standards for Phytosanitary Measures [APPPC RSPM No. 5](#), the standard notes that “any such action shall be evaluated as soon as possible to ensure that its continuance is justified”.

- The current measures in the IHS for *Xylella* are considered overly cautious, requiring onshore testing of every single plant in PEQ. The proposal to double the diagnostic testing cost makes importation even more costly.
- MPI has indicated a review of the emergency measures for *Xylella*, with a timeline for this review in mid-2024.
- Recent surveys and scientific reports suggest that the requirement for 100% testing and a 6-month PEQ in New Zealand is excessive for many species, especially those not hosting *Xylella* in Europe or coming from countries where *Xylella* isn't present.
- The European Union now has good systems to manage the disease, with annual surveys, mandatory reporting, restricted plant movement, and containment of infected zones. Several European countries trading in nursery stock, like Germany, Netherlands, and Denmark, do not have *Xylella*. Globally, over 407 plant species are known hosts for *Xylella*, but in Europe, only 174 are reported hosts.

- NZPPI believes that testing of mother plant stock in Europe, instead of 100% daughter plant testing in New Zealand, is technically justified and a far more cost-effective and efficient.

Recommendation: the CTO should review the requirements of all import health standards requiring onshore diagnostic testing and/or L3B quarantine to take sufficient regard of the cost to importers and legal agreements under the SPS and RSPM 5.

Diagnostic charging in an inefficient system

The proposals highlight the ongoing challenges in balancing the benefits of imported 'elite' plant material with the desire for high testing and quarantine rules. There are trade-offs between maintaining high standards, the costs of meeting those standards, and maintaining the desired volume of imports. Given the public benefit of plant importation, members ask who should pay for high levels of protection measures; the importer, the public / government, or those seeking very high levels of biosecurity protection.

It is timely for MPI to explore alternative pathways, including the option for testing material offshore, reduced PEQ times and recognising and approving a larger number of offshore facilities like the Mickleham PEQ Facility.

There is work underway, aligned with the Plant Germplasm Imports Pathway Strategy, to make the import system more efficient, while managing biosecurity risk. This work includes looking at a range of options for testing and quarantine, including high throughput sequencing (HTS), testing at genus or family level, accepting more testing completed offshore and reducing sample sizes. If implemented many of the proposals presented would mitigate the proposed cost increases by PHEL.

For example: Cost recovery policies should not apply to emergency measures for *Xylella fastidiosa*, which are under review.

Recommendation: The proposed cost recovery policy is applied only to measures that are up to date and technically justified. Measures that are considered out of date, under review, or part of a proposed change should not be subject to a price change until a review and justification is complete.

Implementation timeframe

NZPPI considers the implementation date of new costs by December 2023 to be too soon to allow businesses to adapt to these cost pressures.

Implementing MPI's cost recovery policy in such a short timeframe means that importers will pay to meet rules that are under review, are generally considered and understood to be inefficient, overly complex and in many cases unnecessary.

Recommendation: delay price increases until 1st July 2024 to give MPI an opportunity to explore alternative measures to onshore testing, and importers an opportunity to adjust to higher costs.

PEQ Prioritisation & Booking system

NZPPI supports the prioritisation policy, giving highest priority to EOs for unique or urgent opportunities, followed by those which have only recently become eligible for importation.

NZPPI supports the proposed PEQ Broker model that would enable facilitating co-sharing arrangements for importers to enable them to share costs and space in L3 PEQ greenhouses.

We would like to understand the reasons why certain genera, e.g. *Persea*, cannot co-share greenhouses with other species.

We see a risk in the policy where Biosecurity New Zealand may consider that the importer has withdrawn from their contract if they are more than one month late importing material. As a deposit must be paid in advance, withdrawing the importers contract has financial implications.

- The plant imports system is not always time responsive. Import permits can be issued later than expected and offshore arrangements can sometimes delay imports. We would like to see this clause amended to *“Biosecurity New Zealand may consider that the importer has withdrawn from their contract if they are more than one month late importing material and have not communicated with MPI on expected import timeframes”*.

L3B PEQ costs

Due to the high operating cost, high skills and construction standards required, MPI's L3B PEQ facilities will likely remain as the only option available to meet the quarantine requirements for plant imports. Access to the MPI facility is therefore essential for importers.

The Deloitte report (Level 3B PEQ Greenhouse Market Prices: Willingness to pay and the price the market could sustain) notes that a small number of interviewees indicated that they are able to justify the higher costs for some higher value material and would be willing to pay more for the services if it was better and faster. However, at the proposed monthly price of \$6,500, all but one interviewee surveyed stated that they would likely reduce or stop importing material through the L3 quarantine pathway.

One NZPPI member noted that the proposed charges for PEQ space makes importation unfeasible. The current pricing of \$265 per cultivar per month meant the PEQ costs of importing 3 cultivars would be \$9,540 for 12 months. Diagnostic testing and inspection charges are additional. Under the proposed pricing of \$6,500 per month, the cost of L3B PEQ jumps to \$78,000 – just over 8 times the current costs.

It is irrational to build a new facility, substantially increasing L3B capacity, and then price most importers out of the market.

The Deloitte report recognises the potential public benefit of plant imports, but then recommends applying a full "User Pays" model to recover costs from the importer. The report acknowledges that, if there are compelling public policy reasons, subsidies might be considered. But the onus is placed on the importer to provide evidence of the public benefits and to make a case for government assistance. This approach is unworkable.

The Plant Imports Pathway Strategy (Pathway Strategy)

The Plant Germplasm Imports Council (PGIC) released its Plant Germplasm Pathway Strategy in October 2021.

Although the price of laboratory & quarantine services is not dealt with specifically in the strategy, the document outlines the intention for cost recovery in the plant imports system. However, we believe that the extent of proposed price increases will act as a barrier to the success of the strategy's implementation and presents some strategic choices and trade-offs in the strategy.

The proposal to apply cost recovery is part of the Pathway strategy and has been signalled to industry. We are aware that cost recovery is to be applied to quarantine and testing in other industries, including the animal industries.

The cost of services is captured in the strategy in the following areas:

1. Regulatory Processes - Objective 3:

“Import processes are innovative, efficient, predictable and priced in accordance with a clearly communicated cost recovery policy”.

KPI's:

- *Pathway cost efficiency baseline and trend measure*
- *Pathway cost sharing baseline and trend measure*

2. Post entry quarantine and laboratory - Objective 3

“PEQ services operate under an agreed and stable cost recovery regime that recognises both costs of operation and private and public good benefits”.

KPI

- *Stakeholders and pathway users are satisfied with PEQ system operation and cost effectiveness.*

During the industry consultation process for the Pathway Strategy, MPI clearly explained the strategic choices and trade-offs across plant imports system. For example, increasing risk management pre-border, across the whole system, or post border had different requirements and the associated costs.

Since the release of the Strategy, only slow progress has been made on implementing proposed changes to the system, meaning that biosecurity risk management remains heavily focussed on quarantine & testing in New Zealand. Anticipating that a more efficient system would be in place before cost recovery policies were implemented, costs were not considered in detail as it was not necessarily the most important issue.

We now face some clear strategic choices and trade-offs.

ENDS.