

POLICY NOTE

THE ANIMAL HEALTH (MISCELLANEOUS FEES AND AMENDMENTS) (SCOTLAND) REGULATIONS 2013

SSI 2013/151

Introduction

The above instrument is made by the Scottish Ministers in exercise of the powers conferred by section 2(2) of, and paragraph 1A of Schedule 2 to, the European Communities Act 1972, section 56(1) and (2) of the Finance Act 1973 and section 10(3)(c) of the Animal Health and Welfare Act 1984. The instrument is subject to negative procedure.

Policy Objectives

The objective of the proposal is to increase the statutory charges for the specified animal health services delivered by the Animal Health and Veterinary Laboratories Agency (“AHVLA”) on behalf of Scottish Ministers, so that the fees more accurately reflect the cost of the services provided.

These fees have not been increased for some years and the Scottish Government (SG) is introducing these Regulations in parallel with similar legislation being introduced in England and Wales, to ensure that comparable charges are being applied across GB. Increasing the charges will allow for a more equitable distribution of public resources and will enable lower public expenditure and borrowing. This instrument introduces the first stage of a phased approach towards full cost recovery for all services provided in line with HM Treasury guidance, by 2014.

A comparison of old and new fees has been set out in the tables at the end of this document.

Legislative Context

In Scotland, as is the case across the rest of GB, these services are delivered by AHVLA, an executive agency of DEFRA, through agency arrangements. As these fees relate to a number of statutory services currently provided by AHVLA on behalf of Scottish Ministers, and as the existing fees instruments are subject to the same Parliamentary procedure, it is considered more efficient from the perspective of both the Agency and the recipients of the services to have these fees consolidated into one instrument.

The fees currently dealt with in the following instruments are covered in this single instrument: the Bovine Embryo (Collection, Production and Transfer) (Fees) Regulations 1995, the Animals (Third Country Imports) (Charges) Regulations 1997, the Bovine Semen (Scotland) Regulations 2007, the Porcine Semen (Fees) (Scotland) Regulations 2007, the Zoonoses and Animal By-Products (Fees) (Scotland) Regulations 2009 (as amended) and the Poultry Health Scheme (Fees) (Scotland) Regulations 2012.

The instrument contains fees relating to services provided in the following areas:

- **Salmonella National Control Programme:** in line with Regulation (EC) No 2160/2003 of the European Parliament and of the Council on the control of salmonella, as part of the Salmonella National Control Programme AHVLA collect and test official samples in order to verify progress in achieving agreed salmonella reduction targets, and provide services to maintain an approved laboratory network. Amendments are provided within the SSI relating to the Control of Salmonella in Poultry (Breeding, Laying and Broiler Flocks) (Scotland) Order 2009 to ensure correct references to extant EU legislation;
- **Poultry Health Scheme:** poultry establishments wishing to export live birds or hatching eggs to the EU and third countries must be members of the Poultry Health Scheme, operated by AHVLA under paragraph 3 of Part 1 of Schedule 2 to the Trade in Animals and Related Products (Scotland) Regulations 2012;
- **Bovine semen:** the Bovine Semen (Scotland) Regulations 2007 control the collection, processing and storage of bovine semen for intra-EU trade. AHVLA licence semen collection, storage and quarantine centres, and approve bovine animals for use in semen collection;
- **Porcine semen:** the Artificial Insemination of Pigs (Scotland) Regulations 1964 and the Artificial Insemination of Pigs (EEC) Regulations 1992 deal, respectively, with domestic trade and EU trade in porcine semen. AHVLA licence or approve artificial insemination centres, and approve boars for the purposes of semen collection;
- **Bovine embryos:** AHVLA approve bovine embryo collection, production and transfer teams and their facilities under the Bovine Embryo (Collection, Production and Transfer) Regulations 1995;
- **Checking consignments of live animals from third countries at border inspection posts:** AHVLA carry out veterinary checks of live animals (other than accompanied pets) arriving from non-EU countries at border inspection posts, in accordance with the Trade in Animals and Related Products (Scotland) Regulations 2012.

The instrument also enables the Scottish Ministers, where applications are withdrawn before their determination, to refund to applicants such proportion of fees paid as the Scottish Ministers think fit (regulation 3). It is considered that any power to charge a fee includes the implicit power to reduce a fee or, in other words, to charge a lesser fee.

Section 2(2) of the European Communities Act 1972 is exercised in relation to regulations 5 and 11 of the instrument. Regulation 5 updates references to EU instruments in the Control of Salmonella in Poultry (Breeding, Laying and Broiler Flocks) (Scotland) Order 2009. Regulation 11 enables the Scottish Ministers to enter into written agency arrangements with the Secretary of State, enabling the Secretary of State to carry out any of their functions of requiring payment of fees under the Regulations. As indicated above, in practice such functions would be carried out by AHVLA, an executive agency of DEFRA.

Ambulatory references have been included for two EU instruments as it is likely that technical details may be amended in those instruments, with implications for the cross-references contained within this instrument.

Consultation

A consultation on proposals to revise these fees ran from 16 July to 10 September 2012. This consultation was undertaken by DEFRA on a GB basis. Over 600 trade organisations, farming unions and businesses were invited to respond along with the general public. A total of 47 responses were received and the majority of respondents, although generally opposed to

increases in fees, favoured a phased increase in fees to achieve full cost recovery. Only 4 Scottish interests responded

Impact Assessments

A Business Regulatory Impact Assessment has been completed to compliment the Regulations, and a copy is attached. The impact on businesses of this policy is unlikely to cause a significant impact and is not predicted to restrict competition in any of the relevant sectors or cause any disproportionate effect on small businesses.

An equality impact assessment has not been completed as there are no predicted equality impact issues, as the fees only affect those seeking a particular service for the benefit of their business.

European Convention on Human Rights

As this instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

Monitoring and Review

An annual review of charges will be undertaken in conjunction with AHVLA, DEFRA and WG and adjustments to fees introduced as appropriate.

Comparison of the old and new statutory fees

1. Comparison of fees payable under the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 and the Zoonoses and Animal By- Products (Fees) (Scotland) Regulations 2009 as amended.

Table 1: Fees payable by the person in charge of a chicken or turkey holding from which an official control sample is taken, processed and examined for the purposes of Regulation (EC) No 2160/2003		
<i>Activity</i>	<i>Fee (£)</i>	
Time spent by obtaining an official control sample for examination in a laboratory (in addition to fees specified below)	NEW: 23 per half hour or part half hour spent	
	NEW	OLD
Taking an official control sample from a chicken laying flock	60	76
Taking an official control sample from a chicken breeding flock	96	76
Taking an official control sample from a chicken broiler flock	89	76
Taking an official control sample for turkey fattening and breeding flock	87	76
Examination of the official control samples in a laboratory	15 per sample examined	15.30

Table 2: Fees payable by the operator of a laboratory in relation to approval under Article 12 of Regulation (EC) No 2160/2003			
<i>Activity</i>	<i>Fee (£)</i>		
	NEW	OLD	
Processing an application for an initial laboratory approval or an annual renewal of laboratory approval	43	31	
		NEW	OLD
Conducting inspections and quality assurance based upon the number of tests for which the laboratory is approved	one test	642	631
	two tests	661	650.50
	three tests	681	670
	four tests	700	689.50
Conducting collaborative testing required to obtain and maintain approval as a testing laboratory	For salmonella	37 each test	36 each test

Table 3: Fees payable by the person in charge of poultry flocks for conducting tests under point 4(b) of Part D of Annex II of Regulation (EC) No 2160/2003		
<i>Activity</i>	<i>Fee (£)</i>	
	NEW	OLD
Conducting tests on seven dust and faecal samples taken from each flock	15 per sample tested	15.30
Conducting bacteriological sampling and testing of the caeca and oviducts of 300 birds in each flock	3,560	3,435
Conducting bacteriological sampling and testing of the shell and the content of 4,000 eggs of each flock	2,310	2,235

2. Comparison of fees payable under the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 and the Poultry Health Scheme (Fees) (Scotland) Regulations 2012.

Table 1: Fees for registration and approval of an establishment for the purposes of the poultry health scheme.		
<i>Activity</i>	<i>Fee (£)</i>	
	NEW	OLD
Time spent by a veterinary officer carrying out the licensing or approval activities in this table (to be added to fees listed below unless otherwise specified in column 2)	NEW: 23 per half hour or part half hour spent	
	NEW	OLD
Annual registration as a poultry health scheme member (in this Table, a “scheme member”)	61 (no time fee)	60
Approval for first year of scheme member’s flock or hatchery	210	97
Approval for first year of a scheme member’s combined flock and hatchery on one site where inspection carried out by a veterinary officer	233	143
Annual re-approval of a scheme member’s flock or hatchery, where inspection is carried out by veterinary surgeon who is not a veterinary officer	74 (no time fee)	62

Annual re-approval of a scheme member's combined flock and hatchery on one site, where inspection is carried out by veterinary surgeon who is not a veterinary officer	78 (no time fee)	70
Annual re-approval of a scheme member's flock or hatchery, where inspection carried out by veterinary officer	178	97
Annual re-approval of a scheme member's combined flock and hatchery on one site, where inspection carried out by a veterinary officer	183	143

Table 2: Fees payable by the operator of a laboratory in relation to approval for the purposes of the poultry health scheme

Activity	Fee (£)	
	NEW	OLD
Processing an application for an initial laboratory approval or an annual renewal of a laboratory approval	43	31
Proficiency test in respect of <i>Salmonella</i> bacteriology (<i>Pullorum</i> , <i>Gallinarum</i> and <i>Arizonae</i>)	131 each test	131 each test
Proficiency test in respect of <i>Salmonella</i> serology (<i>Pullorum</i> , <i>Gallinarum</i>)	336 each test	336 each test
Proficiency test in respect of <i>Mycoplasma</i> chicken serology (<i>Gallisepticum</i>)	336 each test	336 each test
Proficiency test in respect of <i>Mycoplasma</i> culture (<i>Gallisepticum</i> and <i>Meleagridis</i>)	281 each test	281 each test
Proficiency test in respect of <i>Mycoplasma</i> turkey serology (<i>Gallisepticum</i> and <i>Meleagridis</i>)	336 each test	336 each test

3. Comparison of fees payable under the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 and fees payable under regulation 41 of the Bovine Semen (Scotland) Regulations 2007.

Fees payable by applicants and operators in connection with activities for the purposes of the 2007 Regulations

Activity	Fee (£)	
	NEW	OLD
Time spent carrying out the licensing or approval activities in this table (in addition to each of the fees listed below)	Veterinary officer	NEW: 23 per half hour or part half hour spent
	Person who is employed by the Scottish Ministers or the Secretary of State other than as a veterinary officer	NEW: 12 per half hour or part half hour spent
	NEW	OLD
Considering an application under regulation 7 of the 2007 Regulations for approval of a bovine animal for	38	93

use in a domestic collection centre or at unlicensed premises, or an application under regulation 10 of the 2007 Regulations for approval of the use of a bovine animal for collection of its semen or for use as a teaser animal at unlicensed premises.			
		NEW	OLD
Considering an application under regulation 7 of the 2007 Regulations for approval of a bovine animal for use in an EU collection centre.	under 6 months old	187	194
	over 6 months old and in same sex group	187	194
	over 6 months old and in mixed sex group	368	320
	NEW	OLD	
Considering an application made under regulation 4 of the 2007 regulations for a licence to operate an EU quarantine centre	114	236	
Considering an application made under regulation 4 of the 2007 regulations for a licence to operate an EU collection centre	146	528	
Considering an application made under regulation 4 of the 2007 regulations for a licence to operate an EU storage centre	63	200	
Conducting an examination of a bovine semen centre under regulation 40 of the 2007 regulations	14	60	

4. Comparison of fees payable under the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 and the Porcine Semen (Fees) (Scotland) Regulations 2007

<i>Activity</i>	<i>Fee (£)</i>	
Time spent carrying out the licensing or approval activities in this table (to be added to each of the fees listed below unless specified in column 2)	Veterinary officer	NEW: 23 per half hour or part half hour spent
	Person who is employed by the Scottish Ministers or the Secretary of State other than as a veterinary officer	NEW: 12 per half hour or part half hour spent
<i>Application for approval of boars to provide semen for purpose of artificial insemination</i>		
	NEW	OLD
Considering an application for approval of a boar under regulation 2(1) of the 1964 Regulations for the purpose of the collection of permitted semen which will not be subject to intra-Community trade	92	117
Considering an application for approval of each additional boar examined at the same time	19 (no time fee)	34
<i>Routine testing of boars</i>		

		NEW	OLD
Routine testing of boars at an artificial insemination centre from which semen is not subject to intra-EU trade	up to a maximum of 10 boars	140	67
	each additional boar tested on the premises	19	6
<i>Operation of an artificial insemination centre</i>			
	NEW	OLD	
Considering an application from an operator for an artificial insemination centre licence or approval	29	327	
Considering an application for approval of alteration to licensed premises (in accordance with conditions attached to the licence)	29	83	
Routine examination of artificial insemination centre	9	86	

5. Comparison of fees payable under the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 and the Bovine Embryo (Collection, Production and Transfer) (Fees) Regulations 1995.

<i>Activity</i>	<i>Fee (£)</i>	
Time spent when carrying out inspections (in addition to the basic fees listed in this Table where the relevant facilities, premises or records require inspection)	NEW: 23 per half hour or part half hour spent	
	NEW	OLD
Considering an application for approval of a single bovine embryo collection or production team where there is inspection of one laboratory	131	181
Considering an application for approval of each additional laboratory or store from the same applicant where that laboratory or store is located more than 8 kilometres away from other embryo teams inspected for approval	86	130
Considering an application for approval of an additional laboratory or store from the same applicant when the inspection is done on the same day and the laboratory or store is located 8 kilometres or less from other embryo teams inspected for approval	27	36
Considering an application for approval of:		
- a bovine embryo transfer team; or	60	148
- a store under regulation 13;	60	130
- a store under regulation 16; or	60	130
- a store and its supervisor under regulations 16 and 19, of the 1995 Regulations	60	130
Carrying out routine inspection of records of each additional bovine embryo production, collection or transfer team, and re-inspection of each additional laboratory or store	41 for each additional team and laboratory or store	109 + 88

Considering an application for re-approval of a bovine embryo collection or storage centre following any alterations	71	81
Carrying out routine inspection of records of a single bovine embryo production, collection or transfer team and re-inspection of a single laboratory or store	70	109
Considering an application for approval of a bovine embryo collection team or production team with no inspection of a laboratory	168	148

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payable under the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 and the Animals (Third Country Imports) (Charges) Regulations 1997

Fees for inspecting consignments of animals from third countries and checking importation documentation at border inspection posts in accordance with regulation 13 of the Trade in Animals and Related Products (Scotland) Regulations 2012.		
<i>Inspection of type of animal and checking documents</i>	<i>Fee (£) per consignment</i>	
	NEW	OLD
Poultry and small game birds	44	25
Ratites	44	5
Live fish, aquatic animals and reptiles	40	5
Rabbits	44	25
Rodents	44	10
Captive birds	44	10
Bees, other insects and invertebrates	40	5
Pets unaccompanied	44	25
Equidae	54	25
Farmed livestock including cattle, sheep, goats, camelids, pigs and wild boar	54	25
Animals not covered by any other category	44	25
Transshipment check of documents	44	25

Contact

Scottish Government - Agriculture, Food and Rural Communities Directorate
Animal Health and Welfare.

May 2013

ANNEX

BRIA - Final Business and Regulatory Impact Assessment

Title of Proposal

Increase of statutory charges levied in respect of services delivered in Scotland by the Animal Health and Veterinary Laboratories Agency (AHVLA) on behalf of Scottish Ministers through the introduction of the Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013.

Purpose and intended effect

Background

Statutory charges already exist for services delivered in the fields of:

- controlling the collection of bovine embryos, bovine semen and porcine semen;
- administration of the Poultry Health Scheme
- administration of the National Control Plan for Salmonella
- inspections at Border Inspection Posts.

The fees levied for these services have not been increased for some time resulting in a subsidy for the users and a financial burden to the general taxpayer. Government intervention is therefore necessary to address this by increasing fees to businesses to full cost recovery in line with HM Treasury policy.

In Scotland, as is the case across the rest of GB, these services are delivered by AHVLA, an executive agency of DEFRA, through agency arrangements under the Scotland Act.

Objective

The objective of the proposal is to increase the statutory charges for the specified services delivered by AHVLA, so that the fees more accurately reflect the cost of the services provided.

It is currently the UK and Scottish Government policy that businesses benefiting from a service should pay the full cost of delivering the service rather than looking to the taxpayer to subsidise it. The charges identified, except those relating to the administration of the National Control Plans have not been updated for some time and fall short of reflecting the full cost of service delivery. Increasing the charges will allow

for a more equitable distribution of public resources and enables lower public expenditure and borrowing.

The following outline the objective in each area where statutory fees are to be increased:

- **The Bovine Embryo (Collection, Production and Transfer) (Fees) Regulations 1995**

These Regulations implement the Council Directive 89/556/EEC concerning EU trade and as a second tier for domestic trade. Increasing the fees for these services is a more efficient use of public resources by transferring the cost of the service provision from the taxpayer to the direct beneficiaries

- **The Bovine Semen (Scotland) Regulations 1997**

These Regulations set out charges for which a fee is payable i.e the licensing of the collection, processing and storage of bovine semen established under Council Directive 88/407/ EEC (as amended) for trade with EU member states and as a second tier for domestic trade. Increasing the fees for these services is a more efficient use of public resources by transferring the cost of the service provision from the taxpayer to the direct beneficiaries.

- **The Porcine Semen (Fees) (Scotland) Regulations 2007**

These Regulations set out charges for licensing and approving the collection, processing and storage of porcine semen under both Council Directive 90/429/EEC (as amended) for trade with other EU domestic states, read with the Artificial Insemination of Pigs (EEC) Regulations 1992 and under the Artificial Insemination of Pigs (Scotland) Regulations 1964 . Current fees do not reflect the true cost to government providing this statutory service resulting in a subsidy for users and a financial cost to the general tax payer. It is necessary to raise the fees to remove subsidy and relieve burden on the general taxpayer by increasing charges to business to full cost recovery.

- **The Poultry Health Scheme (Fees) (Scotland) Regulations 2012**

This scheme facilitates EU trade and exports to third countries without risking the spread of disease which prevent the economic wellbeing of the poultry industry. This scheme was established under Council Directive 2009/158/EC and the Trade in Animals and Related Products Regulations 2012. The intended effect of increasing the charges in this area is to make more efficient use of public resources by transferring the cost of the service provision from the taxpayer to the direct beneficiaries.

- **The Zoonoses and Animal By-Products (Fees) (Scotland) Regulations 2009**

The Salmonella National Control Plan falls under the Regulations. This scheme

safeguards public health by reducing the incidence of Salmonella at the farm level in the relevant poultry sectors and throughout the food chain. The purpose of revoking the Zoonoses and Animal By-Products (Fees) (Scotland) Regulations 2009 and updating the fees contained therein is to achieve a full cost recovery charging system for AHVLA in their role of collecting and examining official samples and for the maintenance of the approved private laboratory network (where operator samples are tested according to the requirements of the EU legislation, Regulation (EC) 2160/2003). This will relieve the burden on the general taxpayer and rectify the current cross sector subsidies that exist, whilst maintaining a competitive sustainable poultry industry

- **Border Inspection Posts**

The controls on live animals imported from third countries are based on EU provisions. Council Directive 91/146/EEC requires that all live animals (other than accompanied pets) are inspected by an official veterinarian on entry into the EU at a Border Inspection Post. Regulation 882/2004 (EC) requires that the costs for carrying out the checks under Council Directive 91/496/EEC are recovered from the importer. These statutory examinations guard against the introduction of animal diseases that could seriously damage our livestock and ecosystems. The objective of this policy is to relieve the burden on the taxpayer of providing this statutory service and, to ensure compliance with EU legislation.

Rationale for Government intervention

Whilst Government already charges businesses for some services, the fees (except those applied to the NCP for Salmonella) have not been revised for some time. This has resulted in a subsidy for users and a financial cost to the general taxpayer. Government intervention is necessary to remove the subsidy and relieve the burden on the general taxpayer. The proposal therefore is to increase the existing fees to business to full cost recovery levels, in line with Government policy. It is worth noting that the current charges do not reflect the cost of delivery and the proposed increases will enable fairer systems to be established. This supports the Scottish Governments strategic objective of supporting a wealthier and fairer business environment in Scotland.

Consultation

Internal - The following have been consulted in connection with the development and implementation of this Business Regulatory Impact Assessment (BRIA):

- The Animal Health and Veterinary Laboratories Agency provided advice and figures relating to the proposed charges.
- The Department for Environment and Rural Affairs Agency Relationship Team acted as point of contact and lead on the project and consultation alongside AHVLA and co-ordinating Impact Assessments on a GB Basis.
- DEFRA Zoonoses Policy team provided advice on the charges relating to the

- Salmonella National Control Plan and produced a GB Impact Assessment.
- DEFRA Veterinary Science Team provided advice on the Charges relating to the Poultry Health Scheme and Artificial Breeding Controls and produced the relevant Impact Assessments on a UK basis.
 - DEFRA Animal Health and Global trade and Aquaculture Health Team provided advice on Charges regarding Border Inspection Posts and produced a GB Impact Assessment.
 - The Welsh Government, Office of the Chief Veterinary Officer provided comment and advice alongside the other administrations on charging of fees and provided comments on the consultation process.
 - Scottish Government Legal Directorate provided legal advice with regard to SSI lay out and legal position of Scottish Ministers under the Scotland Act 1998
 - Animal Health and Welfare: Disease Prevention Team provided advice on industry contacts for consultation and comments on consultation documents.
 - Better Regulation and Industry Engagement Team, Scottish Government, provided advice on preparation of a BRIA.
 - Rural Analytical Unit, Scottish Government, provided advice on the charges and likely effects on the Agricultural sector .
 - The Legal Aid Team, Scottish Government, provided advice on the implications for the legal aid fund.

Public Consultation

Informal – Consultation with industry was carried out as part of the GB Impact Assessment development and outcomes from that were fed into the final consultation document.

Formal – Formal Consultation was carried out by DEFRA on behalf of the GB administrations from July 2012 to September 2012. The following Scottish businesses/stakeholder groups were consulted.

Aberdeenshire Council
Angus Council
Aviagen Ltd
BioBest Ltd
BioOutsource Ltd
BritbreedLtd
Edinburgh Zoo
Extrordinair Ltd
Glasgow Prestwick Freight Centre
Fife Council
Highland stevedoring Ltd
Innovis ltd
Midlothian Council
NFUS
PIC UK
SAC
Scottish Association of Meat Wholesalers
Sea Mammal Research Unit
The Scottish Egg Retailers Association
UK Shire Services

A total of 4 responses were received from Scottish based groups and we have taken these into account when considering the proposed charges and how they should be implemented. A full analysis of the responses from across the UK will be published on the DEFRA webpages.

Options

- **Option 0– Do Nothing**

This option would maintain partial recovery of the costs of service provision. The taxpayer would continue to subsidise the service. This is not an acceptable option as it does not deliver full cost recovery but does provide a baseline against which the other options can be assessed.

- **Option 1 – Phased fee increases over two years to achieve full cost recovery by 2014/15.**

Under this option, current fees would be increased to the midpoint between the current charge and full cost recovery on April 2014, and increased to full cost recovery in April 2015. The phasing-in of fee increases would provide businesses with a transitional period to full cost recovery.

- **Option 2– Increases to full cost recovery during 2013/14.**

Under this option, current fees would increase directly to full cost recovery in April 2013, with costs borne by those who benefit rather than being subsidised by taxpayers.

Sectors and groups affected

As the proposed legislation proposes to update six statutory instruments covering a wide range of animal health sectors those affected are equally wide ranging, from small local businesses and national farming groups to large multinationals and charities.

Charging regulations for importing animals and products through Border Inspection Post is varied, with the majority comprising of individuals and medium sized enterprises. This sector is small in Scotland with only two border inspection posts certified to process live animals. Charities, such as Edinburgh zoo, may also be affected by charges related to inspections at BIPs (and increased CITES charges, although this is a reserved matter).

In the areas of the Poultry Health Scheme and Bovine and Porcine semen only a small number of large and multinational companies operate in Scotland.

Benefits and Costs

Option 0 – No Change

Benefit: The benefit will go to businesses which will continue to be subsidised by the

taxpayer.

Cost: This approach increases the financial burden on the taxpayer.

Option 1 – Phased introduction of fees

Benefit: The services which are used by businesses will be self-funding by Year 2 following implementation and the costs will be borne by those who benefit.

Benefit: This option provides a period of adjustment for businesses to accommodate the increase in fees, spreading the impact on small to medium enterprises.

Cost: Phased approach increases financial burden on government assuming incremental increases

Option 2 – Immediate Full Cost Recovery

Benefit: The services which are used by businesses will be self-funding by Year 1 following implementation. The costs will be borne by those who stand to benefit

Cost: The services which are used by business will be self-funding. The costs will be borne by those who use the service.

Scottish Firms Impact Test

Defra carried out the consultation on behalf of the GB administrations and requested evidence of impacts on small business. Although industry did not specifically answer this question, concerns were raised by farming organisations about the impact of AHVLA charging for staff travel to and from premises, especially to business premises located far away from AHVLA offices; this may be relevant to Scottish businesses situated in rural areas. Following consideration of the responses it has been decided not to charge for travel time although the situation will be kept under review.

Regarding Border Inspection Post charges, a significant proportion of companies in this sector are small to medium size enterprises. Import services are well established and it is not expected that any of the proposed options will entail additional administrative costs or capital investments on business. It is not anticipated that there will be any significant or disproportionate impact of these proposals affecting small firms.

The NCP sector is mainly made up of small to medium enterprises, however it is important to note that EU legislation sets out a risk assessed minimum threshold for each NCP programme and in most cases very small businesses are excluded from the requirements of the legislation.

Competition Assessment

In our view the raising of statutory fees will not negatively impact on competition within the UK as these fees will be introduced on a GB Basis with many of the charges implementing EU Directives. For all areas (with the NCP as an exception) a phased

approach is favoured to allow industry to absorb the costs over two years before full cost recovery is achieved.

Border Inspection Posts - The increase in charges will be an additional cost to business in this sector. In Scotland the effects will likely be very limited. At the time of data analysis for the GB impact assessments, only one BIP was authorised to process live animal imports from third countries, this BIP is specific to equines only.

Recently Edinburgh Airport was awarded BIP status for third country imports of dogs, cats, ferrets, lagomorphs, amphibians and rodents. Numbers of arriving animals are expected to be small and the importing company responsible for the BIP was consulted as part of the formal consultation process. On this basis, we do not anticipate that implementation of any proposed options will result in any significant restriction in competition in any particular market.

Poultry Health Scheme – the increase of charges will be an additional cost to business in this sector. In Scotland only one large multinational company operates under the Poultry Health Scheme and they have indicated that they will be able to absorb the costs without any negative impact.

Salmonella National Control Plan – In most cases food business operators within this sector are classified as small to medium enterprises with less than 250 employees. However it is important to recognise EU legislation sets out a risk based assessed minimum threshold for each NCP programme and in most cases very small businesses are excluded from the requirements of the NCP legislation.

Bovine Embryos and Bovine and Porcine Semen– The increase in the charges will be an additional cost to business in these sectors and it may not be possible for some businesses to pass the costs to customers, in which case they will have to absorb them themselves. There may be some markets, particularly where profit margins are high, where demand is sufficient and robust enough that customers will pay increased prices. However the sector is currently fragmented with micro, small and medium businesses involved in the trade. Industry will continue to trade and provide a good quality service to their customers. On this basis we do not anticipate that the proposed charges will restrict competition in this sector within Great Britain.

Test run of business forms

The new instrument will not introduce any statutory business forms.

Legal Aid Impact Test

The Scottish Governments Legal Aid Team has confirmed that the increase in Statutory fees in the areas listed will have a minimal impact on the Legal Aid Fund.

Enforcement, sanctions and monitoring

AHVLA will be responsible for collection of fees on behalf of the Scottish Ministers. The Scottish Government will work closely with the UK Government and AHVLA to ensure

this legislation is implemented correctly and identify any further improvements and efficiencies that can be made.

There are no sanctions or penalties should these fees not be paid and therefore no offences to go with the regulation. The nature of these services provides benefit to the industry, if the fees were not paid the service would be withdrawn and industry would not receive the benefit. e.g. If fees were not paid at a Border Inspection Post, the goods or animals would be denied entry and likely re-exported or destroyed, at the importers expense. Likewise the certification of animals for artificial breeding purposes provides the proof of disease free status which is important for trade.

Implementation and delivery plan

It is intended that there will be a common implementation date across GB of 24 June 2013 .

Post-implementation review

An annual review of charges will be undertaken in conjunction with AHVLA, DEFRA and WG and adjustments to fees introduced as appropriate.

Summary and recommendation

Government already charges businesses for some services provided by the AHVLA; these fees have not been revised (in the majority of cases) for some time and this has resulted in a subsidy for users and a financial cost to the general taxpayer.

Phased increases of fees (Option 1) this recommended for the Poultry Health Scheme, BIPs, Bovine Embryos, Bovine Semen and Porcine Semen charges. This is the only option that provides a period of adjustment allowing industry to absorb the proposed fee increases.

An immediate move to full cost recovery (Option 2) is proposed for the Salmonella National Control Plan. When the NCP charges were first introduced (Scotland 2008) it was agreed that the charges would be phased in over a three year period. This would allow businesses to adjust their financial planning to take account of the new costs and so mitigate as far as possible the expected impact/burden of introducing the costs in one go. By 2010 it was agreed with stakeholders that full cost recovery for the aspects of the NCPs and testing laboratories that are the subject of this BRIA would be in place and that future increases would only be inflationary. However the GB impact assessment established that the current fees do not reflect the true costs to Government of carrying out the official sampling requirements and approved laboratory services

Summary costs and benefits table

Estimation of costs to Scottish livestock industries from the implementation of amendments to various statutory fees

1. This section uses existing analysis at the Great Britain (GB) level to produce estimates for the costs that will be incurred by Scottish producers following the implementation of revisions laid out in the following Impact Assessments (IAs):

- Revision of Fees: Amendment of the Porcine Semen (England)(Fees) Regulation 2007 (IA No: Defra 1409).
- Revision of Fees for the Bovine Semen (England) Regulations 2007 (IA No: Defra 1053b).
- Revision of Fees for Bovine Embryo (Collection, Production and Transfer) (Fees) Regulations 1995 (IA No: Defra 1435).
- Review of the Poultry Health Scheme (PHS)(Fees) Regulations 2011 (IA No: Defra 1434).
- Regulation 882/2004 (EC) on Official Controls Performed to Ensure the Verification of Compliance with Feed and Food Law, Animal Health and Animal Welfare Rules – Fees.
- Revision of Fees for Salmonella National Control Programmes & Defra Approved Private Laboratory Network. (IA No: 1445).

Whilst Defra produced a separate costs–benefit analysis for each Regulation Amendment unfortunately they did not include a breakdown for the impact on Scottish livestock industries.

2. Therefore this analysis uses the total cost figures for GB as a whole in order to produce estimates for Scotland. The methodology used to produce these estimates is explained in Annex 1, along with the limitations of these cost estimates.

3. Table 1 details the costs to Scottish Livestock producers for each option (as outlined by Defra) and Regulation in constant prices, whilst table 2 details the Net Present Value (NPV) assuming a Discount Rate of 3.5%. Both tables show the total costs incurred between 2013 and 2022.

4. Annex 2 contains two tables detailing the annual average costs for financial years 2013 – 2022 for each option and each Regulation Fee change.

Table 1: Total Net Costs Incurred by Scottish Producers, 2013 – 2022, £s, Constant Prices (2009)

	Option 0 ¹ , £	Option 1, £	Option 2, £
Bovine Semen	0	260,000	270,000
Bovine Embryos	0	14,000	14,000
Porcine Semen	0	36,000	36,875
Poultry Health Scheme	0	184,516	191,613
Border Inspection Posts ²	0	8,958*	9,412*
Salmonella National Control Programmes	0	109,665	110,167

Table 2: Total Net Costs Incurred by Scottish Producers, 2013 – 2022, £s, Net Present Value Assuming a 3.5% Discount Rate

	Option 0 ³ , £	Option 1, £	Option 2, £
Bovine Semen	0	221,013	231,013
Bovine Embryos	0	11,834	11,834
Porcine Semen	0	31,430	30,305
Poultry Health Scheme	0	156,989	164,086
Border Inspection Posts ⁴	0	7,648*	8,101*
Salmonella National Control Programmes	0	93,929	94,431

5. It should be noted that in some cases a business may incur the additional costs of both the Poultry Health Scheme and the Salmonella NCPs services fee increases.

Annex 1: Methodology and Assumptions

- To calculate estimates for Scotland, weights were applied to the total cost estimates for

¹ Option 0 is the 'Do Nothing' option therefore does not result in any additional costs

² Scotland's proportion of total imports of live animals in to GB from overseas used here to produce weighting as opposed to non-EU imports only. See Annex 1 for further details.

³ Option 0 is the 'Do Nothing' option therefore does not result in any additional costs

⁴ Scotland's proportion of total imports of live animals in to GB from overseas used here to produce weighting as opposed to non-EU imports only. See Annex 1 for further details.

* The information for Scottish Equine BIP imports could not be determined specifically due to lack of detailed data, intelligence on import numbers indicates that the figures given may be higher than actual costs.

GB. In the case of bovine semen and embryos, porcine semen, Salmonella National Control Programmes (NCPs) and the Poultry Health Scheme, the number of facilities located in Scotland as a proportion of the number of facilities in GB was used for the weighting. The figures and resultant weights are outlined below in table 3.

Table 3: Number of Facilities in GB and Scotland, Plus the Resulting Weights

	No. in Scotland	No. in GB	Weight Applied to GB Costs
Bovine Semen	1	3	1/3
Bovine Embryos	2	18	2/18
Porcine Semen	1	8	1/8
Poultry Health Scheme	55	217	55/217
Salmonella NCPs	275	3,285	275/3,285

- To use porcine semen as an example, the per annum costs to the porcine semen industry in GB were multiplied by (1/8) to produce estimates for the cost to Scotland.
- The principal assumption made within this approach is that the levels of activity in each facility is equal across GB and therefore each will be subject to covering an equal proportion of the costs.
- A further possible bias relating to bovine semen and embryos is that this type of Company can often operate mobile services which travel from farm-to-farm as well as running a stud. It would be exceedingly difficult to calculate the proportion of these mobile activities that take place in Scotland and so they have been excluded from this analysis.
- For the Border Inspection Posts a different method was employed to apportion the GB costs to Scotland. To calculate a weight for Scotland data was extracted from HM Revenue & Customs (HMRC) Regional Trade Statistics (RTS) on the value of live animal imports in to each GB nation (England, Wales and Scotland) in 2011 from outside the European Union (EU). Total imports of live animals from outside the EU in to GB were valued at £46.3 million in 2011 with £74,000 of this attributable to Scotland.
- The resulting weight utilised to estimate the proportion of GB's costs that will be borne by Scotland was therefore: Total GB cost multiplied by (0.074/46.3).
- The first limitation to note is that HMRC publish data to the 2 digit Standard International Trade Classification code only. The relevant code here being: '00 - Live animals other than animals of division 03'. Division 03 is defined as '03 Fish, Crustaceans, Molluscs & Aq. Inverts & Preps Thereof. Therefore by definition of the codes, the value of any live fish or seafood imports has been excluded from the analysis as there is no facility to separate the live fish and seafood imports from the processed.
- Secondly, the charges for inspections at the border differ depending on the size of consignment (i.e. the number of animals being imported at any one time) and also whether

the veterinarian visit is required outside or inside normal working hours. There is no data to such a level of detail available for Scotland so no adjustments for this have been made.

- Finally a proportion of total imports of live animals from outside the EU in to GB cannot be allocated to a geographic area and so are assigned to an 'unknown' region in HMRC's data sets. The value of the unknown region's imports have been excluded from this analysis as by definition they cannot be assigned to a geographical area.

Annex 2

Table 4: Costs per Annum of Implementing Fee Amendments, Constant Prices £s, 2013 - 2022

	Option	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bovine Embryos	1	0	1,556	1,556	1,556	1,556	1,556	1,556	1,556	1,556	1,556
	2	0	1,556	1,556	1,556	1,556	1,556	1,556	1,556	1,556	1,556
Bovine Semen	1	8,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
	2	18,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Porcine Semen	1	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	2	875	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Poultry Health Scheme	1	13,687	19,770	19,770	19,770	19,770	19,770	19,770	19,770	19,770	19,770
	2	6,590	19,770	19,770	19,770	19,770	19,770	19,770	19,770	19,770	19,770
Border Inspection Posts	1	487	941	941	941	941	941	941	941	941	941
	2	941	941	941	941	941	941	941	941	941	941
Salmonella Controls	1	7,953	11,301	11,301	11,301	11,301	11,301	11,301	11,301	11,301	11,301
	2	8,455	11,301	11,301	11,301	11,301	11,301	11,301	11,301	11,301	11,301

Table 5: Costs per Annum of Implementing Fee Amendments, Net Present Value Assuming 3.5% Discount Rate, £s, 2013 – 2022

	Option	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bovine Embryos	1	0	1,503	1,452	1,403	1,356	1,310	1,265	1,223	1,181	1,141
	2	0	1,503	1,452	1,403	1,356	1,310	1,265	1,223	1,181	1,141
Bovine Semen	1	8,000	27,054	26,138	25,253	24,399	23,576	22,778	22,008	21,263	20,544
	2	18,000	27,054	26,138	25,253	24,399	23,576	22,778	22,008	21,263	20,544
Porcine Semen	1	0	3,865	3,734	3,608	3,486	3,368	3,254	3,144	3,038	2,935
	2	875	3,865	3,734	3,608	3,486	3,368	3,254	3,144	3,038	2,935
Poultry Health Scheme	1	6,590	19,101	18,455	17,830	17,227	16,646	16,083	15,539	15,013	14,505
	2	13,687	19,101	18,455	17,830	17,227	16,646	16,083	15,539	15,013	14,505
Border Inspection Posts	1	487	909	879	849	820	792	766	740	715	691
	2	941	909	879	849	820	792	766	740	715	691
Salmonella Controls	1	7,455	10,919	10,550	10,193	9,848	9,516	9,194	8,883	8,582	8,292
	2	8,455	10,919	10,550	10,193	9,848	9,516	9,194	8,883	8,582	8,292

