



Department
for Environment
Food & Rural Affairs



Llywodraeth Cymru
Welsh Government

Summary of responses to the consultation on proposed changes to fees for statutory plant health services provided by the Animal and Plant Health Agency in England and Wales

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Any enquiries regarding this publication should be sent to us at:

FeesandChargesConsultation@defra.gsi.gov.uk

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Introduction

The consultation, which was undertaken by Defra and the Welsh Government, sought views on proposed changes to the charging structure and fees for the following plant health services provided by the Animal and Plant Health Agency (APHA):

- Inspection of imported plants and plant material
- Sampling and testing of potatoes imported from Egypt and the Lebanon
- Seed potato certification
- Plant passporting
- Plant health licensing
- Export certification
- Certification of fruit propagating material

The proposals were about changing how we charge for these services. The scope and nature of these services is not changing and they will continue their important role of protecting the health of our crops, produce, trees and plants.

The consultation also sought information about the impact of the proposals on businesses, including small or micro-businesses.

The proposals stem from a fundamental review of the methodology for calculating the cost of providing these services and the associated fee structures, which Defra and APHA initiated in 2015. The review's aims were to:

- ensure that the cost methodology includes all eligible costs and provides a long term, robust basis for charging for these services and which is consistent with delivering the government's objective of full cost recovery.
- improve simplicity, transparency and fairness of charges, as well as looking for different ways to recover the costs of services to align the fees more closely to the cost of delivering the service to individual customers.

Defra spends around £13.5m each year on plant health activities, including the provision of services to businesses, surveillance and outbreak control. In 2016/17, £5.75m of this total was the cost of providing statutory chargeable services.

A wide range of interested trade organisations were invited to respond, together with almost 2500 individual business registered to use plant health services.

Summary of responses

Import inspection

The proposed changes to the package of fees for these services were:

- 1) Combine the separate charges for documentary checks and identity checks into one fee of £9.71.
- 2) Move from the volume-based approach to charging for physical inspections to a more cost-based approach, in effect flat fees for each commodity type irrespective of the size of the consignment. Where reduced levels of inspection apply for lower risk consignments (from countries where there is continued evidence of pest and disease freedom), the inspection fee per consignment would be proportionately reduced.
- 3) Introduce a separate fee of £157.08 to recover the costs of laboratory testing where samples are taken by APHA inspectors because of the suspected presence of a harmful pest or disease.
- 4) The additional charge for inspections undertaken outside of 'normal business hours' will be removed and the costs of this activity apportioned across all physical inspection fees.

Around 1,010 businesses used import inspection services in 2016/17.

8 responses were received from those using import inspection services - 3 from trade organisations (representing a total of around 57,000 members) and 5 from individual businesses, of which 4 were SMEs and 1 large company.

One trade body was broadly supportive of the proposals - particularly the new charge for laboratory testing on suspicion, simplification of charging mechanisms and alignment of costs with service use. They were keen for APHA to continue to seek efficiencies by considering alternative approaches.

Another trade body was critical of the likely impact on their members, as the majority are micro-businesses. It thought that the new fees will have a negative impact on those businesses, as they will not be able to absorb any additional costs.

Of the 5 responses from individual businesses, 4 said the proposed changes would have a moderate financial impact on their business, with no or limited impact on business operations. 3 of the 4 said they would manage any increase in fees mainly by reducing profits. The other said they would be likely to pass the costs on to customers.

There were mixed responses about the fairness, simplicity and transparency of the proposals, although pointing towards a negative reaction overall.

Of the businesses that responded, all thought there would be a major or moderate impact on small businesses, competitiveness in the sector and volumes of trade. Although we would not want to adversely affect such trade, from a biosecurity perspective the risk of introducing harmful organisms is not mitigated by the size of the business or the volume of material imported. The type of commodity imported and its origin are the key risk factors.

A few suggestions for alternative ways to charge were offered:

- Charge the actual cost based on volume imported. - We do not believe that this is a better alternative as charging by volume is the basis for current charges and doesn't closely align with how much resource it takes to inspect a consignment of a particular commodity and doesn't meet Managing Public Money principles.
- Charges should take account of risk factors associated with larger, high risk consignments. – We do not believe that this is a viable option as consignment size is not a factor in determining plant health risk.

Sampling and testing of potatoes imported from Egypt and the Lebanon

Under the new cost methodology the fee will be reduced for each lot sampled and tested.

5 businesses used this service in 2016/17.

The only response with regard to this service was from a trade body who were concerned that there should be no lessening of inspection effort. There will be no changes to the scope of this service, which will continue to be conducted with the same rigour.

Seed potato certification

The proposed changes to the package of fees for these services were intended to standardise and simplify the existing fees and improve fairness. In addition, the proposals aimed to secure cost reductions through efficiency gains and changes to the cost methodology. The proposals were:

- 1) A new fee for PCN soil sampling and testing. This new charge would remove the current public subsidy for this service.
- 2) Change the growing season field-based inspection charges for pre-basic and approved stocks from a time-based charge to a hectare-based charge. The aim is to standardise charging for growing season inspections of seed potatoes and to simplify the fee structures.
- 3) Change the inspection fee for harvested tubers from hectare-based to time-based, to improve simplicity.

- 4) Introduce a separate fee for the issue of printed labels. Growers who print their own labels will be charged for the issue of blank labels and be subject to annual auditing of label production records, the cost of which is included in the label fee.
- 5) Introduce a new fee for processing paper-based applications, which reflects the cost of putting applications on line.

58 businesses used seed potato certification services in 2016/17.

9 responses were received from those using seed potato certification services - 4 from trade bodies (representing a total of around 56,000 members) and 5 from individual businesses, all of which were SMEs.

1 trade body felt that the reduction in fees for growing season field-based inspections would help mitigate against the new fee for PCN soil sampling and testing.

1 trade body accepted all the proposed changes but felt that the new fees for processing paper based applications and labels would disproportionately impact small growers. 1 individual business agreed that the new fee for processing paper based applications was unfair, given that the system for making applications online was not user friendly and broadband was poor in some rural areas.

3 trade bodies and 1 individual business felt that the proposed label costs were too high and that those exporting small bags or small quantities would be particularly impacted.

2 trade bodies said that they would prefer a common charging system across the whole of the UK as their members operate on a UK basis. 1 also felt that the seed potato certification system operated in Scotland was more efficient and should be used as a guide in England and Wales.

1 trade body questioned how the proposed charges were consistent with government interest in promoting exports.

1 trade body and 1 individual business questioned charging to nearest hectare for growing season field-based inspections as this would lead to overcharging and penalise trial work on new varieties.

Of the 5 responses from individual businesses, 3 said that the proposals would have a major financial impact, 1 said minor and 1 said no impact. In terms of operational and administrative impacts, 2 said a major impact, 2 said moderate and 1 said minor impact. 3 would see a cost increase overall and of those 2 would manage this by reducing profits; 2 would not see any cost increase.

Most respondents indicated there would be no impact on compliance with plant health rules (75%) but that there would be a major or moderate impact on competitive advantage across the sector (75%) and on small businesses (60%).

In relation to fairness, of the 4 responses from individual businesses to this question, 3 said the fees were fairer and 1 said they were not. 2 businesses said the fees were simpler and more transparent and 2 said they were not.

1 business question why PCN samples had to be taken by APHA inspectors and couldn't be taken by others such as agronomist advisors.

A few suggestions for alternative ways to charge were offered:

- The overall service could be reduced to an audit of licensed producers and all responsibilities for inspections and compliance with the rules of the seed potato classification scheme could be passed over to accredited growers. - We feel that this could be considered in the next phase of work on fees and charges.
- All costs could be recovered through just the growing season inspection and tuber inspection fees, with incentives for growers to print labels. - We consider that this goes against the approach of aligning fees more closely to the cost of delivering the service to individual customers.

Plant passporting

The main change proposed for this service was to correct how the hourly fee is calculated so that it is set at the level required to recover the full costs of delivery. Fees for inspection visits would increase for each quarter hour spent on site, as would the minimum fee per visit. These changes would remove the existing public subsidy for this service of around £180,000 per year. Given the increases in these fees, we proposed to phase their introduction in three steps so that full-cost recovery is achieved by April 2019, in order to support businesses and give them time to plan and prepare.

In addition, we proposed a new fee for handling and processing paper-based plant passporting applications which reflects the cost of putting the applications on-line.

Around 760 businesses used plant passporting services in 2016/17.

1 trade body (with around 55,000 members) and 13 individual businesses, all SMEs (of which 10 were micro), responded to the consultation.

The trade body recognised the work done by Defra to find efficiencies and reduce costs but felt that the proposed fee increases were unwelcome, particularly at present time. Consideration should be given to delaying implementation given the current uncertainty around EU-exit.

Of the 13 individual businesses that responded, 4 said that the proposals would have a major financial impact, 7 said moderate, 1 said minor and 1 said no impact.

Of the 13 businesses who responded to a question on whether their costs would increase, 9 said yes. Of those who responded that they would experience a cost increase; reducing profits (78% of those who responded to this option) and reducing other costs (60% of those who responded to this option) were likely ways that the cost increase would be managed.

2 businesses said the proposed changes would have a major operational and administrative impact, 4 said moderate and 2 said minor impact. 4 were unsure.

In relation to wider impacts, half of the responses indicated that compliance with plant health services was likely to deteriorate moderately and the rest said no or were unsure. Most considered there would be a major or moderate impact on small businesses and on competitive advantage; and around half were unsure about the impact on volume of trade.

7 businesses said the fees were not fairer and 4 said they did not know. 2 businesses said the fees were simpler and more transparent and 4 said they were not. 5 said they did not know.

1 business asked why the paperwork audit had to be done on site. Could it not be done online instead and save costs/fees.

A few suggestions for alternative ways to charge were offered:

- Lower charges for small businesses. - Current and proposed charges are time-based, so small nurseries' inspections will take less time and cost less than larger nurseries.
- Check records on-line rather than visiting the premises. – In addition to checking paperwork the annual audit visit also involves a general review of passporting activity, including checking the person responsible on the nursery and if they are passporting correctly, so a nursery visit is required. However, as part of the next phase of work on fees and charges, we will look at whether certain nurseries could have 1 visit per year rather than 2.

Plant health licensing

Following a review of the way in which licensing services are delivered we have removed the annual licence renewal process and the associated fee and replaced it with a much simpler process, involving the issue of annual letters of authority, rather than full licence renewal fee.

Whilst this change in process has reduced the cost of providing licensing services, additional costs have been added to the cost base to take account of costs which are currently met by government. Consequently it was proposed that the other scientific licensing fees should increase, and the travel cap of two hours for inspection visits be removed.

Given the increases in fees we proposed that the increases be phased in three steps, so that full-cost recovery is achieved by April 2019.

In addition, we proposed to clarify the scope of licensing in the charging legislation to ensure that applications and inspections and associated charges reflect current and future licensing activities.

There were 277 plant health licence holders in 2016/17.

1 trade body (with around 55,000 members) and 4 individuals, of which 3 were SMEs and 1 large, responded to the consultation. Only 1 of the 4 individual responses was from a plant health licence holder.

The trade body was supportive of the proposed changes as they felt they simplified the fees and the removal of the annual renewal process should balance increases in other fees over time.

While the licence holder indicated there would be a minor financial impact, the picture was mixed with the remaining three businesses indicating differing levels of impact (one was unsure). These answers were replicated in the response for operational impact.

All options to manage the cost increase were selected as likely by at least one business however reducing profits and reducing other costs were the most likely options overall.

75% of businesses indicated there would be no impact on compliance with plant health rules, 50% indicated there would only be a minor impact on small businesses and 75% indicated there would be an impact on the volume of trade in the sector.

In relation to fairness, none said the fees were fairer, 1 said not fairer and 3 said they did not know. In relation to greater simplicity and transparency, 2 businesses said the fees were simpler/more transparent and 2 said they were not.

Export certification

The proposed changes include increasing fees for inspection visits to correct a previous under-recovery where exporters have been receiving a public subsidy of around £700,000 per year. We also proposed changes to the package of fees to simplify how we charge. The proposals were as follows:

- 1) Change the fee structure for inspection visits in respect of applications for export certificates and set the hourly rate to achieve full cost recovery, as follows:
 - (continuing) an hourly fee for inspection visits charged for each quarter hour, with a minimum fee half hour; with
 - a separate fee for each sample tested; and,

- a separate fee for the issue of the certificate.
- 2) For audit inspections of authorised grain inspections, the fee would change from a flat fee per visit to a time based fee for each quarter hour, with a minimum fee of half an hour per visit.
 - 3) Change the fee structure for pre-export inspections and set the hourly rate to achieve full cost recovery, as follows:
 - (continuing) an hourly fee for the inspection visit set for each quarter hour, with a minimum fee and,
 - a separate fee for each sample tested.
 - 4) Change the fee structure for the issue of phytosanitary certificates where no inspection visit is required, as follows:
 - each applicant would be charged for the issue of the certificate and,
 - where the application also requires a laboratory test, each sample tested would incur an additional charge.
 - 5) Introduce a new fee for the laboratory testing of export samples, particularly consignments of seeds, where the testing requirements specified by the importing country are more stringent than for routine export-related laboratory testing.
 - 6) A new fee of £14.76 to recover the cost of amending a certificate after issue at the request of the exporter.
 - 7) To retain the concessionary rate arrangement with the resultant shortfall in income being met by government. When the export fee proposals are introduced, the cost of operating this concession was £22,000 in 2016/17.
 - 8) A new fee of £14.76 for handling and processing paper-based applications which reflects the cost of putting the applications on-line. These staff costs are currently apportioned across the fees for export certification. This change is in line with the governments' policy of digital by default. In 2016/17, there were 7,309 on-line applications and 7,372 paper-based applications.

Given the increase in fees for the export-related services and/or the changes in how we propose to charge in 1) to 5) above, we proposed to phase in the increases in charges for these services to allow businesses time to plan and prepare. The fees would be introduced in three steps so that full-cost recovery is achieved by April 2019. The remaining proposals would be implemented in April 2018.

Comments and suggestions were also sought on alternative ways of making export-related information available to businesses with the aim of reducing the costs of providing this advice and hence the fees for other export services.

Around 640 businesses used export services in 2016/17.

Responses were received from 3 trade bodies (with around 57,000 members) and 28 individual businesses, of which 24 were SMEs and 4 large.

All the trade bodies were critical of the proposed changes.

2 trade bodies and 6 individual businesses felt that increasing charges was at odds with the government's stated aim of making the UK economy an exporting and trading economy. The trade bodies said that the changes would inhibit businesses' ability to grow exports and as a result UK economy/growers could be put at a competitive disadvantage. Exports would become financially unviable and a number of exporting companies would seek to move parts of their businesses abroad. 4 individual businesses said that they would move their operations out of the UK and operate out of other member states.

1 trade body was particularly concerned about the proposed charge per sample tested, which was likely to lead to some exports stopping or being transferred abroad. A range of alternative approaches were suggested. 1 individual business also felt that the costs of testing would be prohibitive, lead to loss of orders, act as a trade barrier to business and penalise small exporters and researchers. Exporters here would become uncompetitive with those in other member states.

2 trade bodies and 3 individual businesses were critical of the export certification services provided.

20 individual businesses said that that proposals would have a major financial impact, 4 said moderate. 15 said that the structural changes to the fees would have a major impact on business operations and administration, 5 said moderate; the rest would be minor, none or unsure.

Of the 27 businesses who responded to a question on whether their costs would increase, 26 said yes. Of those who responded that they would experience a cost increase; reducing profits (70% of those who responded to this option) and reducing the use of plant health services (57% of those who responded to this option) were likely ways that the cost increase would be managed.

Just over a third of respondents (35%) indicated compliance with plant health rules would not be impacted. Over half of the respondents did indicate there would be a moderate or major impact on small businesses (70%), competitive advantage across the sector (64%) and volume of trade in the sector (62%).

Most of the individual businesses that responded did not consider the proposed fees to be fairer, simpler or more transparent.

3 individual businesses asked for an exemption from export certification fees for research institutes working with small volumes with developing countries and for exports in general when to emerging markets.

A few suggestions for alternative ways to charge were offered:

- Keep things as simple as possible e.g. single price option including the issue of the phytosanitary certificate or a single standard cost per line per certificate. - APHA have to provide a range of different export certification services (e.g. certificates issued with or without inspection or with or without laboratory test) to meet the requirements of importing countries.

- Reduce costs by:

Authorised and audited companies taking their own samples using licensed seed samplers – This is something we are already considering, although there would still be an audit role for APHA and associated fees.

Companies arranging their own virus and bacterial disease tests at their cost but at the laboratory of their choice from a list of approved laboratories in the UK and EU. - This is something that we could consider in the next phase of work on fees and charges.

Disease test results from the above tests would be accepted for all derived lots from the original lot tested, so no further sampling and test costs would be incurred. - This is already in place.

- A sliding scale of charges with discounts for customers who export more. – This would not relate cost to service provided and would penalise small exporters.
- Export certification services to be provided free to help exports. - It is UK government policy to charge for publicly provided goods and services. The standard approach is to set fees to recover the full costs of service delivery.
- Charges based on a percentage of the value of the export. - This would not relate cost to service provided.
- Exemption for research institutes working with small volumes for the public good in developing countries. - This is something that we will consider in the next phase of work on fees and charges.
- Possible exemptions for exports to emerging markets. – We feel that it would be difficult to define what are emerging markets and at what point they ceased to be emerging.
- Initial inspection to ascertain whether the business requires testing of products based on the manufacturing process. – The need for phytosanitary certification is set by importing countries.

Fruit propagating material certification

The proposed change was that the existing charges for the voluntary scheme be replaced by a statutory fee but for 2017 the fee would be kept at the same level as the current voluntary scheme. A further review of costs and income is being undertaken by APHA with a view to adjusting the statutory fee level for 2018.

10 businesses used the voluntary scheme in 2016/17.

1 trade body responded saying they were content with retaining the current charging level for 2018/19 but wanted further explanation of why this was likely to increase in 2019/20.

The way forward

Defra and the Welsh Government welcome the information and constructive suggestions provided by respondents. A significant amount of useful feedback has been received from a wide group of interested parties. We have carefully considered the responses against the context of full cost recovery and the improvements offered by the new cost methodology and proposed changes to fees, including the better alignment of charges to the cost of service delivery to each customer.

While we understand why some stakeholders would wish to see any increase in fees deferred given the current uncertainties arising from the UK's exit from the EU and the view that increasing fees for exporters may appear to contradict the government's aims of encouraging exports, any delay in increasing fees carries considerable risk for the overall plant health programme. Any delay in moving to full-cost recovery for statutory plant health services would require funding to be found from existing services to bridge the gap, with negative implications for both chargeable services and to the publicly funded work on surveillance and eradication that provides plant health security for growers. It is therefore important that the shortfall in cost recovery is addressed as soon as possible.

It should also be made clear that, even at a time of severe economic pressures on public finances, the government is committing significant funds (c£7.95m a year) to the area of plant health, that are not subject of recovery via fees. This includes c£3m per year supporting R&D on plant pests and diseases.

Taking all the relevant considerations into account, Defra and the Welsh Government have decided to proceed with implementing the new fees as outlined in the consultation document for all services, but with some changes to the proposals for export certification services.

The new fees for all services would be implemented in full in April 2018, other those for plant passporting inspection visits and some scientific licensing services, where we intend to phase in their introduction in three steps, as outlined in the consultation paper, in order to support businesses and give them time to plan and prepare. With this phasing, full-cost recovery would be achieved by April 2019. This would mean that 50% of the increase in

fees would be applied in April 2018; 25% in October 2018 and the remaining 25% in April 2019.

The consultation sought views on a proposal for a new fee for the laboratory testing of export samples, particularly consignments of seeds, where the testing requirements specified by the importing country are more stringent than for routine export-related laboratory testing. Whilst we intend charging for this specialist seed testing in the future, following further discussions with Fera we have concluded that we need to do further work on how the fees are structured and we are therefore delaying implementing these fees until we have better data on costs from 2017/18.

In order to allow businesses time to prepare for the increase in fees for export certification services and the changes in how we intend to charge for inspection visits, the issue of a phytosanitary certificates and for laboratory testing of samples, we intend to phase in their introduction as outlined in the consultation paper. The fees will be introduced in three steps so that full-cost recovery is achieved by April 2019 (50% of the increase to be applied in April 2018; 25% in October 2018 and the remaining 25% in April 2019).

The remaining changes to fees for export certification services (new fees to recover the cost of amending a certificate after issue at the request of the exporter and for handling and processing paper-based applications) will be implemented in April 2018.

We acknowledge that there is clearly more that could be achieved in securing improvements and efficiencies to chargeable plant health services and that work will continue, including with industry through the existing task forces. In particular, the next phase of work will address a number of issues which will help reduce the cost of export services. This will include reviewing the concessionary rate for export service; identifying other options and approaches to providing and reducing the cost of export advice; whether to authorise non-official laboratories which exporters could use for testing and, for plant passporters, considering whether inspection visits could be reduced if the nursery is assured (e.g. via the emerging Plant Health Assurance Scheme) and, for importers how we charge for mixed consignments..

Annex: List of organisations that responded

Bennett Potatoes Ltd
Blackmore & Langdon Ltd
Botanica
Breeders Seeds Ltd
Bridgemere Nurseries
British Cactus and Succulent Society
British Potato Trade Association
British Society of Plant Breeders
CN Seeds Ltd
Cygnet Potato Breeders Ltd
Drinton Nurseries
D S Morris & Son Ltd
Dynamite Baits
East Hays Farming Ltd
Elsoms Seeds Ltd
Equatorial Plant Co
F.G. Rowland Ltd
Floranova Ltd
Fresh Produce Consortium
Genus Plant Sourcing
Greenseed
Greenyard Fresh France
G.V.Bale (gb-online.co.uk)
H Nichols & Son
Halls of Heddon
Heaselands Garden Nursery
Holmwood Nurseries
Horticultural Trades Association
James Stockdale Ltd
Kernock Park Plants
Kuehne Nagel
Liners & Young Plants Ltd
Malting and Malt Roasting
Millview Nurseries
MM Flowers
Moles Seeds
Mr Forthgill's Seeds Ltd
National Farmers Union
Oat Services Ltd
O A Taylor & Sons Bulbs Ltd
Ornamental Aquatic Trade Association
Paul Jasper Trees
Potato Processors Association
Poulshot Nurseries
Roger Parsons Sweet Peas
Roy Clarke (Potatoes) Ltd
Rush Group Ltd
S Halgarth Ltd
Shropshire Sarracenias

Springwood Nurseries
Surreal Succulents
Taylors of Harrogate
Thompson & Morgan
Tozer Seeds Ltd
Tregrehan Garden
University of Birmingham
University of Nottingham
Weasdale Nurseries Ltd
Wholesale Horticultural Seed Suppliers
Witheridge Garage
Worldwide Fruit Ltd
YHSPGAL