| Title: Revision of Fees: Amendment of the Plant Health (Export Certification) (England) Order 2004 and the Plant Health (Export Certification) (Wales) Order 2006 | Impact Assessment (IA) |
|---|---|
| **IA No:** Defra 1351 | **Date:** 24/11/2012 |
| **Lead department or agency:** Defra | **Stage:** Final |
| **Other departments or agencies:** Sustainable Futures, Welsh Government | **Source of intervention:** Domestic |
| | **Type of measure:** Secondary legislation |
| | **Contact for enquiries:** Richard Watkins<br>Tel: 01904 465709<br>E-mail: richard.watkins@defra.gsi.gov.uk |

## Summary: Intervention and Options

**RPC Opinion:** GREEN

| Cost of Preferred (or more likely) Option | | | | |
|---|---|---|---|---|
| **Total Net Present Value** | **Business Net Present Value** | **Net cost to business per year** (EANCB on 2009 prices) | **In scope of One-In, One-Out?** | **Measure qualifies as** |
| £0m | £9.35m | £0.99m | No | NA |

**What is the problem under consideration? Why is government intervention necessary?**

The Plant Health (Export Certification) (England) Order 2004 as amended and the Plant Health (Export Certification) (Wales) Order 2006 set charges for statutory pre-export inspections in support of the export of plants, plant products or other objects to countries outside the European Union. These inspections are carried out by Fera's government inspectors to prevent the introduction and spread of plant pests and diseases across national boundaries. The current charges do not reflect the true cost to Government of providing the inspection service, resulting in a subsidy for exporters using the service and a financial cost to the general taxpayer. Government intervention is necessary to remove the subsidy, with the intention of increasing the charges to exporters to full cost recovery level.

**What are the policy objectives and the intended effects?**

The objective of this policy is to remove the cost statutory provision of plant health inspection services to the general taxpayer without compromising the Government's ability to meet its obligations, under the International Plant Protection Convention, in preventing the introduction and spread of plant pests and diseases across national boundaries. The intended effect of the recommended policy option is a more efficient use of public resources by transferring the cost of service provision from the general taxpayer to the direct beneficiaries of the service (i.e. exporters of plants and plant products) and move toward Full Cost Recovery (FCR), in line with Government policy (Managing Public Money (2009) HM Treasury).

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

1. Do nothing (No change to current policy of partial cost recovery)
2. Introduction of fee increases to achieve FCR for the export services with implementation during 2013.
3. Phased introduction of fee increases to achieve FCR by Year 3 of implementation (2015) for export inspection services
3A. Phased introduction of fee increases to achieve > 95% FCR by Year 3 of implementation (2015) for export services with a continuation of concessionary rates for small exporters - This is the preferred option as it effectively moves towards FCR, provides businesses time to adapt, further reduces the impact on small exporters and provides time for the Service to work with business to develop more cost effective working practices.
4. De-regulation - remove the statutory basis for this service and its provision by Government.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** 04/2018

| | | | | | |
|---|---|---|---|---|---|
| Does implementation go beyond minimum EU requirements? | | | No | | |
| Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base. | **Micro** Yes | **< 20** Yes | **Small** Yes | **Medium** Yes | **Large** Yes |
| What is the $CO_2$ equivalent change in greenhouse gas emissions? (Million tonnes $CO_2$ equivalent) | | | **Traded:** 0 | | **Non-traded:** 0 |

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.***

Signed by the responsible SELECT SIGNATORY: de Mauley Date: 18/02/2013

## Summary: Analysis & Evidence

Policy Option 1

**Description:** Do Nothing (No change to current policy of partial cost recovery)

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | **Low:** Optional | **High:** Optional | **Best Estimate:** £0m |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| **Low** | Optional | | Optional | **Optional** |
| **High** | Optional | | Optional | **Optional** |
| **Best Estimate** | £0m | | £0m | **£0m** |

**Description and scale of key monetised costs by 'main affected groups'**

This option maintains the existing fee structure and consequent partial recovery of the cost of service provision. The general taxpayer will continue to subsidise the service at £1.25m per annum.

**Other key non-monetised costs by 'main affected groups'**

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| **Low** | Optional | | Optional | **Optional** |
| **High** | Optional | | Optional | **Optional** |
| **Best Estimate** | £0m | | £0m | **£0m** |

**Description and scale of key monetised benefits by 'main affected groups'**

Businesses using the service will continue to have access to a subsidised service at £1.25m per annum.

**Other key non-monetised benefits by 'main affected groups'**

**Key assumptions/sensitivities/risks** — **Discount rate (%)** 3.5

**Assumption**: Service cost calculations for 2013/14 are based on the assumption that the number of export consignments will remain at or close to 2011/12 values (Section 7.2).

**Risk**: The Plant Health Service is required to make substantial cuts in costs by year 4 of the Comprehensive Spending Review (2014/15). The main risk (Section 7.1) if the requirements to introduce FCR are not implemented are that cuts would be required to: (1) the coverage and speed of the export service, with impacts on its coverage, speed and flexibility in meeting the changing needs of the business (e.g. exploring new markets) and/or (2) cuts elsewhere within the plant health programme increasing the risks that pest and diseases may be missed, eradication actions hampered, with the cost of eradication borne by business and Government.

**BUSINESS ASSESSMENT (Option 1)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs:** £0m | **Benefits:** £0m | **Net:** £0m | No | NA |

# Summary: Analysis & Evidence — Policy Option 2

**Description:** Introduction of fee increases to achieve Full Cost Recovery (FCR) for the export inspection services, with implementation during 2013

**FULL ECONOMIC ASSESSMENT**

| Price Base Year | PV Base Year | Time Period Years | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| 2012 | 2012 | 10 | **Low:** Optional | **High:** Optional | **Best Estimate:** £0m |

| **COSTS (£m)** | **Total Transition** (Constant Price) Years | **Average Annual** (excl. Transition) (Constant Price) | **Total Cost** (Present Value) |
|---|---|---|---|
| **Low** | Optional | Optional | **Optional** |
| **High** | Optional | Optional | **Optional** |
| **Best Estimate** | £0m | £1.25m | **£10.75m** |

**Description and scale of key monetised costs by 'main affected groups'**

This option introduces full recovery of costs from service users in 2013. The estimated PV of total cost (over the 10 year time period) of £10.75m will be borne by businesses exporting plants and plant materials. The annual cost to business will be £1.25m.

**Other key non-monetised costs by 'main affected groups'**

We estimate the impact of proposed increase of aggregate fees cost from 0.3 million to 1.55 million will be roughly 1.15% of the aggregate revenue (estimated at least £135m) of the sectors affected. This data, together with that of other evidence presented in this report show that, in principle, cost recovery should be achievable. However, there is a risk that some markets, particularly where profit margins are currently low, where demand is insufficiently robust for consumers to pay increased prices proposed under Options 2, would not remain commercially viable. Consultees reported that an immediate move to FCR (Option 2) would reduce or halt current activity and future development of regional markets outside the EU for some microbusinesses (74% of service users are micro or small businesses) exporting small quantities of plants (e.g. cuttings) where fees form a proportionally larger part of cost.

| **BENEFITS (£m)** | **Total Transition** (Constant Price) Years | **Average Annual** (excl. Transition) (Constant Price) | **Total Benefit** (Present Value) |
|---|---|---|---|
| **Low** | Optional | Optional | **Optional** |
| **High** | Optional | Optional | **Optional** |
| **Best Estimate** | £0m | £1.25m | **£10.75m** |

**Description and scale of key monetised benefits by 'main affected groups'**

The main beneficiaries of this option will be the general taxpayer who will benefit from a cost transfer to the businesses using the service of £1.25m per annum.

**Other key non-monetised benefits by 'main affected groups'**

**Key assumptions/sensitivities/risks** — **Discount rate (%)** 3.5

Assumption: Service cost calculations for 2013/14 are based on the assumption that the number of export consignments will remain at or close to 2011/12 values (Section 7.2).

Risk: The main risk is that niche market sectors where profitability is marginal may become unprofitable. Predicting the impact of the charge increases on trade flow is difficult due to the complexity of the sector, but the assumption is that any reduction in the trade will be limited (Section 7.1).

**BUSINESS ASSESSMENT (Option 2)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs:** £1.25m | **Benefits:** £0m | **Net:** £1.25m | No | NA |

Note: For the economic assessment, including the calculations for NPVs, EACs etc, the annual periods taken are the financial years.

## Summary: Analysis & Evidence

Policy Option 3

**Description:** Phased introduction of fee increases to achieve FCR by Year 3 of implementation (2015) for export inspection services.

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | **Low:** Optional | **High:** Optional | **Best Estimate:** £0m |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| Low | Optional | | Optional | **Optional** |
| High | Optional | | Optional | **Optional** |
| Best Estimate | £0m | | £1.15m | **£9.83m** |

**Description and scale of key monetised costs by 'main affected groups'**

This option introduces full recovery of the costs, phased over 3 years. The estimated PV of total costs (over the 10 year time period) of £9.83m will be borne by businesses exporting plants and plant materials. The expected cost to business following implementation will be £0.62m (Year 1); £0.94m (Year 2); £1.25m (Year 3).

**Other key non-monetised costs by 'main affected groups'**

The phased introduction of fee increases in Option 3 is targeted at reducing the risk to the export activity of these sub-sectors whose export activity would be significantly affected by adoption of Option 2. The majority of consultees reported that the phased introduction of fees would provide industry with the time offer in which to absorb the increase in costs, alter business practice as necessary and investigate how the extra costs might be passed on to clients. However, they also reported that Option 3 would only slightly or moderately reduce the impacts of fee increases reported under Option 2 for microbusinesses exporting small quantities of plants (e.g. cuttings), where fees form a proportionally larger part of cost.

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| Low | Optional | | Optional | **Optional** |
| High | Optional | | Optional | **Optional** |
| Best Estimate | £0m | | £1.15m | **£9.83m** |

**Description and scale of key monetised benefits by 'main affected groups'**

The main affected group will be the general taxpayer who will benefit from a cost transfer to the private sector for businesses exporting plants and plant materials. The expected benefit to the taxpayer following implementation will be £0.62m (Year 1); £0.94m (Year 2); £1.25m (Year 3).

**Other key non-monetised benefits by 'main affected groups'**

**Key assumptions/sensitivities/risks** — **Discount rate (%)** 3.5

The assumptions (Section. 7.2) made and the risks (Section 7.1) involved match those described in Option 2. However, phasing increases over three years, ensures that relative to Option 2, impacts (foreseen and unforeseen) are likely to be reduced and can be gauged and mitigated more easily. It also provides time for the Plant Health Service to work with industry to find more cost-effective ways of delivering the Service. Potentially, this would reduce the fee increases required in Years 2 and 3.

**BUSINESS ASSESSMENT (Option 3)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs:** £1.14m | **Benefits:** £0.11m | **Net:** £1.03m | No | NA |

# Summary: Analysis & Evidence

Policy Option 3A

**Description:** Phased introduction of fee increases to achieve >95% of FCR by Year 3 of implementation (2015) for export inspection services with a continuation of concessionary rates for small exporters.

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | **Low:** Optional | **High:** Optional | **Best Estimate:** £0m |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| **Low** | Optional | | Optional | **Optional** |
| **High** | Optional | | Optional | **Optional** |
| **Best Estimate** | £0m | | £1.1m | **£9.35m** |

**Description and scale of key monetised costs by 'main affected groups'**

This option moves to > 95% full recovery of the costs, phased over 3 years. The estimated PV of total costs (over the 10 year time period) of £9.70m will be borne by businesses exporting plants and plant materials. The expected cost to business following implementation will be £0.62m (Year 1); £0.94m (Year 2); £1.19m (Year 3). There is also a cost to the taxpayer of the concessionary scheme, with an upper limit forecast at £0.061m p.a.

**Other key non-monetised costs by 'main affected groups'**

Option 3A is aimed at reducing the risks of significantly reducing or curtailing the export activities of microbusinesses exporting small volumes of commercial (e.g. plant cuttings) or not-for-profit consignments to third countries, using a concessionary scheme that is well recognised (in operation for over a decade) and used by the sector. The success and future need for the concessionary scheme will be assessed during the post implementation period (See Section 11)

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| **Low** | Optional | | Optional | **Optional** |
| **High** | Optional | | Optional | **Optional** |
| **Best Estimate** | £0m | | £1.1m | **£9.35m** |

**Description and scale of key monetised benefits by 'main affected groups'**

The main affected group will be the general taxpayer who will benefit from a cost transfer to the private sector for businesses exporting plants and plant materials. The expected benefit to the taxpayer following implementation will be £0.62m (Year 1); 0.94m (Year 2); £1.19m (Year 3). There is also a benefit for small exporters, with an upper limit forecast at £0.061m p.a.

**Other key non-monetised benefits by 'main affected groups'**

**Key assumptions/sensitivities/risks** — **Discount rate (%)** 3.5

The assumptions (Section. 7.2) made and the risks (Section 7.1) involved match those described in Option 3. However, continuation of the concessionary rates, ensures that relative to Option 3, impacts (foreseen and unforeseen) on small exporters are likely to be reduced. The reported costs to the taxpayer of the concessionary rate is an upper forecasted limit and assumes that all business currently charged <£250 in the 2011/12 (467 businesses) per year will apply and be eligible for the concession.

**BUSINESS ASSESSMENT (Option 3A)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs:** £1.1m | **Benefits:** £0.11m | **Net:** £0.99m | No | NA |

## Summary: Analysis & Evidence — Policy Option 4

**Description:** De-regulation: remove the statutory basis for this service and its provision by Government

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | **Low:** Optional | **High:** Optional | **Best Estimate:** -£90.63m |

| **COSTS (£m)** | **Total Transition** (Constant Price) | Years | **Average Annual** (excl. Transition) (Constant Price) | **Total Cost** (Present Value) |
|---|---|---|---|---|
| **Low** | Optional | | Optional | **Optional** |
| **High** | Optional | | Optional | **Optional** |
| **Best Estimate** | £0m | | £11.78m | **£101.39** |

**Description and scale of key monetised costs by 'main affected groups'**

The option introduces de-regulation and as a consequence discontinuation of Government's provision of the service in 2013. The main affected group are exporters who are beneficiaries of the existing service. The estimated PV of total costs (over the 10 years) of approx. £101.4m will be borne by businesses as a result of lost export income as trade is re-directed from Third Countries to consumers within the EU (domestic) market. The expected annual cost to business following service discontinuation will be £11.78m (Section 6, Option 4)

**Other key non-monetised costs by 'main affected groups'**

| **BENEFITS (£m)** | **Total Transition** (Constant Price) | Years | **Average Annual** (excl. Transition) (Constant Price) | **Total Benefit** (Present Value) |
|---|---|---|---|---|
| **Low** | Optional | | Optional | **Optional** |
| **High** | Optional | | Optional | **Optional** |
| **Best Estimate** | £0m | | £1.25m | **£10.75m** |

**Description and scale of key monetised benefits by 'main affected groups'**

The main beneficiares of this option will be the general taxpayer who will benefit from removal of the cost of the service.

**Other key non-monetised benefits by 'main affected groups'**

**Key assumptions/sensitivities/risks** — **Discount rate (%)** 3.5

**Key Assumptions:** Cost calculations for 2013/14 are based on the assumption that (1) the number of export consignments will remain at or close to 2011 values (2) without an inspection and / or issuance of a phytosanitary certificate under the authority of the official National Plant Protection Organisation all such consignments will be traded within the EU (domestic) market and not with 3$^{rd}$ countries; 3) Re-directed UK trade is too small to significantly affect prices in the EU market.
**Key Risks:** Loss of 3$^{rd}$ country export markets, Reduced profits for business moving trade from Third Country to EU markets, increases in administrative burdens for businesses establishing new markets, loss of national reputations in failing to meet international convention obligations and a loss of incentive for 3$^{rd}$ countries to comply with these obligations.

**BUSINESS ASSESSMENT (Option 4)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs:** £11.78m | **Benefits:** £0m | **Net:** £11.78m | No | NA |

# Evidence Base

## 1. Background: Export Services

1.1 Public controls on plant health are necessary due to the imperceptible nature of most plant pests and diseases, and the resulting difficulties for those involved with plant movements, such as importers and exporters, in detecting and controlling pest and disease incursions or outbreaks without potentially incurring considerable costs. In the absence of public controls, plant movement and trade would generally be driven by private decisions about acceptable levels of plant health risk for individual businesses and their effort in preventing and controlling pest and diseases are likely to be lower than would be optimal for society. This is likely to increase the risk of transmission and spread of the pests and diseases and hence economic losses affecting both buyers of plants and other businesses and sectors that are not necessarily directly involved in the trade. Ecosystem losses resulting from infestations of natural flora would clearly affect the society as a whole.

1.2 The potential threat to production and trade from plant pests and diseases entering a country is significant. For example, in the UK the total cost of non-native pathogens for UK agriculture has recently been estimated at £401 million per year. This figure includes costs of control measures, yield losses and research but excludes the costs of general quarantine and surveillance measures undertaken against plant pathogens and therefore does not truly present the total costs of plant pathogens to the economy.[1]

1.3 In order to prevent the introduction of harmful pests and diseases most countries require that consignments of plants, plant products and other related plant material must meet certain plant health standards before they are allowed entry. These standards are laid down by the relevant authorities in each country and vary from country to country.

1.4 Most countries outside the EU require that consignments must be accompanied by a phytosanitary (plant health) certificate issued by the National Plant Protection Organisation (NPPO) in the exporting country. A phytosanitary certificate provides importing countries with an assurance that consignments meet their plant health standards. The Food & Environment Research Agency (Fera) is the NPPO responsible for issuing certificates in England and Wales[2][3]. Consignments without this certificate are likely to be rejected at the point of entry, destroyed or returned to the exporting country

1.5 In most cases, depending on the requirements of the importing country, phytosanitary certificates can only be issued following satisfactory official inspection of the material for export. In some circumstances it may also be necessary for a sample to be examined by the official laboratory, which for England and Wales is Fera.

1.6 To facilitate exporter requirements, the service (and charging schedule) is currently divided into five activities

- Issue of phytosanitary certificates for consignments of grain[4]
- Inspection, laboratory examination of samples (where necessary) and issue of phytosanitary certificate for exports other than grain
- Laboratory examination of samples and issue of phytosanitary certificates where no inspection visit is required
- Issue of phytosanitary certificates or re-forwarding[5] certificates where no inspection visit or laboratory examination of samples is required.

[1] The Economic Cost of Invasive Non-Native Species on Great Britain (2010) F. Williams, R. Eschen, A. Harris, D. Djeddour, C. Pratt, R.S. Shaw, S. Varia, J. Lamontagne-Godwin, S.E. Thomas, S.T. Murphy. CABI Wallingford, UK

[2] The Plant Health & Seeds Inspectorate (PHSI) is the NPPO responsible for issuing certificates on behalf of the Welsh Government

[3] In Scotland, certificates for exports are issues by the Scottish Government’s Plant Health Service

[4] Samples are taken by licensed grain inspectors on behalf of the industry

- Pre-export service[6]

1.7 In 2010, the value of exports of un-milled cereals, plants and flowers, fresh fruit, fresh vegetables, fresh potatoes and seeds for sowing[7] to countries outside the EU was estimated at £135m[8]. These products form just part of the trade facilitated by the export service.

1.8 In 2011 (January-December) 667 commercial companies, universities, research institutions and individuals used the Export Inspection service for the issuance of 13,500 phytosanitary certificates for consignments dispatched to countries outside the EU.

1.9 Phytosanitary certificates for plant products often record the value of consignments. The average (mean) value of a subsample of 'Laboratory examination only' consignments (550 consignments: Mar. - April 2011), was £32,584. If this sample is indicative, we estimate cost of the service to these business users at 0.08% of the mean consignment value.

1.10 For 2011 the total charge invoiced for the service per exporter was

- £447 (average)
- Range: Minimum £20 – Maximum £16000
- With total annual cost for 90% of exporters of less than £1,200 (Annex 4)

# 2. Problem Under Consideration

2.1 In adhering to the International Plant Protection Convention (IPPC) (1951) (131 signatory countries) the UK Government accepted the obligation to implement measures for the control of pests and diseases of plants and plant products and to prevent their introduction and spread across national borders. The Government's obligations under the Convention are primarily implemented in England, by the Plant Health (England) Order 2005[9] and in Wales, by the Plant Health (Wales) Order 2006, made under the Plant Health Act 1967[10].

2.2 The IPPC (revised text 1997 at Article V(1)) requires each contracting party (signatory state) to "make arrangements for phytosanitary certification, with the objective of ensuring that exported plants, plant products and other regulated articles and consignments thereof are in conformity with the certifying statement".

2.3 It also requires at Article V(2) that the inspection and related activities leading to the issue of the phytosanitary certificate should be carried out only by or under the authority of the official National Plant Protection Organisation.

2.4 The Plant Health (Export Certification) (England) Order 2004[11] as amended[12] and Plant Health (Export Certification) (Wales) Order 2006 were drafted to meet England's and Wales's obligations under the Convention, to meet the requirements of non-signatory states, and to permit the Secretary of State to charge fees for these services.

2.5 The principle of passing the costs on to users of this service is well established and indeed the industry was meeting these fees, under a non-statutory basis since 1987. Invoicing for this non-statutory scheme was suspended in 1999 whilst a review was

---

[5] Re-forwarding certificate – where an exporter wishes to export material that was imported into the UK with a phytosanitary certificate and has simply been stored, repacked or split before re-export to country outside the EU

[6] Pre-export service – inspection of plants during growing season to confirm they are free from pests and diseases that may not be apparent at the time of export (e.g. plants that will be exported in dormant state such as bulbs)

[8] Defra's Economics & Statistics Programme (pers. com.)

[9] Plant Health (England) Order 2005, No. 2530.

[10] Plant Health Act 1967

[11] Plant Health (Export Certification) (England) Order 2004, No. 1404

[12] Plant Health (Export Certification) (England) (Amendment) 2005, No. 3480

undertaken. This review[13] concluded that a proper legal footing was required for these services and the 2004 (England) Order, as amended, and 2006 (Wales) Order were made with the intention that the provision of these services was, as far as possible, cost neutral for Government. However, no changes have been made to the rates since 1999.

2.6 These Orders also allow for the charging of concessionary rates for small businesses and individuals. This concession was introduced when charging for these services commenced and is targeted at small businesses, private individuals making one-off or relatively small volumes of commercial or non-commercial exports (e.g. amateur plant enthusiasts, universities or other non-commercial scientific establishments). This enables them to undertake a small number of exports at a rate equal to half that charged to other exporters. The rates apply to 'small exporters' whose cumulative charge for the export service in any one financial year is equal or less than £250. To be eligible for these concessionary rates an exporter must either not be registered for VAT in respect of trade in plants, plant products or related materials or make no taxable supply of these products (non-commercial export), or have a value of certified exports of less than £5,000 in the previous financial year. As part of this review the rationale for maintaining this concessionary arrangement was revisited. The thinking was that given the overriding policy direction for FCR, it would not seem appropriate to deploy public funds in what amounts to subsidising activities from which only private individuals and organisations stand to gain, without substantive justification. Consequently the concessionary fee was not proposed as an option within the consultation IA.

2.7 As it stands now, these services are provided to the recipient at below their actual cost. The income recovered from the beneficiaries of these services is currently set at approximately 19% of the total cost to Government of providing the service (See Annex 1).

| Statutory Income Received (2011/12) | Cost of Service Provision 2013/14 |
|---|---|
| £0.3m | £1.55m |

2.8 The changes in Phytosanitary fees required to cover the costs occasioned by the export services see increases from:

- £20.25 to £72.96 for each quarter hour (or part thereof) for the inspection, laboratory examination of samples (where necessary) and issue of phytosanitary certificate for exports other than grain, with the minimum fee increasing from £40.50 to £145.91
- £45.00 to £57.93 for the issue of phytosanitary certificates for consignments of grain
- £20.00 to £32.85 for the laboratory examination of samples and issue of phytosanitary certificate where no inspection visit is required
- £5.00 to £11.42 for the issue of phytosanitary certificate or re-forwarding certificate where no inspection visit or laboratory examination of samples is required.
- £20.25 to £54.65 for each quarter hour (or part thereof) for the pre-export service (e.g. growing season inspections), with the minimum fee increasing from £40.50 to £109.30

See Annex 2 for proposed new fee schedules.

2.9 It is Government policy that fees should normally be set to recover the full cost of the service,[14]. Any decision not to recover the full costs of the service, and hence require the taxpayer to subsidise, would need to be justified.

[13] HC Hansard (2004), Vol. 419, Part 66

[14] Fees, Charges & Levies (2009), Chapter 6. In Managing Public Money, HM Treasury, London.

2.10 This Final Impact Assessment (IA), which takes into account the responses from a consultation held between September 27th and November 22nd 2012, considers the options open to Government to ensure that the provision of these services is, as far as possible, made cost neutral for the Department and hence the tax payer. This assessment applies to England and Wales only. Equivalent services are provided in other parts of the UK by their devolved administrations and separate arrangements will be made by those departments for any assessment.

## 3. Rationale for intervention

3.1 Under the International Standards for Phytosanitary Measures, drawn up under the IPPC, phytosanitary certificates can only be issued by official services and activities (such as inspections and pest / disease diagnoses) leading to the issue of these certificates, must be undertaken by the official services or under their authority. Consequently Government is required to facilitate the export of plants or plant products by providing these services. However, the cost of certification service is currently largely borne by the taxpayer.

3.2 Financing the issuance of export phytosanitary certificates by charging for the right to use the service allows for transference of costs from taxpayer to exporters who require this service and directly benefit from it. Fiscal benefits of cost recovery, through user fees, include reduction in taxes and borrowing. Generating revenues to provide public services by charging users, is widely practiced across government departments and is based on the principle that the beneficiaries or users of a public service should pay for its operation, rather than the taxpayer. Fees can be an equitable way of matching service costs to users or beneficiaries' ability to pay for them.

## 4. Policy objectives and intended effects

4.1 The aim of introducing a full cost recovery charging regime for the export certification services is to, as far as possible, relieve the cost burden of service provision from the general taxpayer. It is intended that this will be achieved by transferring the costs of issuing of phytosanitary certificates from the general taxpayer to the users of the service. The aim is to achieve this without compromising the Government's objectives under the IPPC, of preventing the movement of plant pests and diseases across national borders.

## 5. Description of options considered (including doing nothing)

5.1 Prior to the consultation six options were considered in delivering the policy objective, with three being proposed for consultation.

- **Option 1: Do nothing (No change to current policy of partial cost recovery)**. Under this option charges would be maintained at current levels.
- **Option 2: Introduction of fee increases to achieve Full Cost Recovery (FCR) for the export inspection services, with implementation during 2013.** This option would deliver the Government's stated aims and recover the full cost of the export service.
- **Option 3: Phased introduction of fee increases to achieve FCR by Year 3 (2015) for export inspection services.** This option would deliver the Government's stated aims for plant health and recover the cost of the inspection service, and over a longer time period than Option 2.
- **Option 4: De-regulation.** This would remove the statutory basis for this service. The assumption based on previous advice from Law Officers, is that without a statutory base Fera would not be able to charge for this service and, if not able to recover costs, we are assuming under this objective that Government (i.e. Fera) would no longer provide a certification service.

- **Option 5: Transfer of inspection service to non-Government body (Not adopted– See Section 6)**. To deliver the policy objective, this legislative option would require the establishment of non-government body, financed through statutory income, to deliver the service. This option was not adopted for further consultation, because of the potential risks, plant health and non-compliance with the International Standards for Phytosanitary Measures associated with their implementation.
- **Option 6**: **Reduce the cost / resources for export certification services, so that full cost recovery can be achieved without an increase in charges (Not adopted – See Section 6).** This option would recover the full cost of the export service with no additional burden on the beneficiaries. However, reductions of service costs and hence resources by 81% would risk compromising the Government's objectives under the IPPC of preventing the movement of plant pests and diseases across national borders and therefore has not been adopted. It would also have impact on the quality and speed of the service received by exporting businesses, to the detriment of the trade.

5.2 Following consideration of the consultation responses and further analysis of the expected impacts, an additional option was considered to further mitigate the effects on micro businesses and support the Government's growth agenda through increased export activity. Consultees reported that proposed FCR increases in Option 2 would significantly impact on microbusinesses, leading to a reduction or cessation of export activity by those exporting relatively small numbers of plant (e.g. plant cuttings) to countries outside the EU and reducing their ability to develop new regional markets. Option 3 was reported as only providing a slight reduction to this impact for these businesses. Option 3A is designed as the most efficient way to further mitigate the impact of increases for small exporters using a concessionary scheme that is well recognised (in operation for over a decade) and used by the sector. In 2011/12 concessionary income (50%) was reported at £9,198 with 124 businesses applying to the scheme.

- Option 3A: **Phased introduction of fee increases to achieve >95% FCR by Year 3 (2015) for export inspection services, with a continuation of the concessionary rates for small exporters.** This option would support the government growth agenda through export, deliver its stated aims for plant health and make a substantial move towards recovery the cost of the inspection service but over a longer time period than Option 2. The success of this option and future need for its continuation would be reviewed in 2015.

# 6. Costs and benefits for each option

## 6.1 Options

- **Option 1: Do nothing (No change to current policy of partial cost recovery)**.
  - **Benefits**: The benefits of doing nothing are that applicants would continue to gain access to the subsidised service.
  - **Costs**: If Option 1 is pursued, the annual loss of income to the Department will be in the order of £1.25m. This is on the present basis of issuing 13,500 phytosanitary certificates each year. There would be no additional cost to industry.
- **Option 2: Introduction of fee increases to achieve Full Cost Recovery (FCR) for the export inspection services with implementation during 2013.**
  - **Benefits:** The services, which are only used by exporters, will be self-funding. The costs will be borne by those who stand to make a financial gain rather than being funded by the tax payer. Cost reductions to Government in the order of £1.25m per annum.
  - **Costs:** Applicants would be required to meet the actual costs of providing export certificates. Assuming the same demand (13,500 phytosanitary certificates per year) the total cost to the export sector over a year would amount to £1.25m per annum.

- **Option 3: Phased introduction of fee increases to achieve FCR by Year 3 (2015) for export inspection services.**
    - **Benefits:** the services, which are only used by exporters, will be self-funding by Year 3 following any implementation. The costs will therefore be borne by those who stand to benefit rather than being funded by the taxpayer.
    - Providing time to work with exporters to establish more efficient working practices, this could lead to a reduction in the fee increases needed in Years 2 and 3 to achieve FCR.
    - **Costs:** additional financial burden to businesses assuming incremental (50:25:25) increases of – £0.62m (Year 1); £0.94m (Year 2); £1.25m (Year 3).
    - Continued subsidy and hence loss of income to Government until the third year of implementation assuming incremental increases (50:25:25) – £0.63m (Year 1); £0.31m (Year 2); £0m (Year 3).
- **Option 3A: Phased introduction of fee increases to achieve > 95% FCR by Year 3 (2015) for export inspection services, with a continuation of the concessionary rates for small exporters.**
    - **Benefits:** the services, which are only used by exporters, will be largely be self-funding by Year 3 (forecasted at 96% of FCR) following any implementation. The majority of the cost will therefore be borne by those who stand to benefit rather than being funded by the taxpayer.
    - Reducing the impact on microbusinesses, who may be less able to adapt, by continuation of the concessionary rates.
    - Providing time to work with exporting businesses to establish more efficient working practices, this could lead to a reduction in the fee increases needed in Years 2 and 3 to achieve FCR.
    - **Costs:** additional financial burden to businesses assuming incremental (50:25:25) increases of – £0.62m (Year 1); £0.94m (Year 2); £1.19m (Year 3).
    - Continued subsidy and hence loss of income to Government assuming incremental increases (50:25:25) – £0.63m (Year 1); £0.31m (Year 2); £0.061m (Year 3) onwards. The shortfall of £0.061m is based on a forcasted upper limit of concessionary income. It assumes that all businesses charged <£250 per year will be eligible for and apply for the concessionary rate (50% of full fees) and that the number of businesses charged <£250 per year will remain at or close to 2011/12 levels (467 businesses).
- **Option 4 De-regulation**
    - **Benefits:** The benefit of de-regulation is that, with the cessation of the service, the taxpayer would no longer incur costs estimated at £1.25m per annum.
    - **Costs:** moves to de-regulate would impact negatively on exporting businesses. Market access for businesses currently exporting plants and produce to Third Countries requiring issuance of a phytosanitary certification by the originating NPPO would subsequently only be able to market their goods to consumers within the EU: under these import conditions, consignments without a phytosanitary certificate would likely be rejected by the Third Country authorities at point of entry. UK export businesses will thus be confined to the EU market and as a result are likely to see a reduction in their annual turnover from current estimates of approx. £135.5m[15] to £85.5m due to lower prices in EU market for most exports - i.e. loss of approximately 37% of current revenue from third country trade. Net cost to business is estimated at £11.78m per annum. This cost is calculated by accounting the difference between the current annual profit from 3rd country trade (15% of annual revenue of £135.5m) and profit from trade diverted to EU market (10% of annual revenue of £85.5m). Estimated

[15] Data taken from the HMRCs 'Overseas Trade Statistics' and the Eurostat Comext databases: Un-milled cereals, plants and flowers, potatoes, fruits and vegetables, seeds

Net Present Value (NPV) of deregulation is therefore -£90.63m, which is accounted by the difference between discounted streams of annual cost to business and annual savings accruing to taxpayers over 10 years.

- It is difficult to foresee a decline in the economic cost from de-regulation for this trade over time (e.g. as adjustments are made by the sector) given the likely future increase of logistical costs (fuel/ transport to other Member States) and limited opportunities in the export trade under the current economic climate, if trade is not facilitated by government.

There will be opportunities for businesses exporting certain niche products (e.g. processed tea leaves to Russia and hop flowers to Australia), assessed as low risk by an importing third country, to export these products via services provided by NPPO of other Member States. Import requirements are under constant review by the importing countries and therefore subject to continual change. Data on these niche trade opportunities and their values will continue to be sought through future in informal and formal consultation so that the cost: benefit assessment can be refined.

- The withdrawal of this statutory service may also result in additional costs to Government arising from legal challenge either by the third countries through the IPPC or direct by exporting businesses, because of economic losses suffered.

- **Option 5: Transfer of inspection service to a non-Government body**
  - **Benefits:** The benefits of transfer of competencies to a non-Government body are that the new scheme would ensure that the costs would be borne by beneficiary businesses rather than being funded by the tax payer. Cost reductions to Government in the order of £1.25m per annum.
  - **Costs:** moves to transfer would result in a failure to comply with the International Standards for Phytosanitary Measures, whereby inspection and other related activities leading to the issuance of phytosanitary certificates should be carried out by or under the authority of public officers (government not private employees) of the official national plant protection organisation. This non-compliance would be likely to result in the rejection of the consignment by the Third Country and possible challenge in breach of obligations under the IPPC. Transfer of the certification service was therefore not an option considered for further consultation
- **Option 6: Reduce the cost / resources for export certification services, so that full cost recovery can be achieved without an increase in charges.**
  - **Benefits:** the option would recover the full cost of the service, reduced to £0.30m, with no additional cost burdens being placed on businesses using the service.
  - **Costs:** Reduced costs by this margin (81%; Section 2.8) would almost certainly require substantial reduction in the capability and speed of the service, to a point where it would be unlikely that the Services could facilitate business demand and trade would be impeded. Cost and benefits for business and government in this scenario are likely to close to those reported in Option 4 (de-regulation of certification service).Cost reductions are being pursued, but we do not believe that an adequate level of inspection can be achieved at the cost covered by current income from export inspection fees. Therefore this option was not adopted for further consultation.

## 6.2 Administrative burdens

6.2.1 We predict that for Options 2, 3 and 3A, there will be a minimal increase in the administrative burden on businesses or Government, because, although charges will increase, the administrative process will remain unchanged – the scope and structure of export inspection remains the same. No evidence was provided in any of the responses to the consultation to cause any change to this assessment.

6.2.2 Option 4 would likely result in a significant increase in administrative burden through having to resolve problems arising from lack of official certification (e.g. consignment being prohibited from entry and / or destroyed), establishing new, domestic, markets (in

EU) or new routes (via other Member States) to established markets in Third Countries. No evidence was provided in any of the responses to the consultation to cause any change to this assessment.

# 7. Risks & Assumptions

## 7.1 Risks

7.1.1. The Plant Health Service is required to make substantial cuts to its costs by Year 4 of the Comprehensive Savings Review (2014/15). The two main risks if the requirement to introduce full-cost recovery based charges is <u>not</u> implemented are

- Cuts to public funding for pre-export services, without an increase in the contribution from industry, would result in a reduction in the coverage, speed and flexibility of the service for business and the possibility of trade being impeded.
- Continued subsidisation of the Export Certification service at current levels could result in increased cuts being required elsewhere within the Plant Health Programme, increasing the risk that pest and disease introductions may be missed (e.g. surveillance) and eradication actions hampered and becoming more costly, costs that are borne by both Government and the landowners (estimated cost for affected landowners of £40,000 per outbreak)[16].

7.1.2 The main risk if the requirement to introduce full-cost recovery based charges (Options 2, 3 and 3A) <u>is</u> implemented is that the increase in charges predicted may significantly reduce demand for some of the services. This could arise through exporters

- avoiding or mitigating against the higher charges by making fewer applications for larger consignments (but still exporting the same volume of goods)
- or because niche market sectors, whose profits margins are low, become unprofitable.
- or exporting through potentially cheaper regimes operating in other countries across the EU, with impacts on the competitiveness of exporters that operate solely in England and Wales.

7.1.3 The main risks associated with implementation of Option 4 (De-regulation)

- Reduced profits for business as markets transfer from third countries to the EU (domestic) markets.
- Increased administrative burdens for business seeking to resolve problems arising from lack of official certification (e.g. consignment being prohibited from entry and / or destroyed), establishing new, domestic, markets (in EU) or new routes (via other Member States) to established markets in Third Countries for certain niche trades to specific importing countries.
- Loss of incentives for Third Country (131 signatory states) to comply with international standards and hence potentially increased risks of importing plant pests and diseases via imports from third countries.
- Loss of international reputation
- Loss of credibility of NPPO with stakeholders at time when we are encouraging greater partnership working.
- Threat of international / domestic legal challenge.

No additional risks were identified during the informal consultation with stakeholders (e.g. Government-Business taskforce for Exports) or any of the responses to the consultation.

---

[16] The Economic Cost of Invasive Non-Native Species on Great Britain (2010) F. Williams, R. Eschen, A. Harris, D. Djeddour, C. Pratt, R.S. Shaw, S. Varia, J. Lamontagne-Godwin, S.E. Thomas, S.T. Murphy. CABI Wallingford, UK

7.1.4 Predicting the impact of the charge increases (Options 2, 3 and 3A) on trade flow is difficult due to the complexity of the sector. However, these implementation risks are considered manageable. Option 3 and Option 3A provide a longer time scale to work with businesses in their mitigation and 3A reduces the impact on small exporters still further.

7.1.5 Option 4 is more radical and likely to have more far reaching negative impacts on both businesses and the wider operations of the NPPO, including its ability to influence and shape international plant health standards. It is nevertheless included as a demonstration of the rigor with which the examination of current regulatory burdens is being addressed.

## 7.2 Assumptions

7.2.1. The service costs for 2012/13, upon which the fees (Annex 2) are calculated, are based upon the assumption that trade volumes (no. of phytosanitary certificates and related activities requested) in 2011/12 will be maintained post-implementation of Options 2, 3 and 3A, i.e. adoption of FCR fees would not have a significant impact on trade volumes. It is recognised that the increase in costs might potentially lead to some reduction in sales. However, given the relatively small proportion of overall costs represented by the increase in fees in relation to the value of the trade for the majority of its activity, it is regarded as unlikely in general that the increases being proposed would lead to significant decline in sales to third countries across the sector.

7.2.2. The calculations of costs to businesses also assume that, for Options 2, 3 and 3A, the administrative burden of implementation will not be significant for businesses. These burdens (i.e. implementation of regulation that require substantial capital and administrative spends) are a particular issue for small and medium size enterprises. Options 2, 3 and 3A do not require any changes to the way in which the regulation is carried out and therefore the assumption has been made that business will not face significant capital or administrative compliance costs.

7.2.3. Cost and benefits for Option 4 (de-regulation) are based on the assumption that the trade (Estimated value £135m) requiring issuance of a phytosanitary certification by the originating NPPO will be no longer be traded with Third Countries, but marketed to consumers within the EU. The calculation of costs to business for option 4 is based primarily on the reduction in turnover and profit. They do not include potential additional costs in trying to resolve trade problems arising from the absence of the certification service. No further evidence of impact of Option 4 on trade was received during the consultation.

7.2.4. Fees for the other five plant health statutory services were reviewed during 2011/12: Imports of plant and plant products from countries outside the EU, Plant Passports, Imports of potatoes originating from Egypt, Licence Fees and Seed Potato Certification. Background on these services and impact analyses on statutory fee increases can be found in the five Final Impact Assessments. These are hosted on the Fera website[17]. The policy objective adopted for these services was for a phased introduction of new fees over three years to achieve FCR by 2014/15. The new fee schedules for all five schemes were implemented in April 2012, and as with Options 3 and 3A in this IA, the fee increases were designed to close 50% of the gap between current statutory income and full cost recovery in the first year, with the remainder by 2014/15. Service fees for 2012 are reported in the Plant Health Fees (England) 2012 Regulations[18]. Although all six services share a common aim (preventing the introduction and spread of plant pests and diseases), the large majority of businesses make use of only one scheme: in 2011 approximately 92% of businesses used only one scheme and no businesses used more than three services in the year. Overall, our analysis suggests that any cumulative impact is therefore likely to be relatively small. However, cumulative impacts were a significant concern to some of the consultees (5 out of 12). Options 3 and 3A are designed to reduce any cumulative impacts and Fera is working with businesses to reduce service costs and hence any cumulative impacts still further. A reduction in service costs across the six plant health services of 20% is being forecasted for 2013/14 and this will be reflected in the new fees regulation for the 5 other plant health services planned for 2013.

[17] http://www.fera.defra.gov.uk/plants/feesChargingReview/consultation.cfm

[18] http://www.legislation.gov.uk/uksi/2012/745/made

7.2.5. Changes in business practices in response to fee increases (Options 2, 3 and 3A) will vary between types of goods and will be subject to the ability of sub-sectors to adapt. The proposed increase in fee charges affects six sectors with aggregate third country export revenue of £135m in 2010. These sectors include cereals (£87m), potatoes (£25m), fruits and vegetables (£8m), seeds (£8m) and plants and flowers (£7m). The proposed increase of aggregate fees cost from current level of £0.3m by £1.25m will result in approximately annual total cost of £1.55m.The impact will be roughly 1.55% of the aggregate revenue of the sectors affected. Evidence submitted by some of the consultees (3 of 12) indicates that this impact may vary from 0.02 to 5% of turnover. This data together with the other evidence reported in this impact assessment shows that, in principle of cost recovery should be achievable without significantly impacting on total export activity to countries outside the EU.

Exporters may adapt to increases statutory fees by

- <u>Passing through some or all of the extra cost to customers, possibly resulting in lower demand, or absorbing the cost and reducing their profit margins.</u>
  - There may be some markets, particularly where profit margins are currently low, where demand is insufficiently robust for consumers to pay increased prices. If this is the case then there is the chance that some markets may not remain commercially viable. The phased introduction of fee increases in Option 3 and 3A are targeted at reducing the risk to the export activity of these sub-sectors. Consultees reported that the phased introduction of fees (the favoured option for 9 of 12 responses) would provide industry with the time offer in which to absorb the increase in costs, alter business practice as necessary and investigate how the extra costs might be passed on to clients. However, consultees also reported immediate move to FCR (Option 2) would reduce or halt current activity and future development of regional markets outside the EU for some microbusinesses exporting small quantities of plants (e.g. cuttings) where fees form a proportionally larger part of cost. Option 3 was reported as providing only a slight or moderate reduction on impact for these businesses and therefore Option 3A is proposed to reduce this impact still further.
- <u>Exporters may try to avoid or mitigate the higher charges by making fewer applications for larger consignments, but still export the same volume of goods</u>
  - The regulations and supply conditions for plants and plant produce, and the specialist transport or care/storage needs of many goods will generally limit the extent to which businesses make fewer applications for larger consignments. Therefore drastic changes in the structure of the trade are not predicted and no evidence was provided from the consultation to change this assessment.
- <u>Avoiding the higher charges by exporting plant and plant products through other parts of the UK or EU with lower charges</u>
  - England and Wales may therefore face a change in its comparative competitive position if Options 2, 3 or 3A are adopted, both within the UK and across the EU.
  - The product types, volumes and tests undertaken on behalf of importing countries vary greatly as will the cost-bases and fee structures of their national schemes. Comparison with fees in other Member States is therefore not straight forward, however, when possible, our review suggests that the FCR fees are comparable to those in other MSs (Annex 4). However, this comparison is limited as only a small number of other MSs provided information on export charges.
  - Again fee structures vary within the UK making direct comparison difficult. For example the Scottish fee schedule includes charges for specific tests (e.g. Brown rot latent test £135), whereas there is no discrete charges for specific test in the fee schedules for England & Wales. However, predictions using typical examples suggest that some FCR fees, for England and Wales will be higher than those in Scotland or Northern Ireland.
    - Charges to businesses in England and Wales for a growing season export inspection and certification of 2ha of potato tubers destined for some third countries could be £327.90, whilst in Scotland the charge would be estimated at £137. If a third country should require additional testing for declaration of pest free status, such as Norway,

the charge for businesses in England and Wales would be £327.90 whilst businesses in Scotland could be charged £341.

- Whilst others are less
  - The issue of a certificate for the export of a consignment of frozen vegetables, frozen fruit, tea and other processed plant products for businesses in England & Wales would be £11.42, whilst for Scotland the charge is estimated at £17.00.
- Inspection and certification is a devolved matter and consequently inspectors in Scotland have no jurisdiction in England or Wales. Businesses would therefore not be able to apply to the Scottish fee scheme for activities undertaken in England and Wales. It should also be noted that the Scottish Government is planning to review its charges, so the situation may change.
- Whilst there is the possibility of some shift in trade to other countries in some sub-sectors, the assumption has been made that the overall effect will be small because the facility, transport, insurance costs and other costs of exporting by different routes are likely to be relatively greater than the proposed increase in the export charges.
- This assessment is supported by a recent report on fees across the EU and published by the EU Commission (DG Sanco) which concluded that 'Although evidence of unjustified variations in fee levels was found between Member States, there is no evidence of significant distortion in competitiveness between Member States caused by different fees levels. Other key factors affecting competitiveness appear to be more significant.'[19]
- The impact of fee increases under Option 2 on competition was a significant concern for five of the eight consultees who expressed an opinion, with seven of the eight reporting that Option 3 would reduce this impact. No evidence on the magnitude of this impact for the sector was provided by consultees.
- In addition

7.2.6. There may also be

- Increases in illegal trade, including with-certificate trade (e.g. fraudulent declaration), without-certificate trade (smuggling) and non-payment of debt.
  - Border controls already in place in third countries that should restrict any shift to illegal activity making it likely to be relatively small. Third country NPPOs also report any non-conformances to Fera, so any changes can be monitored and action taken to reduce any reputational damage and consequent impacts on trade. Mechanisms are also in place for the collection of debt. However, where it does occur it will have a negative impact on taxpayers through lost revenue. Increase in illegal trade was a concern expressed during the consultation but no evidence was provided that would require a change to this assessment.

7.2.7. Changes in business practices in response to de-regulation (Option 4) are likely to focus on alternative markets (e.g. intra community trade or export to third countries via other member states) and exit from the market. Where this does occur it will have a negative impact on business through loss of revenue or the cost of diversification, which could put small businesses at a particular disadvantage. The impact of fee increases under Option 4 on market activity and competition was a significant concern 4 of 6 and 3 of 4 of those consultees who expressed an opinion respectively and was reported as not being in the best interest of business.

# 8 Direct costs and benefits to business calculations

8.1 Annual profile of monetised costs and benefits for businesses - £m (Constant prices).

[19] European Commission DG SANCO (2009). Study on fees or charges collected by the Member States to cover the costs occasioned by official controls. Framework Contract for evaluation and evaluation related services - Lot 3: Food Chain. Agra CEAS Consulting, Food Chain Evaluation Consortium (FCEC), Civic Consulting - Van Dijk MC.

8.2 Total annual costs based on the difference between the 'current' state (Option 1 'Do Nothing' based on costs to business 2012/13 of £0.30m) and future state if option 2, 3, 3A or 4 are implemented.

8.3 This regulation implements a requirement for the UK to discharge an obligation under the International Plant Protection Convention and it should be noted that these proposals are not under the scope of One-In-One-Out in line with the statement by the MoS for Business and Enterprise that 'fees and charges should only be considered in scope of the Government's One in One Out policy where they resulted from an expansion in the level of regulatory activity.' These proposals do not expand the level of regulatory activity.

**Option 2: Introduction of fee increases to achieve Full Cost Recovery (FCR) for the export inspection services with implementation during 2013.**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Transition costs (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring cost (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual costs (£m) | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Transition benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Option 3: Phased introduction of fee increases to achieve FCR by Year 3 (2015) for export inspection services**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Transition costs (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring cost (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual costs (£m) | 0.62 | 0.94 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Transition benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring benefits (£m) | 0.63 | 0.31 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual benefits (£m) | 0.63 | 0.31 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Option 3A: Phased introduction of fee increases to achieve > 95% of FCR by Year 3 (2015) for export inspection services, with a continuation of the concessionary rates for small exporters**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Transition costs (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring cost (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual costs (£m) | 0.62 | 0.94 | 1.189 | 1.189 | 1.189 | 1.189 | 1.189 | 1.189 | 1.189 | 1.189 |
| Transition benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring benefits (£m) | 0.63 | 0.31 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 |
| Total annual benefits (£m) | 0.63 | 0.31 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 |

**Option 4: De-regulation – removal of the statutory service from 2013**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Transition costs (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring cost (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual costs (£m) | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 | 11.78 |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Transition benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual recurring benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total annual benefits (£m) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

# 9 Wider Impacts

## 9.1. Statutory equality duties

9.1.1. Increases in export certification fees may be passed on to buyers of plants and plant products thereafter in the importing countries. Therefore, the fee increases would not impact on UK social groups.

9.1.2. The loss of the service under option 4 would be unlikely to impact on any particular social group

## 9.2. Competition Impact Assessment

9.2.1. The increase in charges will be an additional cost to businesses in this sector. The current consultation has suggested that it may not be possible for some micro businesses to pass on the costs to customers or consumers or to absorb them themselves. There may be some 3rd country export markets, particularly where profit margins are currently low and/or demand is insufficiently robust for consumers to pay increased prices. However, the evidence provide by consultees suggest that this is unlikely to have a significant impact on business viability but rather may lead to a transfer of trade to the domestic market. The phasing of fee increases (Option 3 and Options 3A) is targeted at reducing this risk.

9.2.2. The requirements made of the export service will depend upon the product types and the tests being demanded by the importing countries and these vary greatly. Consequently the cost-base and fees structures will also vary between schemes making direct comparisons problematic. For example the Scottish fee schedule includes charges for specific tests (e.g. Brown rot latent test £135) whereas there is no discrete charges for specific tests in the fee schedules for England & Wales. However, if England and Wales move to FCR fees, then there are likely to be differences in some of the fees charged in England and Wales from those in Scotland and Northern Ireland. For example

- ♦ Charges to businesses in England and Wales for a growing season export inspection and certification of 2ha of potato tubers destined for some third countries could be £218.60, whilst in Scotland the charge would be estimated at £137. If a third country should require additional testing for declaration of pest free status, such as Norway, the charge for businesses in England and Wales would be £218.60, whilst businesses in Scotland could be charged £341.

  The issue of a certificate for the export of a consignment of frozen vegetables, frozen fruit, tea and other processed plant products for businesses in England & Wales would be £11.42, whilst for Scotland the charge is estimated at £17.00.

- Inspection and certification is a devolved matter and consequently inspectors in Scotland would have no jurisdiction in England or Wales. Businesses would therefore not be able to apply to the Scottish fee scheme for activities undertaken in England and Wales. In addition the Scottish Government has also announced an intention to review charges for this scheme in the near future and so the impact of the FCR fees on competition may change.

9.2.3. We estimate the impact of proposed increase of aggregate fees cost from 0.3 million to 1.55 million will be roughly 1.15% of the aggregate revenue (estimated at least £135m) of the sectors affected. Evidence from the consultation indicates that the impact on those businesses providing data (3 of 12 consultees) will be between 0.02%-5% of their turnover. This data, together with that from independent reports on the impact of statutory fees across the EU on competition show that, in principle, cost recovery should be achievable without significant impacts on competition. Again, Option 3 and 3A are targeted at reducing any risk still further.

9.2.4. For option 4, deregulation, businesses operating solely in England & Wales would be put at a competitive disadvantage, with those in other parts of the UK or other Member States, who would continue to be able to meet third country demands for Official Export Certification from their territories. This assessment was supported by the comments reported by consultees.

## 9.3. Small firms impact assessment

9.3.1. A significant proportion (approximately 74%) of the companies using this service is micro and small enterprises and this accounts for approximately 52% of the annual cost to business. Given that the export service and charging scheme are long established, Options 2, 3 and 3A should entail no additional administrative costs or capital investments on business. Furthermore, Option 3, and 3A offers these businesses a three year period to adapt to the increases. Consultation responses raised the concerns for micro businesses who reported that Option 2 would have a significant impact on export activity. Those who provided responses on this issue reported that this impact would only be slightly or moderately reduced through implementation of Option 3. The preferred option, Option 3A is aimed at reducing this risk still further for those small exporters exporting small volumes of commercial or not-for-profit consignments to third countries. On this basis, we do not anticipate any significant, disproportionate impact of the preferred Option 3A on micro and small enterprises.

9.3.2. However, Option 4 is likely to have a disproportionate impact on small businesses as they have fewer resources available to respond to the additional burden of having to sort out trade problems arising from the lack of Official Certification or the ability to diversify into alternative trades. This assessment was supported by the comments reported by consultees.

9.3.2. A more detailed exploration with representative trade associations is underway to ensure that business has confidence that the services provided are transparent, reliable, cost-effective and efficient. Government-business partnerships were established in 2012 for the export service. Proposals for improving the service has already been identified by this ‘taskforce’ are being piloted. The work of this taskforce is likely to provide further benefits for small and micro-businesses, not least in controlling costs.

## 9.4. Greenhouse gas assessment

9.4.1. This policy may result in some changes in trade routes for plants and plant products if exporters choose to export from another Member State with more favourable fees. This could potentially increase emissions because of the extra distances travelled by plant goods. However, the overall changes are expected to be small, because the additional costs of transport etc are likely to outweigh the potential cost (fee) savings. Therefore Options 2, 3 and 3A are unlikely to have a significant impact on emissions of greenhouse gases. Option 4 could also result in some changes in trade routes, but is unlikely to have a significant impact on greenhouse emissions.

## 9.5. Wider Environmental issues assessment

9.5.1. The policy will have no significant impacts on wider environmental issues: it will not be vulnerable to the affects of climate change, have no financial, environmental or health impact on waste management, air quality, pollution or flood risk, biodiversity or noise levels.

### 9.6. Health and well-being assessment

9.6.1. The policy will not directly impact on health or well-being and will not result in health inequalities.

### 9.7. Human rights assessment

9.7.1. The policy is consistent with the Human Rights Act 1998

### 9.8. Justice assessment

9.8.1. The policy does not create new criminal sanctions or civil penalties

### 9.9. Rural proofing assessment

9.9.1. Conditions apply equally to all individuals and businesses involved in the activities covered by the proposal. There should be no equity issues arising for individuals or businesses wherever they are based.

### 9.10. Sustainable development assessment

9.10.1. Options 2, 3 and 3A would contribute to the Government's sustainable development principle of achieving a sustainable economy by transferring the cost burden of delivering the export inspection charging regime from the taxpayer to businesses using the service, thus enabling more efficient allocation of public money. The potential loss of export markets and resultant increased burdens on businesses arising from Option 4 would almost certainly have a detrimental impact on the sustainability of the economy.

## **10.** Summary and preferred option with description of implementation plan

10.1. The export certification service facilitates the export of plants, plant products and other related materials to countries outside the EU by inspecting and certifying that they meet the plant health standards of the importing country. Without certification by the official authority (Fera), export consignments are likely to be rejected at the point of entry, destroyed or returned to the exporting country.

10.2 The income received from businesses using the service (£0.3m p.a.) is currently less than 20 % of the cost its provision (£1.55m p.a.). The remainder of the cost is currently being met by the taxpayer. The policy objective proposed here is to remove this cost (£1.25m) to the general taxpayer.

10.3 A number of options have been proposed to ensure that as far as possible this objective is achieved. These have included options to ensure full cost recovery (FCR) through increased fees to businesses users either with immediate implementation (Option 2) or through phased fee increases over three years (Option 3, 3A) and by de-regulation of the service and the end of its provision by Government (Option 4).

10.4 Analysis shows that the cost of de-regulation (Option 4) to business would likely be ten times that of options to increase fees, with much of the current export trade to third countries being confined to the EU in future. The majority of consultees who expressed a view reported that Option 4 would have a significant impact on their activity and would not be in the best interest of business.

10.2. The proposed increase in fee charges under Options 2, 3 and 3A would affect at least six sectors (e.g. cereals, potatoes, fruits and vegetables, seeds and plant and flower exports) with aggregate third country export revenue of £135 million in 2010. The increase of aggregate fees would be approximately 1.15% of the aggregate revenue of the sectors affected. This data together with evidence reported by consultees shows that, in principle cost recovery should be achievable without significantly impacting on total export activity to countries outside the EU.

10.3 The majority of consultees (9 of 12) expressed a preference for Option 3, the phasing of fee increase over three years, reaching FCR in 2015/16, as it gave them time to absorb the increase in costs, alter business practices as necessary and investigate how the extra costs might be passed on to clients. The phased increases also provides time for the service to work with exporting businesses to improve its efficiency and potentially reducing the fee increases that would be needed in achieving FCR by Year 3, whilst still reducing costs to the taxpayer. A Government-Business exports taskforce has been established during 2012 to monitor the impact of the policy and identify options for improving the efficiency of the service. Its key aim is to reduce the financial cost of the service to both taxpayer and those using the service.

10.4 Consultees also reported that FCR fees would have a significant impact, reducing or stopping the export activity of microbusinesses currently trading in small volumes of not-for-profit and commercial consignments to third countries. Given the magnitude of the increases their potential impact on the export activity of micro businesses, the recommended Option 3A proposes that the concessionary rates for small exporters continue to operate.

10.5 The concessionary rate enables small exporters to undertake a small number of exports for a fee equal to half that charged to other exporters. The rates apply to ‘small exporters’ whose cumulative charge for the export service in any one financial year is equal or less than £250. Option 3A is most efficient way to further mitigate the impact of increases on the export activity for small exporters as it uses a concessionary scheme that is well recognised by the sector, having been in operation for over a decade. The concessionary scheme is forecasted to cost the taxpayer up to a maximum of £0.061m per year.

10.6 Option 3A thus makes a substantive moves to the removal of costs to the taxpayer (>95% of service costs), balanced with the need to reduce the impact on microbusinesses and to maintain the Government's capability in meeting its international obligations in preventing the introduction and spread of plant pests and diseases across national boundaries.

10.7 Fera has been in informal discussions with representative organisations for the industry since the beginning of the fees review in 2010, running numerous workshops, presenting at industry AGMs, collecting evidence on potential impacts of the FCR policy on business and also asked for additional ideas for improvement through its consultation.

10.8 In April 2012 Fera established government-business taskforces for all its plant health statutory services with the aim of ensuring that these services are costs-effective and that the regulatory burdens on business are minimised. This action has been welcomed by business and by consultees and we are currently exploring a range of initiatives for the plant health services. The export certification taskforce has already identified the transfer of responsibility for sampling of seed bulks prior to export from government to industry as a key objective. Pilot studies are already underway to ensure that these businesses receive the appropriate training and can meet the phytosanitary standards laid out by third countries. A full cost-benefit analysis will be reported at the end of these pilot evaluations.

10.9 Fees for the other five plant health statutory services were reviewed during 2011/12: Imports of plant and plant products from countries outside the EU, Plant Passports, Imports of potatoes originating from Egypt, Licence Fees and Seed Potato Certification. The policy objective adopted for these services was for a phased introduction of new fees over three years to achieve FCR by 2014/15. The new fee schedules for all five schemes were implemented in April 2012. Although all six services share a common aim (preventing the introduction and spread of plant pests and diseases), the large majority of businesses make use of only one scheme: in 2011 approximately 92% of businesses used only one scheme and no business used more than three services in the year. Overall, our analysis suggests that any cumulative impact is therefore likely to be relatively small. Cumulative impacts were, however, a significant concern to some of the consultees (5 out of 12) and the recommended Option (3A) is designed to reduce this impact still further. In addition, Fera is working with businesses to reduce service costs and is already predicting reductions in total service costs across the six plant health services of 20% for 2013/14. This change will be reflected in the new fees regulation for the 5 other services planned for 2013. Data on the impact of 2012 fee increases on income and trade activity for 2012/13 will be available in summer of 2013. However based on year to date income data (Quarters 1-3) for the plant health services, we do not forecast any significant changes in market activity resulting from the 2012 increases.

10.10 Our plan would be to introduce charges via a statutory instrument if adopting Option 3A in April 2013, 2014 and 2015.

10.11 The Plant Health Service is required to make substantial cuts in costs by year 4 of the Comprehensive Spending Review. The main risks if FCR fees are delayed or not implemented are that cuts would be required to: (1) the coverage and speed of the export service, with impacts on business profitability, and /or (2) cuts elsewhere within the of the plant health programme increasing the risks that pest and diseases may be missed, eradication actions hampered, with the cost of eradication borne by businesses and Government.

# **11.** Post Implementation Review (PIR) Plan

### 11.1 Basis of the review

11.1.1. The Food & Environment Research Agency will undertake annual stakeholder satisfaction surveys. The first survey to take place after the introduction of the new charges will be in April of 2014. The results and the outcomes of the monitoring activity (outlined below) will be reported on the Fera website in autumn 2014 as an interim report. This exercise will be repeated in April of 2015 and a second interim report published. A final review report on the effects of the increased charges will be undertaken in April 2018, five years after the introduction of the new charging regime. Consideration will be given at each stage as to whether any action is required to amend legislation.

### 11.2 Review objective

11.2.1. The objective of the 2018 review is to assess the impact of the policy objective on (1) on delivery of UK's plant health objectives, (2) the success of Options 2, 3 or 4 in achieving FCR and future need for the concessionary rates under Options 3A (3) patterns of trade, (4) the effectiveness and efficiency of the export inspection service and (5) the effects of any unforeseen or unintended consequences.)

### 11.3 Review approach and rationale

11.3.1. The review will take the form of annual review of stakeholder’s views and an assessment of the monitoring data. These data will best inform an assessment of the benefits gained by the policy in achieving cost recovery and operating the concessionary scheme against the costs imposed on businesses.

### 11.4 Baseline

11.4.1. Baseline data will be derived from pre-implementation period April 2010 to April 2012: cost recovery, no. of phytosanitary certificates issued, % non-payment of debt, no. of concessionary applicants

## 11.5 Success criteria

11.5.1 Full cost recovery for the export inspection service by 2013 (Option 2), 2015 (Option 3), >95% cost recovery by 2015 (Option 3A) or removal of the financial cost of service cost provision by the tax payer in 2013 (Option 4)

## 11.6 Monitoring information arrangements

- Delivery of Plant Health Objectives - Fera will evaluate whether the increase in charges has had an adverse effect on UK plant health objectives and if so, how this has come about.
- Whether the full costs of the service provided by the Export Inspection Service continue to be recovered - Fera will monitor statutory receipt income against costs to ensure a balance on full cost recovery or > 95% cost recovery (for Option 3A) is achieved.
- Patterns of trade in the UK and impacts of businesses trading in plant and plant product imports - Fera will do this by monitoring the number of applications made by each sector and comparing trends in numbers against historical trends. This will help to assess whether overall there is an increase or decline in application numbers within specific sectors.
- The effectiveness and efficiency of the Export Inspection Service - Fera will continue to monitor the efficiency of its management systems to ensure it delivers the most cost-effective service possible. It will aim to identify options for improving the efficiency of the service with the aim of reducing the financial burdens on those using the service.
- The effects of any unforeseen unintended consequences - Fera will use the annual stakeholder satisfaction survey to identify ongoing consequences of increases in charges, including any unintended consequences. A summary of responses will the published annually on the Fera website.

# Annex 1: Memorandum Trading Account (MTA) for Plant health export inspections

Annual costs outlined by the MTA are those costs that can be charged for the work occasioned by the export inspection service as in the UK Treasury guidance[20] The costs outlined by the MTA include only those costs defined in the EU Directive 2000/89/EC[21] and UK treasury guidance[22]

| | SUMMARY OF EXPENDITURE | £ |
|---|---|---|
| 2.1 | Salaries and Allowances | 539,858 |
| 2.2 | ERNIC | 40,930 |
| 2.3 | Superannuation costs | 99,857 |
| 2.4 | Accommodation Overhead | 160,193 |
| 2.5 | General Overhead | 193,828 |
| 2.6 | Central service and local Overheads | 356,618 |
| 2.7 | Travel & Subsistence | 48,493 |
| 2.8 | Defra Agency Charges | |
| 2.9 | Non-Defra Charges | |
| 2.10 | Depreciation | 23,049 |
| 2.11 | Notional Cost of Capital | |
| 2.12 | Notional Insurance | |
| 2.13 | All Other Non-Pay Costs | 83,621 |
| **3** | **FULL COST** | **1,546,449** |

| | EXPENDITURE CATEGORY | EXPLANATION OF EXPENDITURE CATEGORY |
|---|---|---|
| 2.1 | Salaries and Allowances | Remuneration costs directly attributable to those people delivering the service. |
| 2.2 | ERNIC | Employers National Insurance for those people directly delivering the service. |
| 2.3 | Superannuation costs | Employers Pension Contribution on behalf of those people directly delivering the service. |
| 2.4 | Accommodation Overhead | Accommodation costs apportioned on the basis of space occupied by those people directly delivering the service. |
| 2.5 | General Overhead | Proportion of the total employment costs of Corporate Functions, which provide services to the delivery programmes. Corporate Functions are:<br>Finance & Procurement; Directorate; Organisational Development (HR); IT.<br>Example of costs include: postage, printing, telecommunications, insurance, audit fees, professional fees. |
| 2.6 | Central service and local Overheads | A proportion of the infrastructure costs supporting the delivery programmes.<br>This covers IT Systems, local Inspectorate accommodation, bad debts and Inspectorate administration service. Not applicable to all services. |
| 2.7 | Travel & Subsistence | Total employment costs (other than salary related) of those providing the service. For example, travel and consumables. |
| 2.8 | Defra Agency Charges | Fees charged by other Defra Executive Agencies. |
| 2.9 | Non-Defra Charges | Fees to subcontractors. |
| 2.10 | Depreciation | The cost of an asset over its useful life, the terms of which are set by Government Accounting Rules. Relates to assets specific to undertaking the service provided. This is not a general Fera wide charge. |
| 2.11 | Notional Cost of Capital | A cost of capital charge is a notional non-cash item which reflects the cost of holding assets and liabilities. |
| 2.12 | Notional Insurance | A non-cash insurance premium is calculated when there is an uninsured relevant risk. |
| 2.13 | All Other Non-Pay Costs | Costs incurred by the Programme for providing the service. |

[20] Fees, Charges & Levies (2007), Chapter 6, Managing Public Money, HM Treasury.

[21] Article 13d: 'salaries of inspectors involved in checks, office, other facilities tools and equipment for these inspectors, the sampling for visual inspection or for laboratory testing, laboratory testing and the administrative activities (including operational overheads) required for carrying out the checks concerned effectively, which may include the expenditure requires for pre and in-service training of inspectors.'

[22] Fees, Charges & Levies (2007), Chapter 6, Managing Public Money, HM Treasury

# Annex 2: Export Inspection Fees

Schedule 3 Charges

Charges without parentheses describe fees (£) that would be required to cover the costs occasioned by FCR export services for grain and non-grain consignments in Options 2, 3 and 3A. Charges inside parentheses describe the current fees (£) transcribed from Schedule 3 of the Plant Health (Export Certification) (England) Order 2004 and the Plant Health (Export Certification) (Wales) Order 2006. Applicants eligible for the concessionary rate would be charged at 50% of the quoted fee.

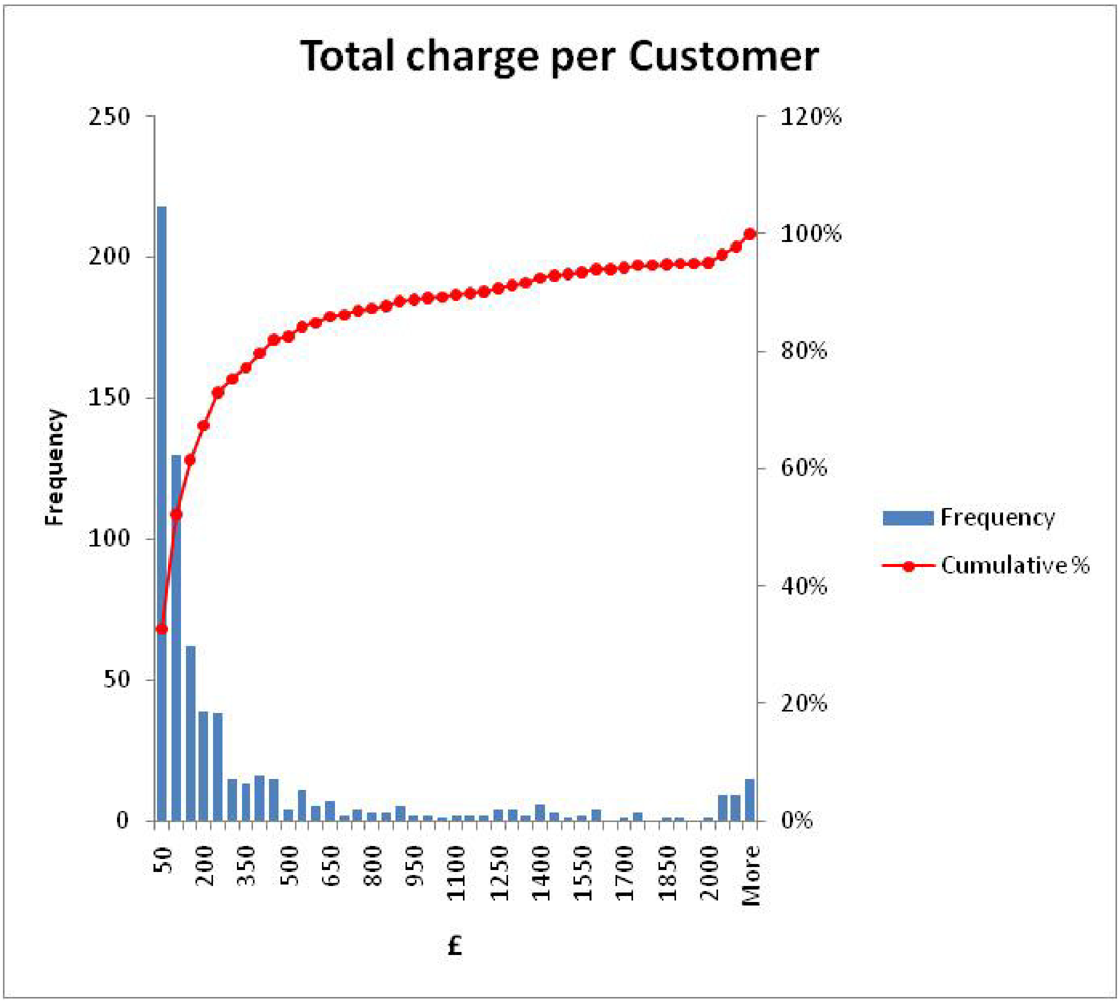
| **Services in respect of applications for certificates** | **Full Fee** |
|---|---|
| Inspection and, where necessary, laboratory examination | £72.96 (£20.25) for each quarter hour or part thereof with a minimum fee of £145.91 (£40.50) |
| Laboratory examination only | £32.85 (£20.00) |
| Issue of a certificate where no inspection or laboratory examination required | £11.42 (£5.00) |
| Monitoring of inspection carried out by a person authorised under article 3(3) and, where necessary, laboratory examination carried out by an authorised officer | £57.93 (£45.00) |

Schedule 4 Charges

Charges without parentheses describe fees (£) that would be required to cover the costs occasioned by FCR export services for growing season inspections in Options 2, 3 and 3A. Inspections of plants during growing season are used to confirm to the importing state that they are free from pests and diseases that may not be apparent at the time of export (e.g. plants that will be exported in dormant state such as bulbs). Charges inside parentheses describe the current fees (£) transcribed from Schedule 4 of the Plant Health (Export Certification) (England) Order 2005 and the Plant Health (Export Certification) (Wales) Order 2006. Applicants eligible for the concessionary rate would be charged at 50% of the quoted fee.

| **Service** | **Full Fee** |
|---|---|
| Pre-export service | £54.65 (£20.25) for each quarter hour or part thereof with a minimum fee of £109.30 (£40.50) |

## Annex 3: Annual charge invoiced to businesses for the activities undertaken by the Export Inspection Service (Jan-Dec 2011)




## Annex 4: Comparative analysis of export inspection fees in other Member States

The activities and associated fees charged by other Member States for export services are designed to meet the needs of their business users. Comparison of fees between Member States is therefore difficult. Below, by way of illustration are fees reported by Denmark and the Netherlands. Comparative fees for the UK are provided where these can be made.

**Netherlands**

| | FCR for England & Wales (£) | Dutch fees (£) |
|---|---|---|
| Inspection (+/- Laboratory examination) | 58.21 (15 mins.) | 42.54 + 1.64/minute |
| Laboratory Only | 25.68 | 123.58/sample |
| Certificate only | 11.39 | 4.7 |

**Denmark**

| Activity | £ |
|---|---|
| Registration fee | 320 |
| Basic fee/inspection normal working hours | 73 |
| Supplementary fee/hour after first hour in normal working hours | 57 |
| Additional document issued on same visit in normal working hours | 27 |
| Fee for first EU document | 35 |
| Fee for additional document on same visit | 7 |
| Inspection and certification for export | 35 |
| Additional certificate on same visit | 7 |
| Emergency issue of certificate | 18 |
| Issue of certificate for export of plant products for consumption | 35 |
| Fee for additional certificate on same visit | 7 |
| Supplementary fee/hour for assessment of documentation and completion of certificate | 57 |