

Title: Revision of Fees: Amendment of the Plant Health (Import Inspection Fees) (England) Regulations 2010 and the Plant Health (Import Inspection Fees) (Wales) Regulations 2010 Lead department or agency: Food & Environment Research Agency (Fera) Other departments or agencies: Sustainable Futures, Welsh Government	Impact Assessment (IA)
	IA No: Defra1352
	Date: 01/12/2010
	Stage: Consultation
	Source of intervention: EU
	Type of measure: Secondary legislation
Contact for enquiries: consultation@fera.gsi.gov.uk	

Summary: Intervention and Options

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

The Plant Health (Import Inspection Fees) (England) Regulations 2010 and the (Wales) Regulations 2010 set charges to cover the costs of documentary, identity and plant health examinations of certain plants and plant products imported from countries outside the EU. These statutory examinations by Fera government inspectors are intended to prevent the introduction of new plant pests and diseases. The current fees are based on the standard (minimum) charges set out in Directive 2000/29/EC and do not reflect the true cost to Government of providing the service. This is a subsidy to importers and a financial cost to the taxpayer. Government intervention is necessary to remove the subsidy and it is intended to increase the charges to importing businesses to full cost recovery levels.

What are the policy objectives and the intended effects?

The objective of this policy is to remove the subsidy for statutory provision of plant health inspection services and the resulting distortion of the market, without compromising the Government's objectives in preventing the introduction and spread of plant pests and diseases into the UK and the rest of the EU.

The intended effect of the policy 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. importers of certain 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 import inspection services for all applicants, with implementation during 2012.
3. Phased introduction of fee increases to achieve FCR by Year 3 of implementation (2014) for import inspection services - This is the preferred option as it is the only option which effectively delivers FCR, whilst providing businesses time to absorb the significant fee increases (max 6-fold: Annex 3-5) and to work with the Service in developing more efficient working practices and thereby reduce the final cost burden. Other options have been considered for transferring or reducing costs through (o) de-regulation of the service, (o) its transfer to a non-government body or (o) by reducing resources so that no fee increase would be needed. These were not adopted because of risks associated with their implementation (Sec 6).

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 10/2017

What is the basis for this review? PIR. **If applicable, set sunset clause date:** Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

SELECT SIGNATORY Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Summary: Analysis and Evidence

Policy Option 1

Description:

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

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

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	£0	£0	£0

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 £2.94m 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	£0	£0	£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 of £2.94m per annum.

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

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Assumption: Service cost forecasts for 2012/13 are based on the assumption that the number of import consignments will remain at or close to 2010/11 values.

Risk: 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 not implemented are that cuts would be required to: (1) the coverage and speed of the import service, with impacts on business profitability and the risk of infraction proceedings being taken by the European Commission, 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.

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

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		England and Wales			
From what date will the policy be implemented?		06/04/2012			
Which organisation(s) will enforce the policy?		Fera			
What is the annual change in enforcement cost (£m)?		£0m			
Does enforcement comply with Hampton principles?		Yes ¹			
Does implementation go beyond minimum EU requirements?		No			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: Not sig. ²		Non-traded: Not sig.	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs: 0		Benefits: 0	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro NA	< 20 NA	Small 58 ³	Medium 9	Large 33
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties⁴ Statutory Equality Duties Impact Test guidance	No	18
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	18
Small firms Small Firms Impact Test guidance	No	19
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	19
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	20
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	20
Human rights Human Rights Impact Test guidance	No	20
Justice system Justice Impact Test guidance	No	20
Rural proofing Rural Proofing Impact Test guidance	No	20
Sustainable development Sustainable Development Impact Test guidance	No	20

¹ Food and Environment Research Agency. A Hampton Implementation Review Report (2009) BIS, UK

² Not significant

³ Data derived from Mint Global (company information database) and Fera's Financial Management System. 'Small' is a composite of Micro, <20 and Small categories. Data to enable differentiation of 'Small' will be requested during pre-consultation and consultation discussions with business users and trade associations.

⁴ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only).

Summary: Analysis and Evidence

Policy Option 2

Description:

Introduction of Full Cost Recovery (FCR) for the inspection services for all applicants, with implementation during 2012

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

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	£0	£2.94m	£25.30m

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

This option introduces full recovery of costs from service uses in 2012. The estimated PV of total costs (over the 10 year time period) is £25.30m. This cost will be borne by businesses importing plants and plant materials. The annual cost to business would be £2.94m.

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	£0	£2.94m	£25.30m

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 industry of £2.94m per annum.

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Assumption: Service cost forecasts for 2012/13 are based on the assumption that the number of import consignments will remain at or close to 2010/11 values.

Risk: That main risks are that (o) niche market sectors where profitability is marginal may become unprofitable and (o) 'export' of some of the trade to cheaper regimes operating elsewhere in the EU, with consequent impacts on importer businesses that operate solely in England and Wales.

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 or migration of the trade will be limited (Section 8).

Direct impact on business (Equivalent Annual) (£m):			In scope of OIOO?	Measure qualifies as
Costs: £2.94 m	Benefits: £0	Net: £-2.94m	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England and Wales		
From what date will the policy be implemented?			06/04/2012		
Which organisation(s) will enforce the policy?			Fera		
What is the annual change in enforcement cost (£m)?			£0		
Does enforcement comply with Hampton principles?			Yes ¹		
Does implementation go beyond minimum EU requirements?			No ²		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: Not sig.		Non-traded: Not sig.
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: 0		Benefits: 0
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro NA	< 20 NA	Small 58 ³	Medium 9	Large 33
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

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Wider environmental issues Wider Environmental Issues Impact Test guidance	No	20
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	20
Human rights Human Rights Impact Test guidance	No	20
Justice system Justice Impact Test guidance	No	20
Rural proofing Rural Proofing Impact Test guidance	No	20
Sustainable development Sustainable Development Impact Test guidance	No	20

¹ Food and Environment Research Agency. A Hampton Implementation Review Report (2009) BIS, UK

² Will not go beyond EU minima in terms of regulatory activity, but will exceed EU standard (minimum) fees (Section 2)

³ Data derived from Mint Global (company information database) and Fera's Financial Management System. 'Small' is a composite of Micro, <20 and Small categories. Data to enable differentiation of 'Small' will be requested during pre-consultation and consultation discussions with business users and trade associations.

⁴ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only).

Summary: Analysis and Evidence

Policy Option 3

Description:

Phased introduction of fee increases to achieve FCR by Year 3 of implementation (2014) for import inspection services.

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

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	£0	£2.72m	£23.12m

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

The option introduces full cost recovery, phased over 3 years. The estimated PV of costs (over the 10 year time period) of £23.29m (PV) will be borne by businesses importing plants and plant materials. The annual cost to business following implementation would be £1.47m (2012), £2.20m (2013), £2.94m (2014 onwards)

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	£0	£2.72m	£23.12m

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 businesses importing plants and plant materials. The annual benefit to the taxpayer following implementation would be £1.47m (2012), £2.20m (2013), £2.94m (2014 onwards)

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

The assumptions made and the risks 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 Service to work with industry to find more cost-effective ways of delivering the Service. Potentially reducing the fee increases required in Years 2 and 3 to achieve FCR, whilst still meeting its obligations in guarding against the introduction and spread of plant pests and diseases.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: £2.72m	Benefits: £0m	Net: -£2.72m	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England and Wales				
From what date will the policy be implemented?	06/04/2012				
Which organisation(s) will enforce the policy?	Fera				
What is the annual change in enforcement cost (£m)?	£0				
Does enforcement comply with Hampton principles?	Yes ¹				
Does implementation go beyond minimum EU requirements?	No ²				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: Not sig.		Non-traded: Not sig.		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: 0		Benefits: 0		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro NA	< 20 NA	Small 58 ³	Medium 9	Large 33
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

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Rural proofing Rural Proofing Impact Test guidance	No	20
Sustainable development Sustainable Development Impact Test guidance	No	20

¹ Food and Environment Research Agency. A Hampton Implementation Review Report (2009) BIS, UK

² Will not go beyond EU minima in terms of regulatory activity, but will exceed EU standard (minimum) fees (Section 2)

³ Data derived from Mint Global (company information database) and Fera's Financial Management System. 'Small' is a composite of Micro, <20 and Small categories. Data to enable differentiation of 'Small' will be requested during pre-consultation and consultation discussions with business users and trade associations.

⁴ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only)..

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	Council Directive 2002/29/EC, as amended, on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community
2	Council Directive 2000/29, Article 13d
3	The Plant Health Act 1967
4	The Plant Health (England) Order 2005. No. 2530
5	The Plant Health (Wales) Order 2006, No. 1643
6	The Plant Health (Import Inspection Fees) (England) Regulations 2005, No. 906 and Explanatory Memorandum
7	The Plant Health (Import Inspection Fees)(Wales) Regulations 2010, No. 2917 (W. 242)
8	Food and Environment Research Agency. A Hampton Implementation Review Report (2009) BIS, UK
9	Register: http://www.fera.defra.gov.uk/plants/plantHealth/documents/registerImportersJan11.pdf
10	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

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Evidence Base (for summary sheets)

1. Background: Import Services

- 1.1. There are many plant pests and diseases that, if they were to become established in the United Kingdom, could cause serious damage to our crops and plants.
- 1.2. The total annual cost to the British economy of invasive, non-native species is estimated at £1.7bn (£1.43bn for England and Wales). In 2009 there were 47 outbreaks of quarantine plant pests in England. No outbreaks were reported in Wales. The cost of eradicating these outbreaks was borne by the landowners, the cost to whom was estimated at £40,000 per outbreak. The total annual cost for the quarantine and surveillance of plant pests in England is estimated at £12.4m¹.
- 1.3. Each year England and Wales import from non-EU countries over 80,000 consignments of plants and plant produce, which pose a risk of introducing new plant pests and diseases to European crops and ecosystems (88,801 consignments in 2010/11). To guard against the spread of these harmful organisms official controls apply to the import of plants and plant produce from outside the EU. These controls comprise
 - a documentary check: to ensure that the consignment is accompanied by a phytosanitary certificate. This certificate provides initial assurance that the consignment is free of specific quarantine pests and diseases and that all special import requirements have been met.
 - an identity check: an additional assessment of the documents accompanying the consignment (phytosanitary certificate, commercial invoice, airway bill or bill of lading).
 - a plant health check – a physical inspection, supported where needed by confirmatory laboratory diagnosis, of the consignment to ensure that it is free from harmful plant pests and diseasesand cover plants, potatoes, the major fruit, other than bananas and grapes, cut flowers and some leafy vegetables. Import inspections are carried out by Fera's Plant Health & Seeds Inspectorate in England and Wales².
- 1.4. The required level of examinations for physical inspections is set by the EU at 100%, except for certain trades, which have a history of compliance under the EU's arrangements and thus considered to pose a lower risk. These trades are permitted a reduced level of plant health check, however, documentary and identity checks must still be undertaken for these trades. In 2010/11 the 'reduced checks' arrangement consequently cut the number of consignments requiring plant health checks from 88,801 to 69,577.
- 1.5. Member States are required to collect fees (Phytosanitary fees) to cover the costs occasioned by the documentary checks, identity checks and plant health checks (Annex 3-5). Those trades permitted a reduced level of plant health check are charged fees in line with the agreed inspection level for that trade (e.g. If inspection level requires 10% of consignments to be checked, fees are invoiced at 10% of the of the full (mandatory check) fee)(Annex 4). Higher fees are payable where checks are carried out outside daytime working hours. Charges for the reduced checks service is made whether or not the consignment is inspected. The principle of spreading the charges across businesses, rather than only charging those importers whose reduced checks consignment are physically inspected (on an arbitrary basis) was agreed in consultation with the industry (2001-2004³) and is in line with general principles of government accounting.

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 PHSI carry out inspections in Wales through a concordant with the Welsh Assembly Government

³ Explanatory memorandum to the Plant health (Import Inspection Fees) (England) Regulations 2005
http://www.legislation.gov.uk/ukSI/2005/906/pdfs/ukSIem_20050906_en.pdf

- 1.6. In 2009, the total value of imports from countries outside the EU was in excess of £2bn (un-milled cereals, plants and flowers, fresh fruit, fresh vegetables, fresh potatoes and seeds for sowing)⁴
- 1.7. In 2011, 5,665 organisations (e.g. companies, universities and research institutions) and individuals were registered as importers on the Fera database⁵.
- 1.8. In 2009 (January-December) 989 registered importers brought in over 1 million metric tonnes (Annex 6) of plant and plant product consignments into England and Wales from countries outside the EU, facilitated by Fera's Import Inspection Service.
- 1.9. For 2010, the total annual charge invoiced per importer was
 - Documentary and Identity Checks: Average (mean) £739.82
 - Range: Minimum £10.58 – Maximum £63,000
 - With total annual cost for 95% of business users (2010) < £3,000 (Annex 8)
 - Plant Health Checks: Average (mean) £828.67
 - Range: Minimum £0.39 – Maximum £50,000
 - With total annual cost for 95% of business users (2010) < £3,000 (Annex 7)
- 1.10. The cost of the service as a percentage of trade value will vary greatly according to the plant product (Annex 6 illustrates the diversity of products) and the inspection type (mandatory or reduced physical checks). However, as an example, in 2009 the total value of potato imports into the UK (> 99% of UK trade is through points of entry into England and Wales) was estimated at £31m⁴. The charge invoiced for import inspection of potatoes (mandatory check fee) in 2009 was £138k or 0.4% of the estimated value of the potato import trade.

2. Problem under consideration

- 2.1. The plant health controls are based on EU and UK legal provisions. Council Directive 2000/29/EC⁶ (Plant Health Directive) establishes the Community plant health regime and contains measures to be taken to prevent the introduction and spread within the Community of serious pests and diseases of plant and plant produce. This Directive is implemented in England by the Plant Health (England) Order 2005⁷ and Wales by the Plant Health (Wales) Order 2006. Equivalent legislation is in place elsewhere in the UK. Council Directive 2002/89/EC⁸ introduced an extensive package of amendments to the Plant Health Directive, including a requirement for Member States to charge for plant health inspections on certain material imported from outside the EU.
- 2.2. Charging for Import Services is consistent with the principle that 'the polluter, risk owner or beneficiary should bear the costs of any measures to prevent harm that they might otherwise cause by their actions or non-actions'⁹, since most quarantine pests and diseases that arrive in this country do so via commercial trade in plants and plant produce.
- 2.3. The Directive provides for two charging options. Either Member States can charge according to a standard schedule of charges as set out in Annex VIIIa of Directive 2000/29/EC (as amended), or they can establish their own charges based on the actual cost of inspections. Directive 2000/29 (as amended) states that these cost-based charges should reflect: 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

⁴ Defra's Economics & Statistics Programme

⁵ Register of Importers January 2011, <http://www.fera.defra.gov.uk/plants/plantHealth/documents/registerImportersJan11.pdf>

⁶ Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community

⁷ The Plant Health (England) Order 2005. No. 2530

⁸ Council Directive 2002/29/EC (as amended) on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community

⁹ Defra Charging Handbook (2005)

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.¹⁰

- 2.4. Following a public consultation in 2004 it was agreed that the standard schedule of charges set out in the Directive should be adopted as a temporary solution, with a move later to full cost recovery if the standard charges did not recover costs. As this new regime required a fundamental change in the way in which consignments were dealt with in England and Wales, it was felt that this approach would allow things to bed down; permitting a full assessment of the new regime's impact on inspection levels and costs and providing businesses with time to absorb the new charges. The new charges were set out in the Plant Health (Import Inspection Fees) (England) Regulations 2005,¹¹ with equivalent legislation for Wales. Amendments to the legislation followed in 2006, 2007, 2008 and 2009, modifying the type and origin of plants or plant materials to be checked in response to changes in the risks they posed. These amendments continued the adoption the EUs standard schedule of charges.
- 2.5. The regulations were replaced by the Plant Health (Import Inspection Fees) (England) 2010,¹² and Plant Health (Import Inspection Fees) (Wales) 2010, which set out revalorised standard charge schedules for full and reduced checks. Standard charges set out in the Directive are expressed in Euros, whilst charges set in UK regulations are in Sterling. The revalorisation enabled Sterling standard charges to match the Euro-based charges, culminating in a 9% increase (December 2010). Failure to act would have resulted in UK charges continuing to be recovered at less than the EU Euro equivalent minimum, leading to a risk of infraction proceedings by the Commission.
- 2.6. These changes were made following a full public consultation (April 2010). In this consultation the intention, to move to full-cost recovery, and timetable, implementation by April 2011 at the earliest, was reported to stakeholders.
- 2.7. The income recovered from the beneficiaries of this service (importers) is currently less than 35% of the cost to Government of providing the service (See Annex 2: Memorandum Trading Account).

Statutory Income Received (2010/11)	Cost of Service Provision (2012/13)
£1.52m	£4.4m

- 2.8. The % change in Phytosanitary fees required to cover the costs occasioned by the service in undertaking documentary checks, identity checks and plant health checks would represent an increase of

- -12% (reduction) for Documentary Checks
- -12% (reduction) for Identity Checks
- 458% (increase) for Plant Health Checks

above the current EU standard fees (see Annex 3-5 for proposed fee schedules).

- 2.9. As reported in Section 1.9, the total annual cost for 95% of import businesses is <£3,000 for plant health checks (Annex 7) and <£3,000 for document and identity checks (Annex 8). If FCR fees were applied, total annual costs for 95% of businesses would be estimated at <£14,000 for plant health checks and <£2,700 for document and identity checks (based on 2010 invoice data).
- 2.10. For example, fees (Documentary, identity and plant health check) for a 25 metric tonne consignment of potatoes, under a mandatory check regime, would increase from £54.26 to £249.04. Assuming equivalent trade volume to 2010, the annual charge invoiced for the

¹⁰ Council Directive 2000/29/EC, Article 13d

¹¹ Plant Health (Import Inspection Fees) (England) Regulations 2005, No. 906

¹² Plant Health (Import Inspection Fees) (England) Regulations 2010 No. 2693

service would increase from £138k to an estimated £639k, or from 0.4% to 1.9% of the estimated trade value (£31m in 2009).

- 2.11. To bridge the gap between actual costs of the inspections and income from industry, the charges would have to be increased to recover the full cost of each service. Any decision to continue adoption of the standard schedule of charges and hence continued public subsidy will require robust justification. If the decision is made to move to cost recovery then Annex VIIIa of the Directive 2000/29/EC provides no scope for charges to be set at other than the standard fee level or to achieve cost recovery.
- 2.12. This Consultation Impact Assessment (IA) seeks to identify and develop 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 these administrations for any assessment.

3. Rationale for intervention

- 3.1. The rationale for Government intervention in plant health through import inspections, relates to issue of market failure. Market mechanisms alone may fail to prevent or correct negative economic and environmental impacts that may arise from imports of plants accompanied by pests and diseases which, if they are transmitted to crops and flora, can reduce UK agricultural output, increase production costs and damage ecosystems. The potential threat to production and trade from plant pests and diseases entering the UK is significant; the UK cereal crop alone is worth well over £2 billion¹³. The total cost of non-native plant pathogens for UK agriculture and horticulture is recently estimated at £401 million per annum. 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 economy¹⁴.
- 3.2. The imperceptible nature of most plant pests and diseases, which are difficult for importers and buyers to detect and control without potentially incurring considerable costs, necessitates public controls in plant health. Plant trade would generally be driven by private decisions about acceptable levels of plant health risk for individual businesses and their effort in preventing or controlling pests and disease are likely to be lower than would be optimal for society. In particular, as higher levels of plant health is more costly to achieve due to quarantine treatments and safe production methods there will be a tendency for importers and sellers to supply riskier products. This would almost certainly lead to transmission and spread of the pests and disease and henceforth economic losses affecting both buyers of the imported plants and other UK businesses and sectors that are not necessarily directly involved in this trade. Ecosystem services losses resulting from infestations of natural flora would clearly affect the society as a whole.
- 3.3. While the primary responsibility for ensuring the plant health status of traded consignments rests with the certifying authority in the exporting country, official import inspection is the main means by which exotic pests and diseases can be effectively intercepted, if the systems in the exporting country fail. In 2010 PHSI reported 614 interceptions of quarantine pest and diseases, approximately 7% of the total across the EU. The Plant Health (Import Inspection Fees) (England) Regulations 2010 and Plant Health (Import Inspection Fees) (England) Regulations 2010 prescribe charges to be paid in connection with import controls. Under the EU Directive 2000/29/EC import checks must be undertaken by the official services. Consequently the service needs to be provided by Government to facilitate the import of plants or plant products.
- 3.4. It is Government policy to charge for publicly provided goods and services where feasible. Charging for plant health inspection relieves the taxpayer of costs, as they should be borne by users who largely benefit directly from plant imports. This allows for a more efficient use

¹³ National Statistics (2009), Agriculture in the United Kingdom 2009. Defra, DARD, WAG and SG,

¹⁴ 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

of limited public resources and enables lower public expenditure and borrowing, as well as removing market distortion resulting from a public subsidy for the service.

4. Policy objectives and intended effects

- 4.1. The aim of introducing a full cost recovery regime for the import inspection services is to relieve the burden on the taxpayer of providing this service. It is intended that this will be achieved by transferring the costs of the import checks from the general taxpayer to the businesses using the services. The intention is to achieve this without compromising the Government's objectives under the EU Directive to guard against the introduction of harmful plant pests and diseases into the EU.

5. Description of options considered (including doing nothing)

- 5.1. Six options have been considered in delivering the policy objective of ensuring that the import inspection service is cost neutral for Government.
- **Option 1: Do nothing (No change to current policy of partial cost recovery).** Under this option charges would be maintained at current levels, in line with the EUs standard schedule of charges, with the cost of service provision only partially recovered from business users.
 - **Option 2: Introduction of FCR for the import inspection services for all applicants, with implementation during 2012.** This option would deliver the Government's stated objectives and recover the full cost of the service.
 - **Option 3: Phased introduction of FCR by Year 3 of implementation (2014) for import inspection services.** This option would deliver the Government's stated objectives and recover the full cost of the service, but over a longer time period than Option 2.
 - **Option 4: De-regulation (Not adopted – See Section 6)** This non-legislative option would require the service to be administered through a service charter, quality mark or code of practice, with the costs of the administration being borne by business users. This option was not adopted for further consultation, because of the potential plant health and infraction risks associated with its implementation.
 - **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 plant health and infraction risks associated with its implementation.
 - **Option 6: Reduce the cost / resources for import inspection services, so that FCR can be achieved without an increase in charges (Not adopted – See Section 6).** This option would recover the full cost of the import services with no additional burden on businesses using the service. However, it was not adopted for further consultation, because of the potential plant health risks associated with its implementation.

6. Costs and benefits for each option (including administrative burden)

6.1. Options

- **Option 1: Do nothing (No change to current policy of partial cost recovery).**
- **Benefits:** The benefits of doing nothing are that -
 - businesses using the service would continue to gain access to a subsidised service.
- **Costs:** If Option 1 is pursued -

- failure to meet Government objective of full-cost recovery, effectively subsidising a commercial sector where there is no economic rationale for doing so.
- the annual loss of income to Government (and hence the taxpayer) will be in the order of £2.94m. This is costed on the 2010/11 activity basis of 88,000 document and identify checks and 65,000 plant health checks (physical inspections) per annum.
- inconsistent policy between Government departments performing similar services (e.g. Forestry Commission; plant health checks on imported timber)
- **Option 2: Introduction of FCR for the import inspection services for all applicants, with implementation during 2012.**
- **Benefits:**
 - the services, which are only used by importers, will be self-funding. The costs will be borne by those who stand to benefit rather than being funded by the taxpayer.
 - consistent policy between different departments performing similar services (e.g. Forestry Commission).
- **Costs:**
 - additional financial burden to businesses – total additional cost of £2.94m per annum
- **Option 3: Phased introduction of FCR by Year 3 of implementation (2014) for import inspection services.**
- **Benefits:**
 - the services, which are only used by importers, will be self-funding by Year 3 (2014) following any implementation. The costs will be borne by those who stand to benefit rather than being funded by the taxpayer.
 - providing time to work with importers to establish more efficient working practices (e.g. reducing number of approved points of entry and approved points of inspection) which could lead to a reduction in the fee increases needed in Years 2 and 3 to achieve FCR.
 - consistent policy between different departments performing similar services.
- **Costs:**
 - additional financial burden to businesses assuming incremental increases (50:25:25) of £1.47m (2012), £2.20m (2013), £2.94m (2014 onwards).
 - Continued subsidy and hence loss of income to Government until the third year of implementation – Year 1 £1.47m, Year 2 £0.74m, Year 3 £0m
- **Option 4: De-regulation**
 - **Benefits:** The benefits of de-regulation 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 £2.94m per annum.
 - **Costs:**
 - moves to de-regulate could result in a failure to implement the EU Directive, whereby the inspection must be undertaken by responsible official bodies. Consultations on Cost & Responsibility sharing in guarding against the introduction of plant pests and diseases are currently taking place as part of the EUs Plant Health Review. However, any resulting changes in the Directive and hence the import inspection schemes are unlikely to be implemented before 2014/15. De-regulation will therefore not be an option considered for further consultation.
- **Options 5: Transfer of inspection service to non-Government body.**
 - **Benefits:** The benefits of transfer of competencies to a non-Government body –

- 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 £2.94m per annum.
- **Costs:**
 - under the Directive (2000/29/EC) Member States are held responsible to ensure that import checks are undertaken by the responsible official bodies. Moves to transfer of competencies to a non-Government body could be seen by the Commission as a non-compliance. Consultations on cost and responsibility sharing in guarding against the introduction of plant pests and diseases are currently taking place as part of the EUs Plant Health Review. Whilst we welcome discussions on different models of cost and responsibility sharing as part of the review, including options which, in some cases, would allow more delegation of competence to industry, any resulting changes are unlikely to be implemented before 2014/15 and therefore at this stage, this option will not be adopted for further consultation.
- **Option 6: Reduce the cost / resources for import inspection 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 £1.51m, with no additional cost burdens being placed on businesses using the service.
 - consistent policy of full cost recovery between different departments performing similar services. (e.g. Forestry Commission)
- **Costs:**
 - To reduce costs by this margin (66%) would require substantial reduction in the coverage (currently 40 of permitted points of entry for imports into England and Wales) and the speed of service. Delays in processing consignments at points of entry could lead to the port authority or shipping line imposing demurrage charges on the importer, as well as potentially affecting the quality of perishable goods. In addition successive reports by the Commission's auditor (Food & Veterinary Office) highlighted shortcomings with the UK system for import checks, particularly insufficient numbers of inspectors, with a failure to meet the required level of checks. The Commission is now looking for clear evidence of improvement if infraction proceedings are to be avoided. Additional inspectors have been recruited, particularly at Heathrow, to enable full compliance. 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 import inspection fees. Therefore this option will not be adopted for further consultation.

6.2. Administrative burdens

- 6.2.1. We predict that there will be a minimal (perhaps insignificant) increase in the administrative burden on businesses or Government, because, although charges will increase, the administrative process will remain unchanged, i.e. the scope and structure of import inspection process would remain the same.

7. Pre-Consultation Workshop

- 7.1 As part of on-going consultations to inform the development of this IA a pre-consultation workshop with representative trade associations (Fresh Produce Consortium, Potato Council, Horticultural Development Council, National Farmers Union, British Society of Plant Breeders) was held (23/05/11) to inform the development of this IA and future public consultation documents. This workshop included a review of the risks and wider impacts associated with the policy options (Annex 10).

8. Risks and assumptions

8.1 Risks

8.1.1. The Plant Health service is required to make substantial cuts to its costs by Year 4 of the Comprehensive Savings Review. The main risks if the FCR based charges are not introduced are:

- Cuts to the public subsidy for import inspections, without an increase in the contribution from industry, would result in a reduction in the coverage and speed of the service
- Potentially increasing costs to importers (e.g. demurrage charges at port, additional transport costs if points of entry into England and Wales are reduced)
- Likelihood of infraction proceedings being taken by the Commission if there is a failure to meet required number of checks
- And / or 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 increasing in frequency and cost, costs that are borne by the land / business owners (estimated cost to business of £40,000 per outbreak)¹⁵ and Government.
- The main risks if the requirement to introduce full-cost recovery based charges is implemented is that the increase in charges proposed may
 - reduce demand for the service if some market sectors become unprofitable
 - 'export' of some of the trade to cheaper regimes operating elsewhere in the EU (including other Devolved Administrations), with impacts on importer businesses that operate solely in England and Wales.

No additional risks were identified during the Workshop, however, risk data will continue to be sought through future informal and formal consultation.

These implementation risks are considered manageable, with Option 3 providing a longer time scale to work with businesses in their mitigation.

8.2 Assumptions

8.2.1 The service costs for 2012/13, upon which the fees (Annex 3-5) are calculated, are based upon the assumption that that trade volumes (no. of consignments) in 2010/11 will be maintained post-implementation, i.e. adoption of FCR fees would not have a significant impact on trade.

8.2.2 The calculations of costs to businesses also assume that 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 and 3 do not require any changes to the way in which regulation is carried out and therefore the assumption has been made that business will not face significant changes capital or administrative compliance costs.

8.2.3 The fees for all six plant health statutory services are currently under review: Imports (IA No. Fera 0001), Export Certification (IA No. Fera 0002), Plant Passports (IA No. Fera 0003), Potatoes originating from Egypt (IA No. Fera 0004), Licence Fees (IA No. Fera No.0005) and Seed Potato Certification (IA No. Fera No. 0006). Although the services share a common aim (preventing the introduction of plant pests and diseases), the large majority of businesses make use of only one scheme: in 2010 approximately 90% of the 2758 businesses used only one scheme. Overall, any cumulative impact is therefore likely to be relatively small.

8.2.4 Changes in business practices in response to fee increases will vary between types of goods and will be subject to the ability of sub-sectors to adapt. Importers may adapt by

¹⁵ 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

- 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.
 - Stakeholders in previous consultations (2005)¹⁶ and the Workshop have suggested that it may not be possible for some businesses to be able to pass on the costs to customers or consumers or to absorb them themselves. 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 potential impact on the profitability of the sectors will continue to be assessed further during consultation.
- Avoiding the higher charges by importing of plant and plant products occur through other parts of the UK and EU with lower charges
 - Whilst fees reported by Member States that have adopted FCR fees (Netherlands, Austria and Denmark) are comparable to the proposed FCR fees for England & Wales (See Annex 9), our fees would be significantly higher than EU countries that continue to apply a standard schedule of charges and have no substantive review planned (e.g. Germany, France, Belgium and Spain)
 - Fees in Scotland and Northern Ireland are also based on the EU standard. However, the Scottish Government is also planning to move to FCR fees for imports during 2011 (see 10.3 for further discussion)
 - England and Wales will therefore face a change in their comparative competitive position if Options 2 and 3 are adopted. However, the magnitude of its impact is difficult to predict, because of the complexity of the market and the mixed fee regimes adopted across the EU.
 - 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 transport, insurance costs and other costs of importing by different routes are likely to be relatively greater than the proposed increase in the import charges. Migration of trade was a concern voiced by the trade associations at the Workshop and evidence for this impact will continue to be sought and assessed during the consultations.

8.2.5. There may also be

- Increases in illegal trade increases, including with-certificate trade (e.g. fraudulent declaration), without-certificate trade (smuggling) and non-payment of debt.
 - Controls already in place should restrict any shift to illegal activity or non-payment of debt, making it likely to be relatively small. However, where it does occur it will have a negative impact on taxpayers both through lost revenue and costly eradication and control programmes that may be necessary to mitigate pests and disease introduced by illegally imported plant material. Again further evidence will continue to be sought during the consultation.

9 Direct costs and benefits to business calculations

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

9.2 Total annual costs based on the difference between the 'current' state (Option 1 'Do nothing' based on costs to business 2010/11 of £1.52m) and future state if option 2 or 3 are implemented.

9.3 One-In-One-Out methodology has been followed. However, 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

¹⁶ Explanatory memorandum to the Plant health (Import Inspection Fees) (England) Regulations 2005
http://www.legislation.gov.uk/uksi/2005/906/pdfs/uksiem_20050906_en.pdf

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.

9.4 Option 2: Introduction of full-cost recovery for the import inspection services at current resource levels, for all applicants as soon as possible

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transition Costs (£m)	0	0	0	0	0	0	0	0	0	0
Annual recurring cost (£m)	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
Total annual costs (£m)	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
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

9.5 Option 3: Introduction of full-cost recovery for import inspection services, at current resource levels, phased over 3 years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transition Costs (£m)	0	0	0	0	0	0	0	0	0	0
Annual recurring cost (£m)	1.47	2.20	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
Total annual costs (£m)	1.47	2.20	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
Transition benefits (£m)	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits (£m)	1.47	0.74	0	0	0	0	0	0	0	0
Total annual benefits (£m)	1.47	0.74	0	0	0	0	0	0	0	0

10 Wider impacts

10.1 Statutory equality duties

10.1.1. The increases in fees may be passed to buyers of imported plant and plant products thereafter. However, any price increases would apply equally to all individuals and most businesses involved in the activities covered by the import inspection service. Therefore, no negative or adverse impacts on a particular social group are anticipated.

10.2. Competition Impact Assessment

10.2.1 The increase in charges will be an additional cost to business in this sector. Previous and current consultations have suggested that it may not be possible for some businesses to pass on the costs to customers or consumers or to absorb them themselves. There may be some markets, particularly where profit margins are currently low and/or demand is insufficiently robust for consumers to pay increased prices. If this is the case then there is the chance that some businesses may not remain commercially viable, potentially leading to more competitive businesses increasing their market shares. The phasing of fee increases (Option 3) is targeted at reducing this risk.

10.2.2 However, the fragmented nature of the sector, which is dominated by SMEs, would indicate that the impact of any market concentration resulting in the exit of less competitive business from this sector would be relatively small.

- 5,665 registered importers in England & Wales

- 989 businesses using the service in 2010
- Current total annual cost for import services for 95% of businesses is < £3,000 for plant health checks and <£3,000 for document and identity checks (from 2010 invoice data)
- Estimated total annual cost under FCR fees likely to be <£14,000 for plant health checks and <£2,700 for document and identity checks, which is likely to remain a relatively small proportion of turnover for this multi-billion pound trade.

10.2.3. Businesses in Scotland and Northern Ireland are currently charged at the standard rate. If England and Wales move to FCR fees, then there will be a marked difference in the fees charged between the territories, potentially placing businesses in England & Wales at a competitive disadvantage. For example, FCR fees for consignments of seedlings (up to 10,000) imported into England & Wales would be £91. The same consignment imported into Scotland would currently be charged £23.82. However, we do not predict a marked change in import activity in response to the fee changes.

- The vast majority of trade is active in England and Wales
 - For example in 2010 there were 92 consignments imported into Scotland compared to >80,000 in England and Wales. The logistical costs (e.g. finding suitable import facilities with the required capacity and additional transport and fuel costs) involved in any transfer of trade relative to the increase in proposed fees, would likely negate any significant movement.
 - In addition Scotland have also announced an intention to review a move to FCR for import fees, so any major fee differential and hence risks to competition are likely to reduce.

10.2.4. On this basis, we do not anticipate that implementation of any proposed options will result in any significant restriction in competition in any particular market. However, this is a concern for stakeholders and evidence of impact will continue to be sought during the consultation.

10.3 Small firms impact assessment

10.3.1. A significant proportion of companies (approximately 72%) using this service are micro to small sized businesses and these account for approximately 58% of the annual cost to business. Given that the import service and charging scheme are long established, Options 2 and 3 should entail no additional administrative costs or capital investments on business. Furthermore, the preferred, option, Option 3, offers businesses a three year period to adapt to the increases. On this basis, we do not anticipate any significant, disproportionate impact of this Option on these businesses.

10.3.2. A more detailed exploration with representative trade associations is underway to ensure the issues for small businesses are scoped and set out fully in the draft consultation documents. These businesses may be less able to adapt to the proposed charges due to: greater difficulties in buying and selling in bulk; service costs representing a larger proportion of business costs, fewer economies of scale and less scope to diversify. A workshop (See Annex 10) with representative Trade Associations (May 23rd, 2011) considered whether the proposed fee increases had a disproportionately greater effect on small and micro businesses. The Associations were keen to work with Fera on reducing costs going forward to minimise impact, but no additional evidence of any disproportionate impact on small businesses was forthcoming. However, requests for evidence of impacts on small businesses will continue through informal and formal consultation. These will assist in determining whether further exemptions, in addition to the 3-year adaptation time provided under option 3, could be justified.

10.4. Greenhouse gas assessment

10.4.1. Options 2 and 3 would be expected to result in some changes in trade routes for plants and plant products. This is expected to increase road transportation of plant goods as results of some imports moving to other EU countries who may apply lower charges. However, the overall

changes are expected to be small and therefore will not have a significant impact on emissions of greenhouse gases.

10.5. Wider Environmental issues assessment

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

10.6 Health and well-being assessment

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

10.7. Human rights assessment

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

10.8. Justice assessment

10.8.1. The policy options do not create new criminal sanctions or civil penalties

10.9 Rural proofing assessment

10.9.1 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.

10.10. Sustainable development assessment

10.10.1. The proposal contributes to the Government's sustainable development principle of achieving a sustainable economy by transferring the cost burden of delivering the import inspection charging regime from the taxpayer to businesses using the service, thus enabling more efficient allocation of public money.

11. Summary and preferred option with description of implementation plan

11.1. Our preferred option is Option 3: Introduction of full-cost recovery for import inspection services, at current resource levels, phased over 3 years.

11.2 The total value of import from countries outside the EU is estimated at well over £2bn per annum with the import over a million metric tonnes of plant produce being inspected by the service each year. The increase in charges to adopt FCR, which amounts to £4.45m per annum, is low in comparison with value of this trade. In principle, therefore overall cost recovery should be achievable.

11.3. Total annual charge (Documentary, identity and plant health checks) which was invoiced to 95% of businesses in 2010 was < £3,000 for plant health checks and <£3,000 for documentary and identity checks. Total annual charge for 95% of businesses under FCR fees is predicted as <£14,000 for plant health checks and <£2,700 for document and identity checks, which is likely to remain a relatively small proportion of turnover for this multi-billion pound trade.

11.4 A phased introduction of FCR fees is being recommended given the magnitude of the increases in some charges, and the potential for implementation to put UK importers in England & Wales at a disadvantage compared to importers in some other Member States (leading to possible diversion of trade). A risk also highlighted by stakeholders. The phased (3-year) increases in

charges would enable impacts on trade and business (foreseen and unforeseen) to be monitored and action taken if required. It also provides time for the service to work with importers to improve its efficiency and potentially reduce the fee increases that would be needed in achieving FCR by Year 3, whilst still reducing costs to the taxpayer.

- 11.5 Our intention is to gain a better understanding and collect more evidence by which to predict impact of the proposed charges on the market viability (e.g. data on charge as proportion of consignment value) through continued consultation with stakeholders.
- 11.7 Our plan would be to introduce charges via a statutory instrument in April 2012 if adopting of Option 2 or in April 2012, 2013 and 2014 for Option 3.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review, or there could be a political commitment to review (PIR)];

The Food & Environment Research Agency would undertake annual stakeholder satisfaction surveys. The first survey to take place after the introduction of the new charges will be in April 2013. The results and the outcomes of the monitoring activity (outlined below) would be reported on the Fera website in Autumn 2014 as an interim report. This exercise would be repeated in autumn of 2015 and a second interim report published. A final review report on the effects of the increased charges would be undertaken in autumn 2017, 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.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

The objective of this review would be to assess the impact of the policy objective on (1) on delivery of UK's plant health objectives, (2) our ability to recover the full costs of the service, (3) patterns of trade, (4) the effectiveness and efficiency of the import inspection service and (5) the effects of any unforeseen or unintended consequences.

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

The review would take the form of annual review of stakeholders views and an assessment of the monitoring data. These data would best inform an assessment of the benefits gained by the policy in achieving full cost recovery against the costs imposed on businesses.

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

Baseline data will be derived from pre-implementation period April 2011 to April 2012: cost recovery, no. of consignments, % non-payment of debt.

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Full cost recovery for the import inspection service by 2012/13 (Option 2) or 2014/15 (Option 3)

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]

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

Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here]

Annex 2: Memorandum Trading Account (MTA) for Plant Health import inspections

The costs outlined by the MTA include only those costs defined in the EU Directive 2000/89/EC¹⁷ and UK treasury guidance¹⁸

SUMMARY OF EXPENDITURE		£
2.1	Salaries and Allowances	1,476,550
2.2	ERNIC	108,912
2.3	Superannuation costs	276,454
2.4	Accommodation Overhead	290,284
2.5	General Overhead	369,542
2.6	Central service and local Overheads	1,059,744
2.7	Travel & Subsistence	322,440
2.8	Defra Agency Charges	0
2.9	Non-Defra Charges	0
2.10	Depreciation	422,068
2.11	Notional Cost of Capital	0
2.12	Notional Insurance	0
2.13	All Other Non-Pay Costs	109,224
3	FULL COST	4,435,219

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: Finance & Procurement; Directorate; Organisational Development (HR); IT. 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. 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.

¹⁷ 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.'

¹⁸ Fees, Charges & Levies (2007), Chapter 6, Managing Public Money, HM Treasury

Annex 3: Import Inspection Fees (Plant Health (Mandatory) Checks)

Charges without parentheses describe fees (£) that would be required to cover the costs occasioned by FCR plant health checks in Options 2 and 3. These are indicative of 458% increase over current fees. Charges inside parentheses describe the current EU standard fees (£) transcribed from the Plant Health (Import Inspection Fees) (England) Regulations 2010 and Plant Health (Import Inspection Fees) (Wales) Regulations 2010.

Plant, plant product or other object	Quantity	Fee for each consignment (daytime working hours)	Fee for each consignment (non-daytime working hours)
Cuttings, Seedlings, young plants of Strawberries or of Vegetables	up to 10,000 in number	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 1,000 units, or part thereof	£3.18 (£0.57) Up to a maximum of £637.43 (£114.24)	£4.77 (£0.86) Up to a maximum of £956.15 (£171.36)
Shrubs, trees (other woody nursery plants including forest reproductive material (other than seed)	up to 1,000 in number	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 100 units, or part thereof	£1.95 (£0.35) Up to a maximum of £637.43 (£114.24)	£2.93 (£0.53) Up to a maximum of £956.15 (£171.36)
Bulbs, corms, rhizomes, tubers, intended for planting (other than tubers of potatoes)	up to 200kg in weight	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 10kg, or part thereof	£0.73 (£0.13) Up to a maximum of £637.43 (£114.24)	£1.09 (£0.20) Up to a maximum of £956.15 (£171.36)
Seeds, tissue culture	up to 100kg in weight	£34.15 (£6.12)	£51.22 (£9.18)
	for each additional 10kg, or part thereof	£0.78 (£0.14) Up to a maximum of £637.43 (£114.24)	£1.17 (£0.21) Up to a maximum of £956.15 (£171.36)
Other plants intended for planting, not specified elsewhere in this schedule	up to 5,000 in number	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 100, or part thereof	£0.78 (£0.14) Up to a maximum of £637.43 (£114.24)	£1.17 (£0.21) Up to a maximum of £956.15 (£171.36)
Cut flowers	up to 20,000 in number	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 1,000, or part thereof	£0.61 (£0.11) Up to a maximum of £637.43 (£114.24)	£0.92 (£0.17) Up to a maximum of £956.15 (£171.36)
Branches with foliage, parts of conifers (other than cut Christmas trees)	up to 100kg in weight	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 100kg, or part thereof	£7.92 (£1.42) Up to a maximum of £637.43 (£114.24)	£11.88 (£2.13) Up to a maximum of £956.15 (£171.36)
Cut Christmas trees	up to 1,000 in number	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 100 units, or part thereof	£7.92 (£1.42) Up to a maximum of £637.43 (£114.24)	£11.88 (£2.13) Up to a maximum of £956.15 (£171.36)
Leaves of plants, such as herbs, spices and leafy vegetables	up to 100kg in weight, or part thereof	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 10kg, or part thereof	£7.92 (£1.42) Up to a maximum of £637.43 (£114.24)	£11.88 (£2.13) Up to a maximum of 956.15 (£171.36)
Fruits and vegetables (other than leafy vegetables)	up to 25,000kg in weight	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 1000kg, or part thereof	£3.18 (£0.57)	£4.77 (£0.86)
Tubers of Potatoes	up to 25,000kg in weight	£239.04 (£42.84) (for each lot)	£358.56 (£64.26) (for each lot)
	for each additional 25,000kg, or part thereof	£239.04 (£42.84) (for each lot)	£358.56 (£64.26) (for each lot)
Soil and growing medium, bark	up to 25,000kg in weight	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 1,000kg, or part thereof	£3.18 (£0.57) Up to a maximum of £637.43 (£114.24)	£4.77 (£0.86) Up to a maximum of £956.15 (£171.36)
Grain	up to 25,000kg in weight	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 1,000kg, or part thereof	£3.18 (£0.57) Up to a maximum of £3,187.17 (£571.20)	£4.77 (£0.86) Up to a maximum of £4,780.76 (£856.80)

Annex 4: Import Inspection Fees (Plant Health (Reduced) Checks)

Charges without parentheses describe fees (£) that would be required to cover the costs occasioned by FCR plant health checks in Options 2 and 3. These are indicative of 458% increase over current fees. Charges inside parentheses describe the current EU standard fees (£) transcribed from the Plant Health (Import Inspection Fees) (England) Regulations 2010 and Plant Health (Import Inspection Fees) (Wales) Regulations 2010.

Genus	Quantity	Country of Origin	Fee for each consignment (day time working hours)	Fee for each consignment (non-day time working hours)
Cut Flowers				
<i>Dianthus</i>	up to 20,000 in number	Columbia	£3.98 (£0.71)	£5.98 (£1.07)
		Ecuador	£11.95 (£2.14)	£17.93 (£3.21)
		Israel	£79.68 (£14.28)	£119.52 (£21.42)
		Kenya	£3.98 (£0.71)	£5.98 (£1.07)
		Turkey	£19.92 (£3.57)	£29.88 (£5.36)
	for each additional 1,000 units, or part thereof	Columbia	£0.03 (£0.005) Up to a maximum of £31.87 (£5.71)	£ 0.04 (£0.008) Up to a maximum of £47.81 (£8.57)
		Ecuador	£0.06 (£0.01) Up to a maximum of £95.62 (£17.14)	£0.09 (£0.02) Up to a maximum of £143.42 (£25.70)
		Israel	£3.18 (£0.57) Up to a maximum of £637.43 (£114.24)	£4.77 (£0.86) Up to a maximum of £956.15 (£171.36)
		Kenya	£0.03 (£0.005) Up to a maximum of £31.87 (£5.71)	£ 0.04 (£0.008) Up to a maximum of £47.81 (£8.57)
		Turkey	£0.17 (£0.03) Up to a maximum of £159.36 (£28.56)	£0.25 (£0.05) Up to a maximum of £239.04 (£42.84)
<i>Rosa</i>	up to 20,000 in number	Columbia	£2.39 (£0.43)	£3.59 (£0.64)
		Ecuador	£2.39 (£0.43)	£3.59 (£0.64)
		Ethiopia	£3.98 (£0.71)	£5.98 (£1.07)
		Kenya	£3.98 (£0.71)	£5.98 (£1.07)
		Tanzania	£7.97 (£1.43)	£11.95 (£2.14)
		Uganda	£19.92 (£3.57)	£29.88 (£5.36)
		Zambia	£19.92 (£3.57)	£29.88 (£5.36)
	for each additional 1,000 units, or part thereof	Columbia	£0.02 (£0.003) Up to a maximum of £19.12 (£3.43)	£0.03 (£0.005) Up to a maximum of £28.68 (£5.14)
		Ecuador	£0.02 (£0.003) Up to a maximum of £19.12 (£3.43)	£0.03 (£0.005) Up to a maximum of £28.68 (£5.14)
		Ethiopia	£0.03 (£0.006) Up to a maximum of £31.87 (£5.71)	£0.05 (£0.009) Up to a maximum of £47.81 (£8.57)
		Kenya	£0.03 (£0.006) Up to a maximum of £31.87 (£5.71)	£0.05 (£0.009) Up to a maximum of £47.81 (£8.57)
		Tanzania	£0.06 (£0.01) Up to a maximum of £63.74 (£11.42)	£0.10 (£0.02) Up to a maximum of £95.62 (£17.14)
		Uganda	£0.11 (£0.02) Up to a maximum of £159.36 (£28.56)	£0.17 (£0.03) Up to a maximum of £239.04 (£42.84)
Zambia	£0.11 (£0.02) Up to a maximum of £159.36 (£28.56)	£0.17 (£0.03) Up to a maximum of £239.04 (£42.84)		
Fruit				
<i>Citrus</i>	up to 25,000kg in weight	Egypt	£11.95 (£2.14)	£17.93 (£3.21)
		Honduras	£59.76 (£10.71)	£89.64 (£16.07)
		Israel	£11.95 (£2.14)	£17.93 (£3.21)
		Mexico	£19.92 (£3.57)	£29.88 (£5.36)
		Morocco	£3.98 (£0.71)	£5.98 (£1.07)
		Peru	£27.89 (£5.00)	£41.83 (£7.50)
		Turkey	£2.39 (£0.43)	£3.59 (£0.64)
		Uruguay	£11.95 (£2.14)	£17.93 (£3.21)
		USA	£11.95 (£2.14)	£17.93 (£3.21)
	for each additional 1,000kg, or part thereof	Egypt	£0.45 (£0.08)	£0.67 (£0.12)
		Honduras	£2.34 (£0.42)	£3.52 (£0.63)
		Israel	£0.45 (£0.08)	£0.67 (£0.12)
		Mexico	£0.78 (£0.14)	£1.17 (£0.21)
		Morocco	£0.11 (£0.02)	£0.17 (£0.03)
		Peru	£1.06 (£0.19)	£1.59 (£0.29)
		Turkey	£0.06 (£0.01)	£0.08 (£0.02)
		Uruguay	£0.45 (£0.08)	£0.67 (£0.12)
USA	£0.45 (£0.08)	£0.67 (£0.12)		
<i>Malus</i>	up to 25,000kg in weight	Argentina	£7.97 (£1.43)	£11.95 (£2.14)
		Brazil	£11.95 (£2.14)	£17.93 (£3.21)
		Chile	£5.58 (£1.00)	£8.37 (£1.50)

Genus	Quantity	Country of Origin	Fee for each consignment (day time working hours)	Fee for each consignment (non-day time working hours)
		China	£19.92 (£3.57)	£29.88 (£5.36)
		New Zealand	£7.97 (£1.43)	£11.95 (£2.14)
		South Africa	£7.97 (£1.43)	£11.95 (£2.14)
		USA	£19.92 (£3.57)	£29.88 (£5.36)
	for each additional 1,000kg, or part thereof	Argentina	£0.33 (£0.06)	£0.50 (£0.09)
		Brazil	£0.45 (£0.08)	£0.67 (£0.12)
		Chile	£0.17 (£0.03)	£0.25 (£0.05)
		China	£0.78 (£0.14)	£1.17 (£0.21)
		New Zealand	£0.33 (£0.06)	£0.50 (£0.09)
		South Africa	£0.33 (£0.06)	£0.50 (£0.09)
USA	£0.78 (£0.14)	£1.17 (£0.21)		
<i>Mangifera</i>	up to 25,000kg in weight	Brazil	£39.84 (£7.14)	£59.76 (£10.71)
	for each additional 1,000kg, or part thereof		£1.56 (£0.28)	£2.34 (£0.42)
<i>Passiflora</i>	up to 25,000kg in weight	Columbia	£7.97 (£1.43)	£11.95 (£2.14)
		Kenya	£7.97 (£1.43)	£11.95 (£2.14)
		South Africa	£39.84 (£7.14)	£59.76 (£10.71)
		Zimbabwe	£27.89 (£5.00)	£41.83 (£7.50)
	for each additional 1,000kg, or part thereof	Columbia	£0.28 (£0.05)	£0.42 (£0.08)
		Kenya	£0.28 (£0.05)	£0.42 (£0.08)
		South Africa	£1.56 (£0.28)	£2.34 (£0.42)
		Zimbabwe	£1.06 (£0.19)	£1.59 (£0.29)
<i>Prunus</i>	up to 25,000kg in weight	Argentina	£27.89 (£5.00)	£41.83 (£7.50)
		Chile	£7.97 (£1.43)	£11.95 (£2.14)
		South Africa	£7.97 (£1.43)	£11.95 (£2.14)
		Turkey	£7.97 (£1.43)	£11.95 (£2.14)
		USA	£19.92 (£3.57)	£29.88 (£5.36)
	for each additional 1,000kg, or part thereof	Argentina	£1.06 (£0.19)	£1.59 (£0.29)
		Chile	£0.28 (£0.05)	£0.42 (£0.08)
		South Africa	£0.28 (£0.05)	£0.42 (£0.08)
		Turkey	£0.28 (£0.05)	£0.42 (£0.08)
		USA	£0.78 (£0.14)	£1.17 (£0.21)
<i>Psidium</i>	up to 25,000kg in weight	Brazil	£79.68 (£14.28)	£119.52 (£21.42)
	for each additional 1,000kg, or part thereof		£3.18 (£0.57)	£4.77 (£0.86)
<i>Pyrus</i>	up to 25,000kg in weight	Argentina	£11.95 (£2.14)	£17.93 (£3.21)
		Chile	£27.89 (£5.00)	£41.83 (£7.50)
		China	£27.89 (£5.00)	£41.83 (£7.50)
		South Africa	£7.97 (£1.43)	£11.95 (£2.14)
	for each additional 1,000kg, or part thereof	Argentina	£0.45 (£0.08)	£0.67 (£0.12)
		Chile	£1.06 (£0.19)	£1.59 (£0.29)
		China	£1.06 (£0.19)	£1.59 (£0.29)
South Africa	£0.28 (£0.05)	£0.42 (£0.08)		
Vegetables				
<i>Solanum melongena</i>	up to 25,000kg in weight	Turkey	£7.97 (£1.43)	£11.95 (£2.14)
	for each additional 1,000kg, or part thereof		£0.28 (£0.05)	£0.42 (£0.08)

Annex 5: Import Inspection Fees for Documentary Checks and Identity Checks

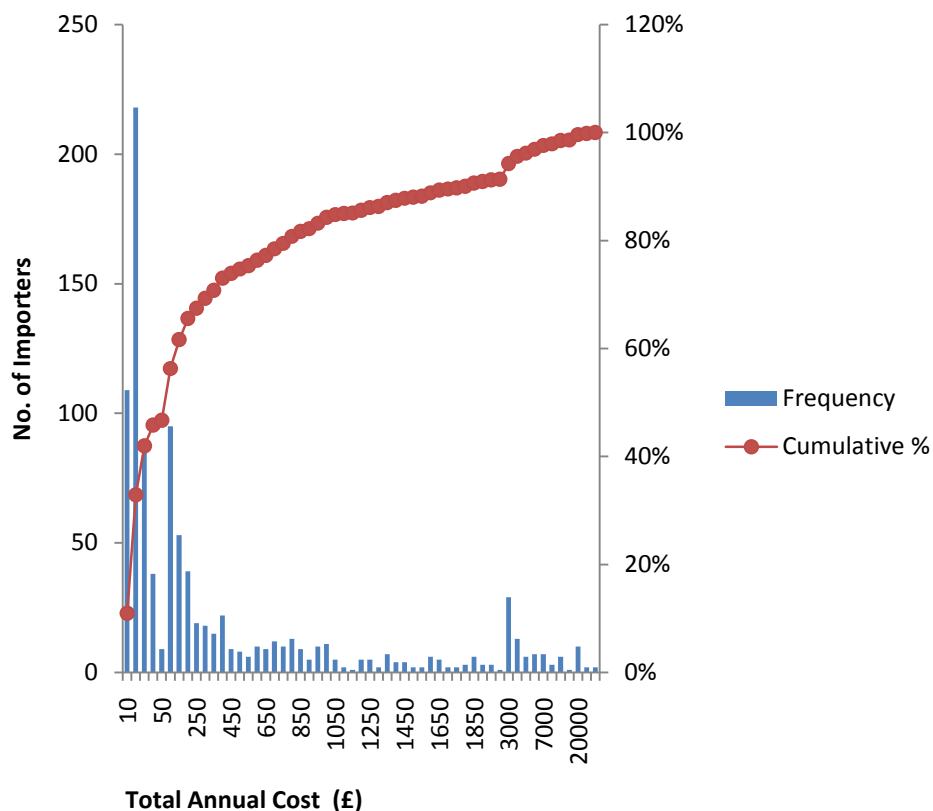
Charges without parentheses describe fees (£) that would be required to cover the costs occasioned by documentary and identity checks in Option 2 and 3. These are indicative of 12.4% reduction charge in comparison to current fees. Charges inside parentheses describe the current EU standard fees (£) transcribed from the Plant Health (Import Inspection Fees) (England) Regulations 2010 and Plant Health (Import Inspection Fees) (Wales) Regulations 2010.

Check	Quantity	Fee (£)
Documentary	For each consignment	£5.00 (£5.71)
Identity	For each consignment:	
	Up to a size of a truck load, a railway wagon load or the load of a container of comparable size	£5.00 (£5.71)
	Bigger than the above size	£10.01 (£11.42)

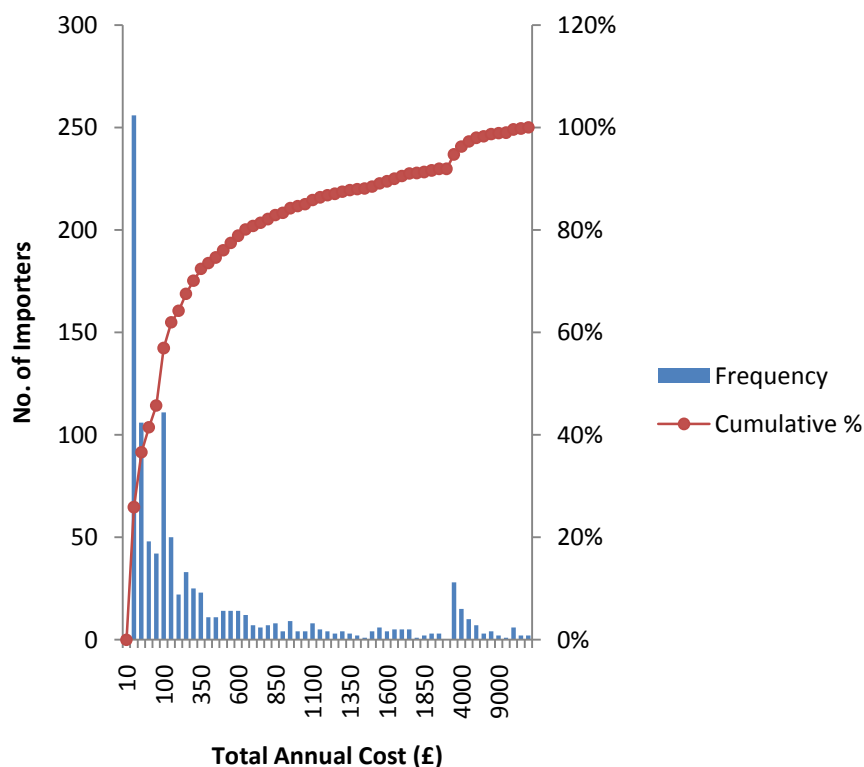
Annex 6: Plants and plant products brought into England and Wales, facilitated by the Import Inspection Service (Jan-Dec 2010)

Botanical Name	Numbers of Stems/Plants	Total Weight (KG)
Aster	556886	12,166.65
Bulbs, corms etc for planting (excl. potatoes)	-	37,564.53
Carnations (<i>Dianthus</i>)	383941689	9,617,321.96
Celeriac (<i>Apium graveolens</i>)	-	15,104.80
Celery	-	1,110,217.80
Chrysanthemums	69464303	4,779,564.98
<i>Citrus</i>	-	466,186,544.42
Custard Apples (Annona)	-	34,427.56
Cuttings, and young plants	68650115	802,276.22
<i>Diospyros</i>	-	168,567.80
<i>Eryngium</i>	401299	11,507.70
Grain Total	-	8,666,579.00
Gypsophila	8937304	245,218.53
Hypericum	2346487	63,529.96
Kumquats - Fresh	-	7,631.00
<i>Lisianthus</i>	8401182	245,277.29
<i>Malus</i>	-	321,997,933.17
<i>Mangifera</i>	-	35,830,715.56
<i>Mormodica</i>	-	1,775,288.35
Mushroom Spawn	-	3,980.33
<i>Ocimum</i>	-	277,783.58
Orchids	3785239	143,241.28
Other plants for planting	7405074	410,392.20
<i>Passiflora</i>	-	540,963.93
Potato (seed) (<i>Solanum tuberosum</i>)	-	367,680.00
Potatoes	-	82,152,562.00
<i>Prunus</i>	-	36,040,100.57
<i>Psidium</i>	-	702,253.40
<i>Pyrus</i>	-	31,070,514.53
Quinces (<i>Cydonia</i>)	-	130,483.00
Roses (<i>Rosa</i>)	437390230	11,114,786.79
Seeds, tissue cultures	-	1,118,549.00
Shrubs, trees, woody plants (excl. cut Xmas trees)	71008	336,879.00
<i>Solanum melongena</i>	-	3,105,338.52
<i>Solidago</i>	13482034	292,815.34
<i>Syzygium</i>	-	9,424.00
<i>Trachelium</i>	184000	3,917.00
<i>Vaccinium</i> Fruit	-	8,947,193.38
Grand Total	1,005,016,850	1,028,376,295.1

Annex 7: Total annual cost to importer businesses for the plant health checks undertaken by the Import Inspection Service (2010)



Annex 8: Total annual charge cost to importer businesses for document and identity checks undertaken by the Import Inspection Service (2010)



Annex 9: Comparative analysis of import inspection fees in other Member States

Directive 2002/29/EC gives Member States (MS) the options of either adopting the standard fees structure listed in the Directive or setting their own fees based on the actual cost of carrying out the import inspection activities. A number of MSs (Germany, France, Belgium and Spain) currently adopt the standard fees. However, Netherlands, Denmark and Austria have now set their own fee structures based on cost.

The Commission require that MSs who set the level of the phytosanitary fee on the basis of a cost calculation must demonstrate and report to the European Commission that the fees cover, but do not exceed the costs occasioned by the documentary, identity and plant health checks.

The process by which these are collected is set by the MS, allowing them to develop the most efficient and transparent way of collecting the fees, based on local needs. Although this makes direct comparison of cost-based fees difficult, it is apparent that the fees proposed in this IA are comparable with those FCR fees applied by Netherlands, Denmark and Austria and significantly higher than those Member States adopting the standard fee structure.

Examples of cost-based import inspection charges for England & Wales (Proposed), Austria and the Netherlands¹⁹			
	²⁰Fee for each consignment (daytime working hours)		
Plant, plant product or other object	England & Wales (Proposed) (£)	²¹Austria (£)	²²Netherlands (£)
Seeds, tissue culture	£34.15 up to 100kg	£44.76 up to 100kg	£40.21 plus £1.22/minute
Cuttings/seedlings	£79.68 up to 10,000 in number	£89.51 for 5,000-20,000 plants	£44.73 plus hourly fee of £82.58 plus charge/1,000 cuttings
Woody nursery plants	£79.68 up to 1,000 in number	£89.51 for 1,000-4,000 plants	£44.73 plus £1.22/minute
Cut flowers, fruit and vegetables	£79.68 for first 20,000 in number	£89.51 for 1,000-20,000 plants	£40.21 plus £1.26/minute
Flower bulbs	£79.68 for first 200kg	£89.51 for 200-800kg	£44.56 plus £1.20/minute
Seed potatoes	£239.04 for each 25,000kg	£89.51 per lot	£65.50
Ware potatoes	£239.04 for each 25,000kg	£89.51 per lot	€43.50 plus €1.15

¹⁹ Source of Netherlands fees: St-AB.nl Source of Austrian fees: www.baes.gv.at

²⁰ Official EU exchange rate for January 2011 used, €1.00= £0.86

²¹ Rates specified are basic rates: additional charges apply, including £55.06 hourly rate for all inspection activities, waiting time where applicable of £27.53 per half hour and travel costs of £80.73. Call-out charges may also apply under certain circumstance (£49.89: shared cost for two call-outs in one day).

²² Rates specific are basic rate and a number of additional fees including annual registration fees (£52) are applied,

ANNEX 10: Workshop Questionnaire to assess the impact of introducing FCR on business

ASSESSING THE IMPACTS – BRIEFING PACK

Objective

- To identify the most likely impacts on businesses arising from an increase in charges for Import inspection services.

Working assumption

- Charges will be increased to the levels proposed in order to achieve Full Cost Recovery.
- It might be possible to phase in the charges for over a short period, for example 3 years

Questions

1. *How will the above effect market structure?* – What is the current value of this market? Will market size be reduced and, if so, by how much? What will be the effect at a national level?
2. *What will be the impact on competitiveness?* – Will traders in England and Wales have the capacity to compete with Scotland and Northern Ireland, other EU Member States or in the global market? Will consumer choice be reduced and what effect will that have? Will it affect the ability to provide other reliant goods and services?
3. *What is the likelihood of businesses ceasing to trade?* – For some traders the proposed fees may be disproportionately high when compared with their profit margins. What proportion of traders could absorb the increase in costs? Will the effect be more significant for small and micro businesses or for particular sectors? To what extent would profits be affected in different sized companies?
4. *What is the likelihood of traders importing specimens via other Scotland, Northern Ireland or other EU Member States?* – Initially at least, rates would be cheaper in Scotland, Northern Ireland and other Member States than in England and Wales giving those who are able to trade overseas a competitive advantage. Is it realistic to expect this a shift in patterns of trade overseas? To what extent would profit margins need to be effected before this happened?
5. *What difference would it make to phase in charges over a number of years?* - How long a phasing-in period would allow relevant bodies to adapt to the higher costs? Could other exemptions for small and micro businesses be justified?
6. *What is the potential impact of fee increases on non-compliance?* – To what extent would an increase in non-compliance have an impact on the risk of plant pests and diseases being introduced into the UK.

In each case consideration will need to be given to how the findings can be validated.