

Explanatory Memorandum

Explanatory Memorandum to The Animal Health (Miscellaneous Fees) (Wales) Regulations 2018

This Explanatory Memorandum has been prepared by the Office of the Chief Veterinary Officer and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Animal Health (Miscellaneous Fees) (Wales) Regulations 2018. I am satisfied the benefits justify the likely costs.

Minister for Energy, Planning and Rural Affairs

22 May 2018

1. Description

- 1.1 The Animal and Plant Health Agency (APHA) deliver a wide range of services for a wide range of end users. It is appropriate to consider applying a charge to businesses that benefit from a service in order to recover the full cost of delivering the service rather than looking to the taxpayer to subsidise it. APHA currently charges end-users for a number of services, however; charges for some services do not reflect the full cost of delivering the service.

2. Legislative background

- 2.1 There are a number of statutory bases for charging fees in relation to the work areas contained within this Regulatory Impact Assessment. Whilst the functions of charging fees are Welsh Minister's functions, the charges are in reality levied by APHA acting as an agent of the Welsh Ministers pursuant to section 83 of the Government of Wales Act 2006. The relevant statutory bases are as follows:
- 2.2 The Animal Health (Miscellaneous Fees) (Wales) Regulations 2018 are made under section 2(2) of the European Communities Act 1972. The Welsh Ministers are designated for the purposes of making Regulations under this Act in relation to the common agricultural policy of the EU. The Regulations set out the fees payable to the Welsh Ministers for approvals, processing applications, inspections, testing, etc, in relation to various animal health and by-products schemes.
- 2.3 As APHA is an executive agency of the different administrations, Scottish Government, Welsh Government and Defra lawyers have worked together to ensure a uniform fee structure.

3. Purpose & intended effect of the legislation

- 3.1 Officials from each of the 3 GB Administrations in liaison with APHA, have been taking forward a project to review existing APHA charges.
- 3.2 The purpose of this instrument is to provide for a revision in the fees payable in relation to statutory services delivered by the APHA, as part of a move towards full cost recovery of such fees.
- 3.3 APHA delivers a wide range of services for a wide range of end users. These include for example, facilitating trade in animals and animal products through a range of inspection and certification services; approval and inspection of premises handling animal by-products and licensing of events where animals are gathered such as markets and shows. Businesses using the services range from large companies to small and micro businesses.

- 3.4 APHA is an executive agency of Defra but responsibility for funding policy delivery in Wales rests with the Welsh Government. The consequence of not introducing these changes would be a gap in funding provisions which, the Welsh Government is likely to become liable for.
- 3.5 Due to the lack of Welsh specific data the Regulatory Impact Assessments (RIAs) have been completed on a GB wide basis. Where possible, Welsh data has been presented and used to estimate the impact to businesses in Wales.

4. Consultation

- 4.1 A public consultation was launched on the 26 October 2015. The consultations sought views on the proposed changes to charges.
- 4.2 20 responses to the consultation were received. Responses were received from a range of businesses, trade associations and industry groups, farming unions, charities and individuals. 13 questionnaires were received which addressed the specific questions posed. The remaining 7 responses were via e-mail or formal letter.
- 4.3 Of the received responses, 9 were from Welsh businesses or businesses that operate in Wales.

5. Regulatory Impact Assessment - Introduction

- 5.1 The following sections present Regulatory Impact Assessments (RIAs) for six services currently provided by APHA. In each assessment, the only option being considered (other than do nothing) is to:
 - Introduce revised fees which have been calculated following a review of processes associated with each scheme. The fees will also include travel costs which have so far not been included.
- 5.2 APHA have undertaken a review of business activities in order to rationalise and simplify the way processes are done and to drive out inefficiencies and provide better value for money.
- 5.3 APHA have introduced a new Full Cost Recovery (FCR) model, which is based upon the principles outlined in HMT guidance (Managing Public Money). This incorporates all direct and indirect costs which are directly associated with, or essential for the delivery of, each work related activity. Previously, the indirect costs of running the whole business were included in the FCR model and were not activity specific.

- 5.4 Costs for APHA staff travel time were not included in the current fees. However, the intention is now to include them.
- 5.5 HMT have agreed with the APHA approach to cap travel time at 90 minutes per visit (including the return journey). This will ensure that businesses are not disadvantaged who are located further away from APHA offices or are based in remote locations.
- 5.6 Travel time will be charged from the closest APHA field office to the premises. APHA will combine visits wherever possible to ensure that travel costs are minimised.
- 5.7 For the purpose of this assessment APHA have assumed an average of 45 minutes per visit for staff travel time and this has been included in the figures below. The rate used to calculate the travel time costs for a Veterinary Officer is £84 per hour. The rate used to calculate the travel time cost an Animal Health Officer is £56 per hour.
- 5.8 Government must recoup costs wherever possible to avoid cross-subsidisation by the general taxpayer. To stop providing the services altogether as a way of avoiding the need to apply charges is not considered as an option due to the risk to animal and human health.
- 5.9 Within the boundaries set by HMT guidance APHA have been able to apply a cap to travel time charges and are also able to phase in some new fees towards full cost recovery. This may be considered as options applied to help mitigate the impact of charges.

6. Risks and Benefits

- 6.1 Funding for delivery of animal health and welfare policies is subject to considerable pressures. There is a risk that if government spending should decrease then services may become compromised, posing a risk to human or animal health. Introducing charges that cover the cost of providing the service ensures that services can continue to be provided.
- 6.2 APHA is an executive agency of Defra but responsibility for funding policy delivery in Wales rests with the Welsh Government. The consequence of not introducing these changes in Wales would be a gap in funding provisions which, the Welsh Government is likely to become liable for.
- 6.3 APHA would face difficulties in having to apply different fees for the same services across borders and this could result in increased costs to industry and all 3 GB Administrations.

- 6.4 The main risks if the requirement to introduce full cost recovery based charges is implemented are that the increase in charges proposed may:
- Reduce demand, for the service if some market sectors become unprofitable
 - Potentially increasing cost to domestic market and importers
 - Increases the risk of non-compliance.
- 6.5 These costs are transferred to industry by charging, essentially there is a cost to the industry and an equivalent benefit to government as the revenue is paid to APHA. This arrangement avoids the implicit subsidisation of the private sector at taxpayer expense.
- 6.6 The intended effects are a fair and transparent set of charges for users of the services, and more efficient use of public resources.

Regulatory Impact Assessment – Border Inspection Posts

7. Background

- 7.1 Those importing live animals from outside the EU have a responsibility to ensure that they do not introduce disease and that animal welfare is not compromised during transport. A veterinary inspection is carried out at the border to ensure this is the case and a charge is made for this service. Users are currently charged fees for different services provided, introduced in June 2013, which are set out below.

8. Policy objective and intended effects

- 8.1 The objective of this policy is to charge industry the full costs of providing veterinary inspections at the border. This is fair to users of the services and taxpayers. More generally it promotes the rational allocation of resources across the economy.
- 8.2 The EU minimum fees as set out by Council Regulation 882/2004 (EC) still apply. In addition, travel costs (which are only relevant to BIP out of hours surcharges) and were originally excluded from the fees will now be charged to customers and is included in the standard fee.

9. Expected level of business impact

- 9.1 Each year GB imports around 17,000 consignments of live animals from third countries which include small numbers of livestock: approximately 100,000 day old chicks, around 200,000 live reptiles, approximately 8,000 cats and dogs, 15 million tropical fish, 160 million insects and pupae and 25 million poultry and fish eggs. (taken from APHA management information)
- 9.2 All consignments undergo a documentary check and identity check. Each consignment of live animals has a physical check, which could be a visual examination of some of the animals in the consignment or a clinical examination including the taking of blood samples. Member States are required to collect fees to cover the costs occasioned by the documentary checks, identity checks and veterinary checks.
- 9.3 In the do nothing option, using the current charges, the total cost to service users is £737K. Following the introduction of revised fees this will slightly rise to £743K. Details of the fees and change in costs to business can be found below.

- 9.4 Importers of live animals range from individuals, to large scale pharmaceutical companies (insects). Imports are primarily related to retail sectors (rather than farmers) including imports of tropical fish and reptiles for pet shop/hobby market and trout eggs for fisheries. Annually approximately 5,000 organisations and individuals import live animals into GB from a third country. Of these imports approximately 90% are by individuals and 10% by business institutions.
- 9.5 Council Regulation 882/2004 (EC) lays down a minimum fee for each consignment imported into the EU. At present this is set at €55. This Regulation is directly binding on all GB administrations; however this minimum does not apply to imports of species referred to in Commission Decision 92/432/EEC. APHA comply with these rules by setting the EU minimum fee for any relevant consignment types where FCR has been calculated at less than €55.
- 9.6 There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued in the baseline.

10. Comparison of fees – Border Inspection Posts

Activity	Option 0 Current Fee Including (where applicable)	Volume (no of activities undertaken pa)	Cost to Business (current fee x volume)	Option 1 New Fee Including (where applicable)	Volume (no of activities undertaken pa)	Cost to Business (new fee x volume)
	- Typical visit time - Payment processi ng			- Typical visit time - Typical travel fee - Payment processing		
Poultry, and small game birds	£44	27	£1,188	£65	27	£1,755
Poultry, regular egg imports	£44	110	£4,840	£38	110	£4,180
Ratites	£44	0	£0	£65	0	£0
Captive birds	£44	20	£880	£64	20	£1,280
Live fish, aquatic animals, Bees	£40	12,159	£486,360	£32	12,159	£389,088
Rabbits, Rodents	£44	1	£44	£29	1	£29
Other insects, invertebrates, Reptiles	£40	838	£33,520	£26	838	£21,788
Pets unaccompanied by a declaration	£44	1,399	£61,556	£57 ¹	1,399	£79,743
Equidae	£54	1,554	£83,916	£62	1,554	£96,348
Farmed livestock including cattle, sheep, goats, camelids, pigs, wild boar	£54	36	£1,944	£146	36	£5,256
Animals not covered by any other category	£44	332	£14,608	£55	332	£18,260
Transshipment check of documents	£44	73	£3,212	£52	73	£3,796

¹ EU minimum fees are included on relevant consignment types as per Council Regulation 882/2004 (EC).

Surcharge for out of hours – evenings	£80	437	£34,960	£17	437	£89,585
Surcharge for out of hours – weekend	£80	126	£10,080	£23	126	£31,500
Total cost to industry	Option 0		£737,108	Option 1		£742,608

Source of data: APHA BIP Volumes 2017/2018 Forecast

Excludes these fees, where volumes difficult to quantify

Table 2

Fees for extra inspection checks due to non-compliances or additional control measures	
<i>Column 1</i> <i>Person undertaking extra check</i>	<i>Column 2</i> <i>Fee (£) per quarter hour or part quarter hour spent</i>
Veterinary officer – out of hours ⁽¹⁾ checks	17
Veterinary officer – checks at weekends or public holidays ⁽²⁾	23
Veterinary officer – checks at all other times	11
Time spent by a veterinary officer travelling to and from premises	16, up to a maximum of 64 per visit

⁽¹⁾ “out of hours” means before 8.30 a.m. or after 5 p.m. on a weekday.

⁽²⁾ “public holiday” means Christmas Day, Good Friday or a bank holiday in Wales under the Banking and Financial Dealings Act 1971(2).

Table 3

Additional fees for certain inspections	
<i>Column 1</i> <i>Period when inspection conducted</i>	<i>Column 2</i> <i>Fee (£) per load⁽¹⁾</i>
Out of hours ⁽¹⁾ inspection	140 per load ⁽²⁾
Inspection during a weekend or a public holiday ⁽³⁾	185 per load ⁽²⁾
Time spent by a veterinary officer travelling to and from premises	16 per quarter hour or part quarter hour spent, up to a maximum of 64 per visit

One hour travel time has been included in the ‘out of hours’ surcharge.

⁽²⁾ 1971 c. 80.

11. Competition filter test – Border Inspection Posts

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

Regulatory Impact Assessment – Salmonella

12. Background

- 12.1 The *Salmonella* National Control Programmes (NCPs) safeguard public health by reducing the incidence of regulated *Salmonella serovars* at the farm level in the breeding chicken, laying chicken, and broiler chicken and turkey sectors and throughout the food chain. APHA undertake inspection, official sampling and sample examination activities, as well as private proficiency testing. Defra approve private laboratories to undertake testing of operator samples in England, currently there are no private laboratories in Wales. These are statutory services, underpinned by EU legislation, which mitigate against disease spread and facilitate and encourage trade. Users are currently charged fees for these services which were introduced in June 2013, as set out below.

- 12.2 Following the APHA efficiency review of NCP work processes to ensure they are as efficient as possible, and the introduction of a new FCR model, revised fees have been calculated to be charged to customer. In addition, travel costs which were originally excluded in the fees introduced in June 2013 will now be charged to customers on an actual basis up to a capped rate of 90 minutes. These fees will be charged on a GB wide basis.

13. Policy objective and intended effects

- 13.1 The objective of this policy is to charge industry the full costs of providing the *salmonella* NCP service. This is fair to users of the services and taxpayers. More generally it also promotes a better allocation of resources across the economy.
- 13.2 The intended effects are a fair and transparent set of charges for users of the services, and more efficient use of public resources by transferring the cost of service provision from the general taxpayer to the customers (farmers/food business operators). Farmers and food business operators are directly responsible for compliance with the requirements of legislation on food safety and the provision of safe food.

14. Expected level of business impact

- 14.1 In 2016/2017 APHA took Official *Salmonella* Control Samples from 819 premises. APHA laboratories examined 5486 Official *Salmonella* Control samples in total. These volumes are not expected to change significantly in the future. Approval and reapproval of laboratories is now conducted by UKAS but APHA include the fees within the legislation to allow them to resume the role in the future if required.
- 14.2 Based on visit and travel timings, the total cost to business of the current fees is about £193k a year. Under the revised fees this will rise to £206k. See below for details of the fees and change in costs to business.
- There are no additional/new costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued in the baseline.
- 14.3 The total poultry in Wales was **7,742,000** in June 2017 – the majority of these were table chicken or broilers (**4.0 million**) and chicken kept for eggs (**2.0 million** birds). (Source: estimates from Welsh agricultural Survey, June 2017).
- 14.4 In comparison there was 90.6 million table or broilers and 33.7 million chickens kept for eggs in England. (Source: Farming Statistics 1 June 2017 – England).

- 14.5 The poultry industry in Wales tends to find that almost all of the birds are to be found on a relatively small number of large producers. In terms of the number of birds, the poultry industry is dominated by the production of broilers (or table chicken) for meat production.
- 14.6 It is assumed that although the industry in Wales is small it is unlikely that businesses would relocate across the border because charges will be the same throughout GB. There would be no advantage or disadvantage as a result of a producers existing location within GB.
- 14.7 Although the industry in Wales is relatively small, it is mainly dominated by a small number of large producers who would be better placed to absorb the costs whereas a large number of small producers would have smaller profit margins and costs would be felt to a greater extent. The fees, relative to turnover and profit of large scale producers is lessened to some extent by the economies of scale that large producers can achieve.
- 14.8 Given that the charges being applied for services provided by APHA relate to a small percentage of the overall costs incurred by businesses in their day to day activities it is assumed that the proposed increase in costs will not dis-incentivise activity in each area.

15. Comparison of fees - Salmonella

Activity	Option 0 Current Fee based on an average visit	Volume (no of times activity is undertaken pa)	Cost to Business (current fee x volume)	Option 1 New Fee based on an average visit	Volume (no of times activity is undertaken pa)	Cost to Business (new fee x volume)
	Including (where applicable) - Typical visit time - Payment processing			Including (where applicable) - Typical visit time - Typical travel fee - Payment processing		
Taking an official control sample from a chicken laying flock	£83	280	£23,240	£90	280	£25,200
Taking an official control sample from a chicken or turkey breeding flock	£165	390	£64,350	£144	390	£56,160
Taking an official control sample from a chicken broiler flock	£124	140	£17,290	£138	140	£19,320
Taking an official control sample from turkey fattening flocks	£122	35	£4,253	£138	35	£4,830
Examination of an official control sample in a laboratory	£15	5,600	£84,000	£18	5,600	£100,800
Conducting tests on seven dust and faecal samples taken from each flock	£105	0	£0	£99	0	£0
Conducting bacteriological sampling and testing of the caeca and oviducts of 300 birds from each flock	£3,560	0	£0	£2740	0	£0

Conducting bacteriological sampling and testing of the shell and the content of 4,000 eggs from each flock		£2,310	0	£0	£3080	0	£0
Processing an application for an initial laboratory approval or renewal of a laboratory approval		£43	0	£0	£73 ¹	0	£0
Conduction inspections and quality assurance based upon the number of tests for which the laboratory is approved	One test	£642	0	£0	£350	0	£0
	Two tests	£661	0	£0	£361	0	£0
	Three tests	£681	0	£0	£372	0	£0
	Four tests	£700	0	£0	£384	0	£0
Conducting collaborative testing for Salmonella as required to obtain and maintain approval as a testing laboratory		£37	0	£0	£34	0	£0
Total cost to industry based on a visit		Option o		£193,133	Option 1		£206,310

Source: APHA 2017/18 Volumes

Excludes traveling time as follows

Time spent in obtaining an official control sample for examination in a laboratory (in this table, the "time fee") (in addition to the fees specified below unless otherwise specified in column 2)	9 per quarter hour or part quarter hour spent
Time spent by an animal health officer travelling to and from premises for the purpose of activities below	14 per quarter hour or part quarter hour spent, up to a maximum of 84

¹ Renewal of laboratory approvals will be every 2 years (biennial) in future rather than annual.

16. Competition filter test – Salmonella

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

Regulatory Impact Assessment – Porcine Semen

17. Background

- 17.1 Controls on porcine semen are necessary to prevent the spread of certain animal diseases transmitted through semen which can adversely affect the economic wellbeing of the pig sector. APHA licenses artificial insemination (AI) centres, approves and samples donor animals and controls the conditions under which semen is collected, identified and traced. This is a statutory service provided by APHA which, by guaranteeing the health status of semen etc. facilitates trade and encourages exports. Users are currently charged fees for different services, which were introduced in June 2013, as set out below.
- 17.2 Following APHA undertaking an efficiency review of porcine semen work processes to ensure they are as efficient as possible and the introduction of a new Full Cost Recovery (FCR) model, which is aligned to HM Treasury guidance (Managing Public Money) revised fees have been calculated to be charged to customers. In addition, travel costs which were originally excluded from the fees will now be included and charged

to customers on an actual basis up to a capped rate of 90 minutes. These revised fees will be charged on a GB wide basis.

18. Policy objectives and intended effects

- 18.1 The objective of this policy is to charge the full costs of licensing and approving porcine semen centres. This is fair to users of the services and taxpayers. More generally charging at full cost recovery promotes the rational allocation of resources across the economy.
- 18.2 On implementation, overall, the new fees will be higher than the current fees resulting in an increased cost to business.

19. Expected level of business impact

- 19.1 There are currently 5 companies representing the Porcine Semen sector in GB. These businesses are medium sized.
- 19.2 The total revenue raised/total cost to business arising from the current (baseline) level of fees is £13k. This will rise to £91k under the revised fees so the introduction of revised fees will result in increased costs to business of about £78k a year relative to the baseline. The sector is relatively stable and the number of businesses and business activity is not expected to change significantly in future years. There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued in the baseline.
- 19.3 As part of the consultation in 2012 about charging, future fees relating to porcine semen were set out. The revised fees that are now being proposed are substantially lower than businesses were expecting to pay following that consultation. This is a result of the process review and the introduction of a new FCR model. The increase in fees to service users will result in a reduction in the need for taxpayer funding of an equivalent amount (around £78k).
- 19.4 There was an increase of 5.6 per cent in the number of pigs in Wales in June 2017. The current total is **24,500**. This was attributable to an increase in the number of fattening pigs (up 8 per cent to **21,000**) which was partially offset by a reduction in the number of breeding pigs (down 8 per cent to **3,500**). (Source: estimates from Welsh agricultural Survey, June 2017).
- 19.5 In recent years the number of pigs in Wales has fluctuated at a level between **20,000** and **30,000**. This is as likely to be as attributable to variations among a handful of large producers from year to year as any sustained trend.

- 19.6 In comparison the total number of pigs in England was 3.97 million, with 3.6 million kept as fattening pigs and 416,000 breeders. (Source: Farming Statistics 1 June 2017 – England).
- 19.7 Although the industry in Wales is small it is unlikely that businesses would relocate across the border because charges will be the same throughout GB. There would be no advantage or disadvantage as a result of a producers existing location within GB.
- 19.8 Although the industry in Wales is relatively small, it is mainly dominated by a small number of large producers who would be better placed to absorb the costs whereas a large number of small producers would have smaller profit margins and costs would be felt to a greater extent. The fees, relative to turnover and profit of large scale producers is lessened to some extent by the economies of scale that large producers can achieve.

20. Comparison of fees – Porcine Semen

Activity	Option 0 Current Fee	Volume (no of times activity is undertaken pa)	Cost to Business (current fee x volume)	Option 1 Revised Fee	Volume (no of times activity is undertaken pa)	Cost to Business (revised fee x volume)
	Including (where applicable) - Typical visit time - Laboratory fees - Payment processing			Including (where applicable) - Typical visit time - Typical travel fee - Laboratory fees - Payment processing		
Considering an application for the approval of a boar under regulation 2(1) of the 1964 Regulations for the purpose of the collection of semen which will not be subject to intro-EU trade	£207	15	£3,105	£286	15	£4,290
Considering an application for the approval of each additional boar examined at the same time	£27	200	£5,364	£39	200	£7,800
Application for approval of a boar for Intra-community trade (EU)	NA ¹	50	-	£293	50	£14,650
Each additional boar examined at the same time. (EU)	NA	1,200	-	£47	1,200	£56,400

¹ Fees for these services were omitted from current statutory instrument and therefore not currently charged.

Compulsory routine testing of boars in accordance with Annex B, Chapter II, paragraph 1 of Council Directive 90/429/EEC on an artificial insemination centre from which semen may be subject to intra-EU trade	Up to a maximum of 10 boars	£293	0	£0	£431	0	£0
	Each additional boar	£34	0	£0	£33	0	£0
Considering an application from an operator for an artificial insemination centre license or approval		£167	1	£167	£287	1	£287
Considering an application for approval of an alteration to licensed premises (in accordance with conditions attached to the license)		£167	1	£167	£284	1	£284
Routine examination of artificial insemination centre		£147	27	£3,969	£276	27	£7,452
Total cost to industry		Option 0		£12,772	Option 1		£91,163

Source of data: APHA 2017/18 volumes

Excludes the following travelling time costs

Time spent by a veterinary officer carrying out the activities in this Table (in addition to each of the fees listed below)	16 per quarter hour or part quarter hour spent
Time spent by a veterinary officer travelling to and from premises for the purpose of activities below	21 per quarter hour or part quarter hour spent, up to a maximum of 126

21. Competition filter test – Porcine Semen

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	Yes
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	Yes
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

Regulatory Impact Assessment – Poultry Health Scheme

22. Background

- 22.1 The Poultry Health Scheme (PHS) provides a system of registration and approvals which allows establishments to export live birds and hatching eggs without the risk of spreading certain diseases inimical to the poultry industry. This is a statutory service provided by APHA which, by guaranteeing health status, facilitates and encourages exports. Users are currently charged fees for different services as set out below.
- 22.2 Following APHA undertaking an efficiency review of PHS work processes to ensure they are as efficient as possible and the introduction of a new Full Cost Recovery (FCR) model revised fees have been calculated to be charged to customers. In addition, travel costs which were originally excluded in the fees introduced in June 2013 will now be charged to customers on an annual basis up to a capped rate of 90 minutes. These fees will be charged on a GB wide basis.

23. Policy objectives and intended effects

- 23.1 The objective of this policy is to charge PHS users the full costs of the service. This is fair to users of the services and taxpayers. More generally it also promotes the rational allocation of resources across the economy.
- 23.2 Following an efficiency review of PHS work processes undertaken by APHA and also the introduction of a new FCR model revised fees have been calculated to be charged to scheme members. In addition travel costs which were originally excluded from the fees will now be charged to customers.
- 23.3 On implementation the new fees will be lower than the current fees resulting in a cost saving to business.

24. Expected level of business impact

- 24.1 There are currently 27 companies representing 245 premises that are members of the PHS and this is not expected to change significantly in the future. The businesses range in size from small to large. Memberships are paid per premises so one company may pay a number of membership fees.
- 24.2 Any new scheme member pays a registration and approval fee and also incurs a fee for an approval visit by an APHA Veterinary Officer (VO). To remain a scheme member each premises must undergo a renewal procedure which involves a renewed certificate and at least one yearly inspection. The member can opt for this inspection to be completed by a VO or their Official Veterinarian (OV - private sector vet authorised to undertake this work by APHA).
- 24.3 The total cost to business of the current fees is about £42k a year. Under the revised fees this will reduce to £34k. Hence the introduction of lower fees will result in lower costs to business of £8k a year relative to the baseline.
- 24.4 A significant proportion of companies (approximately 75%) using this service are micro to small businesses. To waive fees for these businesses would therefore undermine the policy of charging and is not therefore feasible. Some mitigation has been provided however for premises in remoter locations by the decision to cap travel costs to 90 minutes for the return journey.
- 24.5 There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued in the baseline.

25. Comparison of fees – Poultry Health Scheme

Activity	Option 0 Current Fee	Volume (no of times activity is undertaken pa)	Cost to Business (current fee x volume)	Option 1 New Fee	Volume (no of times activity is undertaken pa)	Cost to Business (new fee x volume)
	Including (where applicable) - Typical visit time - Payment processing			Including (where applicable) - Typical visit time - Typical travel fee - Payment processing		
First time registration as a poultry health scheme member (in this table a 'scheme member')	£61	10	£610	£55	10	£550
Approval for first year approval of scheme member's flock	£279	9	£2,511	£188	9	£1,692
Approval for the first year approval of scheme member's hatchery	£279	1	£279	£188	1	£188
Approval for first year approval of a scheme member's combined flock and hatchery on one site where the inspection is carried out by a veterinary officer	£371	1	£371	£287	1	£287
Annual re-approval of a scheme member's flock or hatchery, where the inspection is carried out by a veterinary surgeon who	£74	144	£10,656	£54	144	£7,776

is not a veterinary officer						
Annual re-approval of a scheme member's combined flock and hatchery on one site, where the inspection is carried out by a veterinary surgeon who is not a veterinary officer	£78	3	£234	£56	3	£168
Additional site approval for flock, hatchery or combined (OV Inspection)	NA ¹	1	-	£29	1	£29
Annual re-approval of a scheme member's flock where inspection carried out by a veterinary officer	£247	78	£19,266	£217	78	£16,926
Annual re-approval of a scheme member's hatchery, where inspection carried out by a veterinary officer	£247	8	£1,976	£217	8	£1,736
Annual re-approval of a scheme member's combined flock and hatchery on one site, where inspection carried out by a veterinary officer	£321	1	£321	£315	1	£315
Additional site approval for flock, hatchery or combined (VO Inspection)	£69	1	£69	£192	1	£192

¹ APHA can offer reduced administrative rates for customers with multiple premises on the scheme. It is estimated that 50% of re-approvals will be charged on this basis.

Processing an application for an initial laboratory approval or an annual renewal of a laboratory approval	£43	0	£0	£73	0	£0
Proficiency test in respect of Salmonella bacteriology (pullorum, gallinarum and arizonae)	£131	7	£917	£131	7	£917
Proficiency test in respect of Salmonella serology (pullorum, gallinarum)	£336	5	£1,680	£321	5	£1,605
Proficiency test in respect of Mycoplasma chicken serology (gallisepticum)	£336	8	£2,688	£321	8	£2,568
Proficiency test in respect of Mycoplasma culture (gallisepticum and meleagridis)	£281	0	£0	£281	0	£0
Proficiency test in respect of Mycoplasma turkey serology (gallisepticum and meleagridis)	£336	0	£0	£336	0	£0
Total cost to industry	Option 0		£41,578	Option 1		£34,949

Source: APHA 2016/17 volumes

Excludes the following travelling time costs.

Time spent by a veterinary officer carrying out the activities in this Table (in addition to each of the fees listed below)	16 per quarter hour or part quarter hour spent
Time spent by a veterinary officer travelling to and from premises for the purpose of activities below	21 per quarter hour or part quarter hour spent, up to a maximum of 126

26. Competition filter test – Poultry Health Scheme

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

Regulatory Impact Assessment – Bovine Semen

27. Background

- 27.1 Controls on Bovine Semen are necessary to prevent the spread of certain animal diseases transmitted through semen which can affect the economic wellbeing of the livestock industry. APHA licenses artificial insemination (AI) centres, approves and samples donor animals, and controls conditions under which semen is collected, identified and traced. This is a statutory service provided by APHA which by ensuring health status facilitates trade and encourages exports. Users are currently charged fees for different services as set out below.
- 27.2 Following APHA undertaking an efficiency review of Bovine Semen work processes to ensure they are as efficient as possible and the introduction of a new Full Cost Recovery (FCR) model, which is aligned to HM Treasury guidance revised fees, have been calculated to be charged to customers. These fees will be charged on a GB wide basis.

28. Policy Objectives and intended effects

- 28.1 The objective of this policy is to charge the full costs of licensing and approval of Bovine Semen centres. This is fair to users of the services and taxpayers. More generally it also promotes the rational allocation of resources across the economy.
- 28.2 Following an efficiency review of Bovine Semen work processes undertaken by APHA and also the introduction of a new FCR model, which is aligned to HM Treasury guidance, revised fees have been calculated to be charged to scheme members. In addition travel costs which were originally excluded from the fees will now be charged to customers.
- 28.3 On implementation, overall, the new fees will be higher than the current fees resulting in an increased cost to business.

29. Expected level of business impact

- 29.1 There are currently 3 companies representing the Bovine Semen sector in GB, and this not expected to change significantly in the future. These businesses are medium sized. There is one approved facility in Wales for a company based in Cheshire.
- 29.2 The total revenue raised/cost to business is currently £147k. This will rise to about £226k under the revised fees. Hence the introduction of revised fees will result in increased costs to business of about £79k a year relative to the baseline.
- 29.3 The revised fees are substantially lower than businesses are expecting to pay at FCR following consultation in 2012. This results from the APHA process review and the new FCR model. There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued in the baseline.

30. Comparison of fees – Bovine Semen

Activity		Option 0 Current Fee Including (where applicable) - Typical visit time - Laboratory fees - Payment processing	Volume (no of times activity is undertaken pa)	Cost to Business (current fee x volume)	Option 1 Revised Fee Including (where applicable) - Typical visit time - Typical travel fee - Laboratory fees - Payment processing	Volume (no of times activity is undertaken pa)	Cost to Business (revised fee x volume)
Considering an application for approval under regulations 7 and 10 of the 2007 Regulations for use in domestic collection centre or at unlicensed premises		£107	350	£37,450	£204	350	£71,400
Considering an application under regulation 7 of the 2007 Regulations for approval	Bovine animal aged 6 months or under	£325	40	£13,000	£478	40	£19,120
	Bovine animal aged over 6 months and in the same sex group	£325	35	£11,375	£478	35	£16,730

of a bovine animal for use in an EU collection centre	Bovine animal aged over 6 months and in a mixed sex group	£552	145	£80,040	£752	145	£109,040
Considering an application for a license to operate an EU quarantine centre under regulation 4 of the 2007 Regulations		£229	0	£0	£255	0	£0
Considering an application for a license to operate an EU collection centre under regulation 4 of the 2007 Regulations		£261	1	£261	£254	1	£254
Considering an application for a license to operate an EU storage centre under regulation 4 of the 2007 Regulations		£178	2	£356	£254	2	£508
Conducting an examination of a bovine semen centre under regulation 40 of the 2007 Regulations		£83	50	£4,150	£178	50	£8,900
Total cost to industry		Option 0		£146,632	Option 1		£225,952

Source: APHA 2017/18 volumes

Excludes travelling time as below.

Time spent by a veterinary officer carrying out the activities in this Table (in addition to each of the fees listed below)	16 per quarter hour or part quarter hour spent
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Time spent by a veterinary officer travelling to and from premises for the purpose of activities below	21 per quarter hour or part quarter hour spent, up to a maximum of 126
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31. Competition Filter Test – Bovine Semen

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	Yes
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	Yes
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	Yes
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

Regulatory Impact Assessment - Bovine Embryo

- 31.1 Controls on Bovine Embryos are necessary to prevent the spread of certain animal diseases transmitted through embryo transfer and which affect the economic wellbeing of the cattle sector. APHA carry out inspections and approval of embryo collection, production and transfer teams. Users of these services are currently charged fees which were introduced in June 2013.
- 31.2 Following APHA undertaking an efficiency review of Bovine Embryo work processes to ensure they are as efficient as possible and the introduction of a new Full Cost Recovery (FCR) model, which is aligned to HM Treasury guidance revised fees have been calculated to be charged to customers. These fees will be charged on a GB wide basis.

32. Policy objectives and intended effects

- 32.1 The objective of this policy is to charge the full costs of licensing and approving Bovine Embryo (Collection, Production and Transfer) Teams and Storage centres. This is fair to users of the services and taxpayers.

More generally it also promotes the rational allocation of resources across the economy.

32.2 On implementation the new fees will be lower than the current fees resulting in a cost saving to business.

33. Expected level of business impact

- 33.1 The bovine embryo industry is very small. Currently there are 8 Bovine Embryo Collection and Production Teams approved for intra-Union trade, and this is not expected to change significantly in the future. These businesses are medium sized. There is one business approved for embryo collection in Wales.
- 33.2 APHA carry out, on behalf of the Competent Authority, a range of services to this industry in relation to approval of Bovine Embryo premises, production teams, laboratories, and storage centres.
- 33.3 Under the current fees the total revenue raised/total cost to business is around £16k. This will increase to £21k under the revised fees. Hence the introduction of higher fees will result in higher costs to businesses of about £5k a year relative to the baseline.
- 33.4 There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued in the baseline.

34. Comparison of fees – Bovine Embryos

Activity	Option 0 Current Fee	Volume (no of activities undertaken pa)	Cost to Business (current fee x volume)	Option 1 New Fee	Volume (no of activities undertaken pa)	Cost to Business (new fee x volume)
	Including (where applicable) - Typical visit time - Payment processing			Including (where applicable) - Typical visit time - Typical travel fee - Payment processing		
Application for approval of an embryo transfer team or store	£60	4	£240	£28	4	£112
Application of approval of storage centre	£175	7	£1,225	£254	7	£1,778
Application for approval of an embryo collection or production team with no inspection of a laboratory	£168	0	£0	£28	0	£0
Application for approval of an embryo collection or production team with inspection of a laboratory	£269	4	£1,076	£287	4	£1,148
Application for re-approval of a lab or a store following alternations	£186	2	£372	£251	2	£502
Approval of an additional embryo team's store or lab, less than 8km, same day	£73	1	£73	£137	1	£137
Approval of an additional	£201	1	£201	£235	1	£235

embryo team's store or lab, more than 8km						
Routine inspection of additional teams and premises	£156	28	£4,368	£231	28	£6,468
Routine inspection of team and premises	£185	45	£8,325	£243	45	£10,935
Total cost to industry	Option 0		£15,880	Option 1		£21,315

Source: APHA 2016/17 volumes

Excludes travelling time as below.

Time spent by veterinary officer when carrying out the activities listed in this Table (in addition to each of the fees listed below)	16 per quarter hour or part quarter hour spent
Time spent by a veterinary officer travelling to and from premises for the purpose activities below	21 per quarter hour or part quarter hour spent, up to a maximum of 126

35. Competition Filter Test – Bovine Embryo

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	Yes
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	Yes
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	Yes
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No