

May 2018

Plantation Forestry Biosecurity Levy Proposal

QUESTIONS AND ANSWERS

As questions are received from forest growers or other interested parties, the questions and answers will be published here.

To ask a question contact Glen Mackie

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Introduction:

The New Zealand Forest Owners Association (FOA) and the NZ Farm Forestry Association (FFA) acting on behalf of New Zealand plantation forest owners plans to apply to the Biosecurity Minister for a biosecurity levy under the Biosecurity Act.

Biosecurity is important to the forest industry for three main reasons (1) protection of the forest estate from new incursions, (2) protection of trade against unexpected barriers triggered by biosecurity concerns, and (3) investor confidence. Insect pests and pathogens currently cost the New Zealand industry between \$100M and \$200M per year in lost productivity and also limit the number of species that can be commercially grown.

There are many pests and pathogens not present in New Zealand that, if they were to arrive, could have a serious impact on forest health, trade, and investor confidence.

Q & A:

Q1: When is the biosecurity levy likely to come into effect?

Answer: The application will be submitted to MPI in June or July 2018. As a biosecurity levy involves changing legislation it can take up to 15 months for the application to be processed. It will initially be zero-rated and only commence when required.

Q2: What can the Levy be used for?

Answer: The Levy can only be used to meet the forest owner share of the costs associated with a response to a biosecurity incursion under the forest industry GIA and could include costs associated with a forest nursery.

Biosecurity surveillance costs are met from a separate levy.

Q3: What would be the process if an incursion occurred?

Answer: Once a pest or disease is found it must be identified and confirmed that it meets the criteria for a response under the GIA provisions – such as affects or has the ability to affect plantation forest species. If it is decided to respond to the incursion under the GIA, initial funding will come from government, with industry funding initially coming from a commercial bank loan, using the biosecurity levy as collateral.

Under the terms of the GIA, there will be a financial cap on the industry share. (It is not an open ended financial commitment).

The levy will be activated to meet the loan obligation. The levy may be set to repay the loan over a number of years to reduce any financial impact to the industry. The levy may eventually be paying off incursion costs for more than one incursion.

To make a decision about whether or not to initiate a response, MPI will provide potentially affected GIA signatories with background information, a situation report, a summary of any urgent measures being taken, and a recommendation on whether a response should be activated.

MPI and beneficiary Signatories must then decide:

- i. whether or not to initiate a response
- ii. what, if any, interim measures should be put in place prior to the first Response Governance meeting, noting that under the GIA Deed cost sharing starts when a response commences.

Q4: What is the Government Industry Agreement (GIA)?

Answer: The GIA brings together Government and primary industry groups, to better manage pests and diseases that could damage New Zealand's:

- biosecurity system
- primary industries
- economy
- environment.

The GIA works to improve biosecurity readiness and response through:

- shared decision-making in managing biosecurity threats
- sharing responsibilities of managing biosecurity threats
- sharing the costs of managing biosecurity threats
- creating campaigns and programmes to improve biosecurity performance in certain industries
- creating working groups, which respond to specific threats and outbreaks
- sharing information about New Zealand's biosecurity system
- holding open forums to decide how to improve the biosecurity system.

More information on the GIA Deed is available on their website <http://www.gia.org.nz/>

Q5: Why instigate a levy under the Biosecurity Act?

Answer: One of the conditions of signing the GIA Deed is specifying how the industry group will meet any agreed cost share. Various options were looked at including using the existing harvested wood products levy, raising a loan, etc. In the end the decision was taken to use the Biosecurity Act, as many other groups are doing, because it was specifically amended to accommodate the GIA provisions, provides more transparency and certainty, and thereby allows any incursion costs to be smoothed and more equitably contributed to.

Q6: How much is this levy going to cost me?

Answer: The biosecurity levy on seedlings/cuttings will be 1 to 4c per seedling/cutting and 10 to 26c per tonne on harvested wood products. The levy has been structured to bring in a maximum of approximately \$10m per year, based upon an assumption that the harvest level is 34m m³/annum, resulting in 63,000ha of replanting and 40,000ha of new planting per annum.

For example:

If the levy is 2c per seedling and 15c per tonne:

10ha at 1,000 seedlings per ha = \$200.00

10 ha harvested at 700m³ per ha = \$1,050

Q7: The forest sector appears to be the first-off-the-block in all initiatives of this nature. The sector most in need of reform in the biosecurity area is FARMING. The same comment refers to H&S, emissions, sedimentation, biodiversity, soil fertility, and intensity.

Where is the proposed biodiversity levy for farming? Surely this should be first? And fishing, horticulture, tourism?

Answer: Attached is the list of current Biosecurity Levies. Forestry is not first off the block.

[Biosecurity \(American Foulbrood – Apiary and Beekeeper Levy\) Order 2003](#)

[Biosecurity \(Animal Identification Systems\) Regulations 1999](#)

[Biosecurity \(Bovine Tuberculosis—Cattle and Deer Levy\) Order 2016](#)

[Biosecurity \(Costs\) Regulations 2010](#)

[Biosecurity \(Deer and Other Testing Costs\) Regulations 1998](#)

[Biosecurity \(Imported Animals, Embryos, and Semen Information\) Regulations 1999](#)

[Biosecurity \(Meat and Food Waste for Pigs\) Regulations 2005](#)

[Biosecurity \(National American Foulbrood Pest Management Plan\) Order 1998](#)

[Biosecurity \(National American Foulbrood Pest Management Strategy\) Order 1998](#)

[Biosecurity \(National Bovine Tuberculosis Pest Management Plan\) Order 1998](#)

[Biosecurity \(National Bovine Tuberculosis Pest Management Strategy\) Order 1998](#)

[Biosecurity \(National Psa-V Pest Management Plan\) Order 2013](#)

[Biosecurity \(Notifiable Organisms\) Order 2016](#)

[Biosecurity \(Process for Assignment of Responsibility for Decision on Harmful Organism or Pathway\) Regulations 2016](#)

[Biosecurity \(Psa-V—Kiwifruit Levy\) Order 2013](#)

[Biosecurity \(Readiness and Response—Kiwifruit Levy\) Order 2015](#)

[Biosecurity \(Ruminant Protein\) Regulations 1999](#)

[Biosecurity \(Small Scale Organism Management\) Order 1993](#)

Sectors currently seeking a biosecurity levy to use for their GIA response - bees, potatoes, onion.

Q8: How is a response funded where the incursion threatens more than one sector under the GIA? For example a pest could affect both plantation forestry and horticulture. How are costs apportioned by industry?

Answer: Government and affected sectors will discuss liability and an agreed split will be arrived at according to how each sector is affected. Some of this will be covered by the public good component of the government contribution. MPI is still trying to work out how to deal with non (GIA) signatory beneficiaries.

Q9: Should DOC and private owners contribute to responses for incursions that affect the indigenous forest estate? Have DOC been involved in the process?

Answer: DOC's contribution will be met by the Government (as part of the public good component). The government contribution to an incursion is a minimum of 50%. According to the effect on public good assets this may rise. The Biosecurity Levy from forest owners will only be used for plantation species covered under the GIA. However, the levy could potentially be used to manage affected host species to protect one of the listed species appended below. DOC has not been involved in GIA discussions, nor have local authorities. MPI believes they represent them well enough.

Q10: Shouldn't local authorities contribute to responses for incursions that affect urban trees? Shouldn't local authorities be involved?

Answer: Protection of urban trees (such as radiata in parks, gardens, etc) would be covered by the public good contribution from government.

Forestry could very likely be involved in urban areas if an incursion affecting production trees was detected. Such as occurred with Painted Apple Moth and Asian Gypsy Moth. Urban areas near ports and airports are high risk incursion areas. If there was an incursion in an urban area it is very likely that local authorities would be involved in a response, however, they would be represented by MPI at the decision-making "Response Governance" table. If they had specific expertise they may get called to the table as advisors, but not as decision makers.

Q11: Forest owners tend to be leaders with regard to biosecurity and I am sure we are at the forefront of the GIA. The thrust of these questions is that commercial forest owners should only contribute their fair share where a response will benefit other parties.

Answer: Agreed.

Q12: What will the levy be spent on?

Answer: The biosecurity levy will only be used to raise industry funds to meet financial obligations incurred by the plantation forest industry as a signatory to a Government Industry Agreement for an agreed response to a biosecurity incursion.

Q13: Who is responsible for paying the levy, and is anyone exempt from payment?

Answer: The forest owner is ultimately responsible for paying the biosecurity levy, so for both the harvested wood component and the seedling/cutting component, if the entity firstly levied is not the forest owner then they are expected to pass the levy through to the forest owner. No forest owner or product meeting the definition of levied commodity will be exempt from

the levy.

Q14: Will the levy order have a levy rate set initially at zero, or provide for a levy rate to be set at zero?

Answer: The biosecurity levy will initially be set at zero and will only be activated once an incursion is accepted for response.

Q15: What would be the rate of the levy, and how is the rate set and notified?

Answer: The levy start date will be notified by email to nurseries and via major newspapers or by direct communication with forest owners. The following publications will be contacted:

- New Zealand Gazette
- NZFOA Bulletin
- NZFOA e-News
- FFA Newsletter or other publication
- One or more major metropolitan daily circulating newspapers:

The levy on seedlings / cuttings will be between 1 cent and 4 cents per seedling/cutting and the levy on harvested wood products will be between 10 cents and 26 cents per tonne. The biosecurity levy has been structured to bring in a maximum of approximately \$10 million per year, based upon an assumption that the national harvest level is 34 million cubic metres per annum, resulting in 63,000 hectares of replanting and 40,000 hectares per annum of new planting.

Harvested wood product component: the levy is to be calculated on the basis of the reported weight in tonnes at the mill door or wharf gate threshold.

One cubic metre of log is deemed to equal one tonne, irrespective of the cubic metre calculation formula and methodology (2D,3D,Ellis, Jas etc).

For bin-wood and fuel wood, a saw log conversion of 1:1 shall be used.

For wood-chip produced in the forest the measurement unit is green tonnes.

The conversion rate will be 2.7 Green tonnes per BDMT or BDU.

For wood sold on mass (wood area including air spaces), a factor of 50% wood content will be used to calculate the volume in cubic metres.

Seedling/Cutting component: As per attached list of commercial plantation species.

Q16: How will the levy be collected and is the provider of that service entitled to a collection fee?

Answer: It is impossible to identify all harvesting forest owners. Therefore, the proposal is that the data collected for the Harvested Wood Products Levy will be used to identify biosecurity levy payers for the harvested wood component. As for the Harvested Wood Products Levy, the owner of the commodity at the point of data collection will receive the invoice from the FOA and will need to arrange for the levy to be paid by the forest owner.

Forestry Nurseries will be responsible for supplying data relating to seedling / cutting ownership.

Product owners who are not forest owners will need to pay the biosecurity levy, then claim it

back from the forest owner. To allow product owners to charge the biosecurity levy from the forest owner before they are liable to pay the biosecurity levy, a warning of two months before biosecurity levy implementation will be given to all parties being invoiced.

No collection fee can be charged for data supply or payment of the levy. Persons not primarily responsible for paying the levy, who pay it and recover it shall not be entitled to charge a fee for paying and recovering it.

Q17: What records need to be kept?

FOA must keep records of the following for each levy year:

- a) amount of levy money paid to it; and
- b) the date levy money was received; and
- c) the name and contact details of each person who paid levy money; and
- d) how levy money was spent or invested.

Levy payers must keep records of the following for each levy year, as applicable:

- a) the weight in tonnes of harvested wood material sold directly from plantation forests:
- b) the number of seedlings/cuttings of the species specified as “commercial plantation species” sold or supplied
- c) the name and contact details of the person from which harvested wood material and/or seedlings / cuttings were received:
- d) the weight in tonnes of harvested wood material supplied to ports, mills, or other processing plants:
- e) the name and contact details of every person to which harvested wood material or seedlings/cuttings was sold or supplied:
- f) each amount of levy paid to FOA, including the date on which the amount of levy was paid to FOA.

Q18: In the case of a dispute, what is the process?

Answer: A party in dispute can request the dispute goes to mediation where a dispute arises about whether a person is required to pay a levy or the amount of levy payable.

Q19: Would levy payers be liable for an additional charge as a consequence of late-payment, part-payment, or non-payment of the levy?

Answer: It is proposed that a penalty of 5% is payable on the entire amount of any levy which is not paid by the latest date for payment. A further penalty of 2% per month will be payable on the unpaid amount of any levy (not including any penalties) which is not paid one month after the last day for payment.

Q20: Does a mill, port company/stevedore/marshalling company, or nursery have to supply data if requested?

Answer: FOA will be able to request a levy payer, nursery, port, mill, or other processing plant supply returns that contain any information that is reasonably required for determining the amounts of levy payable by levy payers.

Appendix 1 – Commercial plantation species – seedling/cuttings

The following trees are those considered to be commonly grown for commercial purposes. Due consideration of species which are also less commonly grown will be given in a biosecurity response on a case by case basis, with particular concern regarding carrier species.

- Radiata Pine (*Pinus radiata*) and hybrids
- Douglas-fir (*Pseudotsuga menziesii*)
- Cypress (*Cupressaceae spp*):
 - Macrocarpa (*Cupressus macrocarpa*)
 - White Cedar (*Cupressus lusitanica*)
- Redwood (*Sequoia sempervirens*)
- Eucalypts (*Myrtaceae spp*):
 - Shining Gum (*Eucalyptus nitens*)
 - Brown Barrel (*Eucalyptus fastigata*)
 - Mountain Ash (*Eucalyptus regnans*)
 - Sydney Blue Gum (*Eucalyptus saligna*)
 - Other Euc sp that are supplied for a commercial plantation

This list may be amended to reflect additional species not listed that are supplied to commercial forest owners / managers for planting in a plantation forest or woodlot.