

Vote Agriculture and Forestry

Vote Biosecurity

Baseline Alignment Proposal

Version [1]

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Submitted by:

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Section 1: Alignment to Government Priorities

In the *Budget Policy Statement 2010* the Minister of Finance listed six policy drivers for the Government to bring about a step-change in New Zealand's economic performance. These include:

- Removing red-tape and improving regulation
- Supporting business innovation and trade
- Lifting productivity and improving services in the public sector

[Information deleted in order to maintain the effective conduct of public affairs through the free and frank expressions of opinions]. Three overarching priorities for MAF for the remainder term of the Government are:

1. Economic Growth and Productivity

Creating/ supporting the conditions for economic growth in the primary sector, and also removing unnecessary red tape and bureaucracy that are stifling this growth.

2. New Zealand's international reputation and the integrity and efficiency of supply chains

In addition to its activities to secure market access, MAF has a role to protect the integrity of New Zealand's production systems and food and fibre supply chains, and to underpin New Zealand's reputation as a trusted trading partner.

3. Industry-Government relationships

MAF's ability to deliver results depends on (i) strong relationships with all primary industry sectors and wider stakeholders, and (ii) coordination across portfolios and other government agencies.

Areas of work contributing to the Government's priorities

To deliver on the above priorities, I have asked MAF to focus its efforts on the following areas over the next three years:

- **Water Policy and Infrastructure:** Supporting increased investment in water storage and distribution infrastructure, and developing policy instruments to address water allocation and quality. Water is a strategic asset for New Zealand, and managing it better is a necessary part of achieving our growth goals. Water infrastructure is crucial for creating and supporting economic growth in the primary sector and in delivering on the 'Economic Growth and Productivity' priority.
- **Primary Industry Performance:** Ensuring that our major primary industries are doing all they can to lift economic performance (for example, achieving the capital structure for Fonterra that delivers the maximum benefit for New Zealand). This directly contributes to the 'Economic Growth and Productivity' priority – these industries are the engine room of our economy.

- Trade: MAF plays a significant role in creating international market access for New Zealand's primary sector. MAF will work over the next three years on a number of Free Trade Agreements (FTAs). These include negotiation of Korea FTA, implementation of China FTA and multilateral agreements. This contributes to the 'Economic Growth and Productivity' priority. This programme of work also includes negotiation on Sanitary and Phyto-Sanitary issues, which is a critical underpinning for trade in biological products and which contributes to 'New Zealand's international reputation and the integrity of supply chains' priority.
- Māori Agribusiness: Māori trusts and incorporations are major primary industry players. MAF is studying the governance and organisational structures of collectively owned Māori land holdings to identify opportunities and barriers to lifting the productivity of Māori land and business. This contributes to the 'Economic Growth and Productivity' priority.
- Animal Welfare: Besides the intrinsic value associated with animal welfare (i.e. protecting animals from harm), it is also becoming an increasingly important aspect in international trade and in gaining market access. MAF will work to increase the attention paid to animal welfare by the primary sector, supported by a greater effort going into education, compliance and enforcement activities. This strongly contributes to the second priority – 'New Zealand's international reputation and the integrity of supply chains'.
- Climate Change: MAF has an important role to play in this area, particularly in developing policies for New Zealand's agriculture and forestry which balance environmental responsibilities with economic reality. Besides being a reputational issue for New Zealand, the way in which the climate change programme of work is implemented will have substantial impacts on 'economic growth and productivity'. To deliver on this priority, MAF will focus on the Copenhagen international agreement, Global Research Alliance for Greenhouse gas mitigation, Emissions Trading Scheme (ETS) implementation, Greenhouse gas footprinting, and Centre of Agricultural Greenhouse Gas Research.
- Border Operations: To contribute to the 'integrity and efficiency of supply chains' priority, MAF will work with Customs and other border agencies to provide better risk-management and focussed, effective, efficient and streamlined passenger and cargo operations. This includes clearer rules; more off shore work; smarter IT supporting risk management and the implementation of rules; stronger compliance and enforcement; and less reliance on actual physical inspection at the border itself.
- Incursion Response Management: New Zealand's international reputation also depends on the effectiveness of our biosecurity incursion response system. MAF will work on delivering the highest standards of biosecurity incursion response, protection and detection. This will also involve joint decision-making and cost-sharing for readiness and response activities, as this will enable MAF to focus on those response and preparedness activities that provide both public and industry benefits. This contributes to the third Government priority for MAF – 'Industry-Government relationships'.
- National Animal Identification and Traceability (NAIT) scheme/FarmsOnLine: MAF will roll out a new property tracking system and a new tracing system for cattle and deer in order to improve our responsiveness during biosecurity events and provide greater commercially-driven assurances to foreign markets for our primary product

exports. This is very important to deliver against the priority – ‘New Zealand’s international reputation and the integrity and efficiency of supply chains’.

I have asked MAF to manage any funding pressures associated with delivering against the above priorities within its existing baseline.

What has to wait until 2011/12

Currently I have not instructed MAF to defer work on any priority programmes. However funding decisions on some priority areas will need to be made during 2010/11. Funding decisions for Government-Industry Agreement and trans-Tasman X-ray imaging will form part of the Budget 2011 process. Tb Strategy funding may form part of the between Budget contingency process.

- *Government-Industry Agreement (GIA)*
The Cabinet agreed [Cab Min (09) 31/11 refers] to the negotiation of a Government-Industry Agreement for joint decision-making and cost sharing for Biosecurity Readiness and Response. Under the Agreement industry will jointly invest with Government in preparedness work of value to industry, with funding splits determined by relative industry and public benefit. Industry and Government will also make joint biosecurity response decisions and jointly fund those decisions.

GIA contributes to the ‘Government-Industry relationships’ priority. The key benefits of the GIA initiative include improved priority setting to ensure the best use of limited resources. It will cost around \$5 million over five years to negotiate, implement and administer a government-industry agreement. MAF is currently working on details of the activities required and the costs from 2010/11 onwards.

Cabinet has noted [CAB Min (09) 31/11 refers] that MAF is likely to need additional funding for the Crown’s share of joint readiness programmes established under the Government-Industry Agreement, and will seek this additional funding as part of Budget 2011.

- *Trans-Tasman X-ray Imaging*
The trans-Tasman X-ray imaging project is part of the Border Sector Governance Group work stream and is linked to the Government’s cross-departmental priority of trans-Tasman passenger facilitation and also contributes to the ‘integrity and efficiency of supply chains’ priority for MAF. It will also enable MAF to focus its resources on areas of highest risk and it will enable the airports to utilise their infrastructure in a better way i.e. they will have the potential to be able to handle more flights. The project will enable the improved facilitation of low biosecurity risk passengers and more effectively deal with activity fluctuations at all international airports in New Zealand.

The key future decision points are the quality of responses to Request for Proposal for services and the investment decision required, including a Cabinet report back. Another issue is gaining access to the images in Australia which requires individual airport agreement and potential changes to the Australian Privacy legislation. MAF is

currently working on the out-year funding requirements for this project. Details will be available in late 2010/11 and will form part of Budget 2011 process.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Risks in delivering against priorities

- *New way of working*

The priorities discussed earlier are part of an ongoing change in the way MAF operates, particularly the way it engages with its stakeholders. MAF also faces ongoing challenges in providing some of the skills and experience required to deliver on the above priorities, for example the investment skills needed for managing the Primary Growth Partnership (PGP).

Additionally in the new Animal Welfare compliance and enforcement model, MAF will face challenges in providing the level of resources and in engaging effectively with stakeholders, partners and participants to achieve its outcomes.

MAF also faces challenges in responding to systemic issues, particularly those that cross organisational boundaries or those which have multi-dimensional policy challenges. For example the Mackenzie basin factory farming issue has raised questions about the environmental impacts, 'national brand' impacts and the animal welfare implications of intensive farming, as well as the question of what is the best production model for the primary sector in the future. The speed at which these issues unravelled and the associated complexity, provided MAF with resourcing challenges. The National Animal Welfare Advisory Committee (NAWAC) was striving to respond rapidly to the intensive farming issue in the code of welfare for cattle while it was also working on other codes of welfare.

- *Future demands*

Some of the other risks include potential new biosecurity incursions that might divert resources away from these priorities. In 2009/10 (up to February 2010) MAF has reprioritised approximately \$0.5 million from its baseline to fund new biosecurity incursion responses. As discussed above the out-year funding requirements

associated with Government Industry Agreements, X-ray imaging and Tb strategy may also put pressures on MAF's existing resources.

Another risk that MAF faces currently and in future at all airports is increased and/or changing schedules that extend the current hours of operation or create new peaks. For example, the Queenstown Airport is likely to receive night flights; currently it is only receiving day flights. Another example is the purchase of new aircraft by Air NZ that will enable long haul flights out of Wellington and move Wellington from a trans-Tasman (short haul) airport and therefore increase the hours of operation and the biosecurity risk posed by arriving passengers.

This uncertainty may put pressure on MAF's resources as it tries to manage the delivery of services against the increase in demand or increase in biosecurity risks at airports. For example, the cost to MAF in supporting recently introduced international flights through Rotorua is approximately \$0.100 million per annum based on 2 flights per week. MAF is continually reviewing these risks and is developing mitigation strategies e.g. development of more flexible working arrangements (Review of Border Operations) and potential productivity gains from reducing the number of baggage handlers.

- *Input cost increase*

There are potential risks associated with the Collective Agreement bargaining process that recently started in MAF. For example, an increase of 1% in salaries would increase MAF's costs by about \$1.2 million (equivalent to about 15 positions).

There are risks around market-driven changes in input costs. For example there is a possibility of increases in rent for MAF buildings in Wellington and other regional offices as their leases come up for renewal. Early indications are that the increase in market rent for MAF's head-office at Pastoral House in Wellington could be as high as 10% from April 2011 – an increase of approximately \$0.4 million – \$0.5 million per annum.

Other priorities that will be delayed or stopped

I have asked MAF to identify lower priority/ lower value areas in its work programme and divert these resources to support the above priorities. A list of the areas of reprioritisation is provided below. The details of the areas of reprioritisation are provided in Section 2 of this Baseline Alignment Proposal.

Scale down of activities

- Afforestation Grants Scheme (AGS);
- Sustainable Land Management and Climate Change Plan of Action;
- Reducing funding for operational and aquatic research programmes as most programmes are nearing completion; and

- Identifying savings in programmes such as social marketing (Didymo and Border campaigns) and some post border and pest management programmes.

Efficiency gains

- Productivity gains from airport X-ray machine operations;
- Reduction in some FTE numbers, largely through disestablishing some existing vacancies in MAF Biosecurity New Zealand; and
- Input cost reductions (for example travel costs associated with Free Trade Agreements, IM lease costs, laboratory supplies).

Section 2: Reprioritisation

Reprioritisation carried out in 2009/10

As part of the ongoing drive to ensure that MAF is focussing its efforts on Government priorities, I have instructed MAF, during 2009/10, to carry out budget realignment in several areas. These areas include reviews of MAF's baseline to identify lower priority and lower value activities. MAF is also carrying out ongoing reviews to ensure that its policy resource is focussed on the Government's priorities and that it has the right balance and mix of policy analysts to deliver on these priorities efficiently and effectively. Some areas of reprioritisation in late 2009 include:

- *Global Research Alliance establishment*
I have asked MAF to reprioritise funding in 2009/10 to support the establishment of the Global Research Alliance. Establishment of the Global Research Alliance is a crucial part of the climate change programme of work contributing to the Government's priorities outlined in Section 1. From 2010/11 to 2013/14 MAF has reprioritised \$1.5m per annum to the Global Research Alliance. This funding was from within the Climate Change Plan of Action (small amounts taken from four areas) and a transfer of funding associated with the Livestock Emissions and Abatement Research Network (the majority of the funding).
- *Policy advice on Primary Growth Partnership (PGP)*
PGP delivers on the Government's 'Economic Growth and Productivity' priority. In order to deliver on PGP sector engagement, and to support our delivery of the Government's economic development priority, I asked MAF to find efficiency savings. MAF has undergone an organisational change programme in its policy area to realign its resources so that it can do more with the same and to ensure that it has the right skills to support the PGP initiative.
- *Joint Border Management System (JBMS)*
JBMS contributes to the Government's second priority for MAF – 'integrity and efficiency of supply chains'. In order to complete the JBMS stage 2 business case, I asked MAF to reprioritise approximately \$0.5 million from its baseline.
- *Border Systems Programme*
This programme contributes to 'integrity and efficiency of supply chains' which is a priority for MAF. In order to continue this programme in 2009/10, I asked MAF to reprioritise within current baseline funding. MAF has managed to do this by utilising in-house resources and reprioritising its strategic portfolio to delay some projects.
- *Reprioritisation to fund incursion responses*
During 2009/10 I have asked MAF to reprioritise approximately \$0.5 million to fund various incursion responses. This was reprioritised from existing baseline and specific funding from other incursion responses.

What will be new or different?

Consistent with our priorities, I have asked that MAF to put additional resources into ETS implementation, building Animal Welfare capability and carrying out the work on Government-Industry Agreements and trans-Tasman X-ray imaging.

- ***ETS implementation***

Why it is a priority

Rolling out the ETS for the forestry sector will have significant financial impacts for businesses in that sector. There is major risk around allocation of property rights worth about \$1.5 billion.

What will be new or different

The current challenge is to make it easy for New Zealanders to engage with the Government on forestry elements of the ETS and successfully allocating the units for pre-1990 forests.

The allocation of units in respect of pre 1990 forests and the approval of deforestation liability exemptions in particular, is a significant project affecting a large but unknown number of pre 1990 forest owners. It is important that priority is given to reaching all eligible pre 1990 forest owners to ensure they receive correct entitlements of units and deforestation liability exemptions are approved where appropriate.

Organisational and fiscal impacts

In order to fund this work I have asked MAF to reprioritise \$13.8 million from 2010/11 to 2015/16 and \$1.5 million in out years.

MAF will need to temporarily engage additional staff for a period of 12 to 18 months to complete activities around the Forestry Allocation Plan and associated exemptions. MAF will also be increasing a service contract with Datacom to support initial implementation.

MAF will also be permanently increasing resource levels to manage compliance and some technical aspects of administration of the ETS (Forestry). While these ongoing levels are still being finalised, I do not consider them to be substantial.

- ***Animal Welfare***

Why it is a priority

MAF administers the Animal Welfare Act 1999. Animal Welfare is vitally important to New Zealand – as a nation we're enthusiastic owners of companion animals, and our economy is largely based on the utilisation of production animals. Society and trading partners are increasingly seeking assurance that our animal welfare standards are high and have integrity.

The events of the last year, such as the various animal welfare abuses and concerns on intensive farming, have highlighted the need for MAF to increase its focus on and dedicate more resource to New Zealand's animal welfare system.

What will be new or different

I have asked MAF to work on three components of Animal Welfare. These are:

- *Animal Welfare Compliance and Enforcement Plan*

The Plan focuses on improving compliance with the Animal Welfare Act 1999 and its implementation will enable a move from the current reactive enforcement approach to proactive industry-led compliance allowing earlier identification and corrective action on breaches of the Act.

- *Animal Welfare Strategy*

New Zealand's animal welfare system is well regarded internationally. To raise animal welfare in New Zealand to the next level it is proposed that a unified national animal welfare strategy be developed to set clear direction and objectives for the future.

- *Additional support for NAWAC and Animal Welfare Policy*

The National Animal Welfare Advisory Committee (NAWAC) has an ambitious range of priorities in its workplan. This includes additional high priority activities that have been added over the last year to meet Government priorities. Further resource is required to support the Committee's work.

MAF will need further resources to improve the animal welfare code development process including working more closely with NAWAC on draft code proposals. MAF will also need to appoint an 'animal welfare economist' to conduct economic impact assessments.

Organisational and fiscal impacts

To support the above Animal Welfare programme of work MAF will need to find funding of \$12.6 million from 2010/11 to 2015/16 and \$2.2 million in out-years. MAF will need additional resources (approximately 10.5 FTE's) to implement the Animal Welfare Compliance and Enforcement Plan, and to provide technical, legislative and policy support.

• ***Government-Industry Agreement (GIA)***

Why it is a priority

The Cabinet agreed [Cab Min (09) 31/11 refers] to the negotiation of a Government-Industry Agreement for joint decision-making and cost sharing for Biosecurity Readiness and Response. This initiative strongly contributes to the 'Government-Industry Relationships' priority.

Bringing industry to work in partnership with government on biosecurity response preparedness and biosecurity response events will yield substantial benefits.

Under the Agreement, industry will jointly invest with government in preparedness work of value to industry, with funding splits determined by relative industry and public benefit. This will allow public funds to be focused on delivering public benefits and encourages industry to invest where they otherwise might not. As a result, total investment in biosecurity response preparedness work is forecast to increase.

Under the Agreement, industry and government will make joint biosecurity response decisions and jointly fund those decisions. This will result in more rational decision-making for pests of interest to industry. It is anticipated that responses will be started for fewer incursions as industry decides what is truly worth funding. Those responses that are started will be lower in total cost as a result of improved preparedness, and have reduced government funding as costs are shared with industry.

What will be new or different

Joint planning, decision-making and funding with industry will lead to better results. Including industry in decision-making will tap into their expertise and innovation and will ensure that their calls for action are matched by their willingness to fund. The Agreement will set out the parameters for joint decision-making and cost sharing. Under the agreement each industry signatory would identify risk organisms that are their highest priority for readiness and response. The Cabinet has directed MAF to negotiate with willing industries a final agreement, and to offer the following transition arrangements:

- Joint-decision making and cost sharing applies first to readiness, and then is extended to response after three years;
- Industries' cost-share for readiness and response begin at a reduced level, and gradually increase over six years until they reach the level that reflects the proportion of benefits they receive from the activity; and
- MAF funds implementation of the agreement and administrative costs for the first six years while the agreement is operating.

Organisational and fiscal impacts

New processes will have to be developed to support joint decision-making for biosecurity responses of interest to industry.

I have asked MAF to reprioritise from baseline to cover development, implementation and administration costs of the Agreement for the first six years while the agreement is operating.

Meeting the Crown's obligations as a signatory to the Agreement is likely to require additional Crown funding to be directed to readiness work but will over time result in lower Crown expenditure on biosecurity response costs. Cabinet noted that MAF will seek this additional funding as part of Budget 2011.

Cabinet has also directed MAF to report back by March 2011 with a final Agreement for Cabinet approval.

- ***Trans-Tasman X-ray Imaging***

Why it is a priority

The trans-Tasman X-ray imaging project is part of the Border Sector Governance Group work stream and is linked to the Government's cross-departmental priority of trans-Tasman passenger facilitation. It contributes to the Government priority of 'Economic Growth and Productivity' and maintaining and enhancing the 'integrity and efficiency of supply chains'.

What will be new or different

The Trans-Tasman X-Ray Imaging Project will enable MAF to have access to hold-stow baggage security images in Australia. The X-ray images will be transferred to New Zealand for biosecurity screening purposes prior to arrival of the aircraft in New Zealand.

The key high level deliverables of the project are obtaining access to the images in Australia; the technical operational aspects of transferring the X-ray images to New Zealand, including the release of a Request for Proposal (RFP) for services; the delivery and implementation of the new business processes; and ultimately realisation of the benefits of the investment.

The key future decision points are the quality of RFP respondents and the investment decision required, including a Cabinet report back and gaining access to the images in Australia which requires individual airport agreement and potential changes to the Australian Privacy legislation.

Organisational and fiscal impacts

Cabinet approved [EGI (09) 14/2] \$2 million capital injection to MAF in 2009/10 to implement the transfer of baggage X-ray images from Australia to New Zealand. I had also advised the Cabinet [EGI (09) 104] that MAF will fund all operating expenditure required for this initiative from savings within its baseline and this will require reprioritisation in 2010/11.

MAF is working on the out-year funding requirements for this project. Details will be available in late 2010/11 and will form part of Budget 2011 process.

- ***Productivity Commission***

Cabinet agreed that several agencies' baselines will be reduced to fund the Productivity Commission. MAF will fund its share to the Commission jointly across both Vote Agriculture and Forestry and Vote Biosecurity.

What would stop or decrease

I have asked MAF to meet the funding requirements associated with the priorities listed above and in Section 1 through internal reprioritisation of lower priority or lower value activities and efficiency gains.

MAF has reviewed its baseline across both Votes to support the funding challenges associated with ETS implementation, Animal Welfare, GIA and trans-Tasman imaging. A summary of the reprioritisation is provided below.

1. *Funding ETS implementation*

ETS implementation will need \$6.3 million in 2010/11, \$1.9 million in 2011/12, \$1.1 million in 2012/13 and \$1.5 million in out-years. The breakdown showing annual funding for ETS implementation is provided in Section 3 of this Baseline Alignment Proposal.

To fund this, I asked MAF to provide me with options of reprioritisation. MAF provided three options:

Option one included ceasing the Afforestation Grants Scheme (AGS). This would mean reprioritising AGS funding of \$16 million and scaling back the East Coast Forestry Project (ECFP) by \$1.5 million per annum from 2015/16. This option would cause a number of undesirable impacts such as negative reaction from 10 regional councils involved and impact on the carbon liabilities faced by New Zealand against our Kyoto Protocol obligations.

Another option was to find all the \$13.8 million from Sustainable Land Management and Climate Change Plan of Action. Most of this would have to be sourced from the Climate Change Research Pool. This would have a more significant impact on the capacity to conduct climate change related research and work against Government priorities and policy drivers.

The third option to fund ETS implementation, to which I agreed, is provided below. The funding reductions outlined below have some unfavourable impacts. However on balance, the implementation of ETS has a higher priority in the wider climate change portfolio of work and there is a positive trade-off from diverting funds from the areas listed below into ETS implementation. The breakdown showing annual funding changes is provided in Section 3.

- **Scale back the Afforestation Grants Scheme (AGS)**
The AGS was created to capture carbon by the establishment of small forests whose entry into the ETS cannot be guaranteed. The AGS will be scaled back by \$2 million per annum in 2011/12 and 2012/13 and the scheme will cease at that point. The scheme was originally scheduled to end in 2013/14. This will leave \$5 million per annum for the AGS in 2011/12 and 2012/13, which is likely to be the minimum amount of funding that could justify the administrative and transaction costs of operating the scheme.

There will be impacts on both the MAF sponsored Public Tender component and the Regional Council grant component. Less funding available will mean less area afforested and less carbon sequestration. There may be some negative reaction from the 10 regional councils (6 actively participating) involved in the AGS scheme. In addition to these, MAF understands that the Southland Regional Council may soon be seeking to join. These organisations coupled with individual applicants may draw adverse comment. However these risks will be mitigated through ongoing communication and proactive relationship management with the regional councils (through present formal liaison channels).

- Reduce funds from several workstreams within the Sustainable Land Management and Climate Change Plan of Action (the Plan of Action). This includes reducing funding from:

- Climate Change Research Pool. Currently the research pool has approximately \$10 million funding per annum. I have asked MAF to reduce this by \$0.5 million per annum from 2010/11 to 2012/13, by 0.8 million in 2013/14, \$1.2 million per annum in 2014/15 and 2015/16 and by \$1 million per annum in out-years. This reduction would be from a range of research activities potentially including mitigation, adaptation and emissions sinks.

Approximately \$3.0 million has been committed to adaptation research projects through the broader research pool. Reprioritisation away from current adaptation research funding could hamper the ability of MAF to generate new information on impacts, develop adaptation measures and deliver the adaptation programme.

- Emissions Trading Policy Development. This currently has \$1.0 million funding per annum. I have asked MAF to reduce this by \$0.2 million per annum in 2010/11 and out-years. This project is considered to be high priority in terms of design characteristics and other information to help inform the implementation of the ETS for agriculture. Reductions will impact on the resources available to fund, for example, future work on unique emissions factors, legal advice on critical issues such as allocation plans, and work carried out by (or for) the Agriculture Advisory Board.
- Inventory Development. Current funding is \$2.8 million per annum. This will be reduced by \$0.1 million in 2010/11 and by \$0.2 million per annum in out-years.
- Carbon Footprinting, with current funding of approximately \$1 million per annum, will be reduced by \$0.1 million per annum from 2011/12 and out-years.
- Communications and Education, with current funding of approximately \$0.150 million per annum, will be reduced by \$0.05 million per annum from 2010/11 to 2015/16.

2. Funding Animal Welfare, Government-Industry agreements and Trans-Tasman X-Ray imaging

Animal Welfare requires \$1.6 million in 2010/11 and \$2.2 million per annum in out-years. Government-Industry agreements and trans-Tasman X-Ray imaging require \$0.5 million each for 2010/11. The breakdown showing annual funding requirements is provided in Section 3.

To fund this, I have asked MAF to carry out a thorough review of its work-programmes and identify areas of low value and lower priority across the organisation. I also asked MAF to come up with creative solutions in realising operational efficiencies.

MAF will generate savings across several areas of work. Some of these savings are from input cost reduction, some involve efficiency gains in operations and projects and some are due to reconfiguration of some programmes such as Didymo and border work on social marketing. Specifically, MAF will:

- Capture savings from Operational efficiencies.
Operational efficiency gains at MAF's airport operations are possible by changing the standard requiring two safety officers per X-ray machine to one. However this will have to be done in agreement with the National Radiation Laboratory.

The safety officer role is undertaken predominantly in Auckland and Christchurch airports under contract and by a small number of MAF Quarantine Assistants at all other airports.

MAF does not consider there will be an increase in risk to passenger safety by this change. Expected savings are \$0.350 million in 2010/11 and out years. There is a possibility these changes may result in some redundancies for MAF Quarantine Assistants.

- Realise efficiencies in the number of Full Time Equivalent (FTE).
MAF will reduce 7.5 FTEs across Vote Biosecurity, resulting in savings of \$0.655 million for 2010/11 and out years. This reduction includes disestablishing vacancies totalling 3.5FTE, completing two reviews likely to result in savings of 3FTE, and the conclusion of a fixed term contract resulting in 1FTE saving. These reductions are on top of the reduction of 54.6 positions (33.5 vacancies and 21.1 filled positions) that was made in the review of border operations in 2009/10.

MAF does not consider that there will be any increase in risk of not delivering on the Government's priorities and biosecurity outcomes. The savings from these positions will be transferred to deliver on animal welfare priorities.

- Reduce input costs across some activities.
A variety of input cost reductions have been identified across Vote Biosecurity. These include travel, IM lease costs, lab supplies and other consumables, and shifting some input contracts to activity based arrangements. These savings total \$0.445 million for 2010/11 and out years. Additionally one-off savings of \$0.4 million have been

identified in 2010/11 from efficiencies in FTA related international travel and contact centre operations.

MAF does not consider that there will be any increase in risk of not delivering on the Government's priorities and biosecurity outcomes. These identified savings are as a result of more effective and efficient procurement practices. The one-off savings relating to FTA travel and contact centre operations are due to delays in completing the associated deliverables.

- **Prioritise operational and aquatic research.**
MAF has cut \$0.2 million in 2010/11 and outyears from the funds allocated to operational and aquatic research. The number of operational research projects has been declining in recent times partly due to other work pressures and due to a lot of research in the aquatic area drawing to a close as we move into implementing some of the key findings from the research. As a result, the need to continue the current level of funding in operational and aquatic research has reduced.
- **Realise programme efficiency savings.**
Three programmes of work have identified savings totalling \$0.550 million for 2010/11 and out years. These include savings in the social marketing work associated with Border and Didymo campaigns, savings in some Post Border marine programmes and savings in some Pest Management programmes.

The social marketing work associated Didymo and Border campaigns has been carried out for the past few years and has built a satisfactory level of awareness amongst New Zealanders and tourists. As a result these campaigns can be scaled down to realise savings of \$0.2 million.

The Post Border Marine and Pest Management Programmes have identified savings of approximately \$0.350 million by utilising in-house resources and reducing or delaying activities. Careful analysis has been undertaken to ensure delivery of priority programmes in a more efficient and effective manner i.e. confirmation of scope.

The breakdown showing annual funding changes for the above areas of reprioritisation is provided in Section 3.

As discussed in Section 1, funding decisions on some priority areas such as Government-Industry Agreement (GIA), trans-Tasman X-ray imaging and Tb Pest Management Strategy will have to be made during 2010/11. The funding decisions for Government-Industry Agreement and trans-Tasman X-ray imaging will form part of the Budget 2011 process and Tb Strategy funding may form part of the between Budget contingency process.

Section 3: Summary of Financial Movements

Baseline Alignment Proposal - Financial Summary Report

| Vote: | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|----------|--------------|------------|------------|------------|
| Forestry | | | | | |
| Agriculture and Forestry | | | | | |
| Baseline (2009/10 FBU) | 219,514 | 261,031 | 249,206 | 262,975 | 253,373 |
| Share Allocation | 0 | 0 | 0 | 0 | 0 |
| Centralised Saving | 0 | 0 | 0 | 0 | 0 |
| Reprioritisation | | | | | |
| Afforestation Grants Scheme (AGS) | 0 | 0 | -2,000 | -2,000 | -2,000 |
| Animal Welfare | 0 | 1,600 | 2,200 | 2,200 | 2,200 |
| Climate Change Plan of Action (PoA) | 0 | -850 | -1,050 | -1,050 | -1,350 |
| Emissions Trading Scheme (ETS) Implementation | 0 | 6,300 | 1,900 | 1,100 | 1,500 |
| Total Reprioritisation | 0 | 7,050 | 1,050 | 250 | 350 |
| Transfers Outside Vote | | | | | |
| NZ Productivity Commission | 0 | -35 | -70 | -75 | -75 |
| Total Transfers Outside Vote | 0 | -35 | -70 | -75 | -75 |
| Total Changes | 0 | 7,015 | 980 | 175 | 275 |

15 Mar 2010 10:24:26 AM

Total Proposed Baseline

| | | | | |
|---------|---------|---------|---------|---------|
| 219,514 | 268,046 | 250,186 | 263,150 | 253,648 |
|---------|---------|---------|---------|---------|

Baseline Alignment Proposal - Financial Summary Report

| Vote: | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|----------------|----------------|----------------|----------------|----------------|
| Biosecurity | | | | | |
| | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) |
| Baseline (2009/10 FBU) | 182,257 | 184,251 | 175,944 | 173,713 | 157,336 |
| Share Allocation | 0 | 0 | 0 | 0 | 0 |
| Centralised Saving | 0 | 0 | 0 | 0 | 0 |
| Reprioritisation | | | | | |
| Animal Welfare under Vote | 0 | 1,600 | 2,200 | 2,200 | 2,200 |
| Agriculture and Forestry | | | | | |
| Government-Industry Agreement | 0 | 500 | 0 | 0 | 0 |
| Input cost reductions | 0 | -845 | -445 | -445 | -445 |
| Operational efficiency gains (X-Ray operations at Border) | 0 | -350 | -350 | -350 | -350 |
| Programme efficiency savings | 0 | -550 | -550 | -550 | -550 |
| Reduction in FTE numbers | 0 | -655 | -655 | -655 | -655 |
| Research prioritisation savings | 0 | -200 | -200 | -200 | -200 |
| Trans-Tasman X-Ray Imaging | 0 | 500 | 0 | 0 | 0 |

15 Mar 2010 2:05:54 PM

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Reprioritisation | 0 | 0 | 0 | 0 | 0 |
| Transfers Outside Vote | | | | | |
| NZ Productivity Commission | 0 | -35 | -70 | -75 | -75 |
| Transfer to Vote Agriculture and Forestry to fund Animal Welfare Initiative | 0 | -1,600 | -2,200 | -2,200 | -2,200 |
| Total Transfers Outside Vote | 0 | -1,635 | -2,270 | -2,275 | -2,275 |
| Total Changes | 0 | -1,635 | -2,270 | -2,275 | -2,275 |
| Total Proposed Baseline | 182,257 | 182,616 | 173,674 | 171,438 | 155,061 |

MAF Baseline Alignment Proposal - Fiscal Impact extended beyond 2013/14

Reprioritisation Initiative

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 & Outyears |
|--|----------|----------|----------|----------|----------|----------|----------|-----------------------|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) |

Vote: Agriculture and Forestry

Afforestation Grants Scheme (AGS)
 Animal Welfare
 Climate Change Plan of Action (PoA)
 Emissions Trading Scheme (ETS) Implementation
 Transfer outside Vote - NZ Productivity Commission

| | | | | | | | | |
|---|-------|---------|---------|---------|---------|---------|---------|---------|
| 0 | 0 | (2,000) | (2,000) | (2,000) | (2,000) | 2,200 | 2,200 | 2,200 |
| 0 | 1,600 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 |
| 0 | (850) | (1,050) | (1,050) | (1,050) | (1,350) | (1,750) | (1,750) | (1,500) |
| 0 | 6,300 | 1,900 | 1,900 | 1,100 | 1,500 | 1,500 | 1,500 | 1,500 |
| 0 | (35) | (70) | (70) | (75) | (75) | (75) | (75) | (75) |
| 0 | 7,015 | 980 | 980 | 175 | 275 | 1,875 | 1,875 | 2,125 |

Vote: Biosecurity

Government-Industry Agreement
 Input cost reductions
 Operational efficiency gains (X-Ray operations at Border)
 Programme efficiency savings
 Reduction in FTE numbers
 Research prioritisation savings
 Trans-tasman X-Ray Imaging
 Transfer to Vote Agriculture and Forestry to fund Animal Welfare initiative
 Transfer outside Vote - NZ Productivity Commission

| | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| 0 | 500 | (445) | (445) | (445) | (445) | (445) | (445) | (445) |
| 0 | (845) | (445) | (445) | (445) | (445) | (445) | (445) | (445) |
| 0 | (350) | (350) | (350) | (350) | (350) | (350) | (350) | (350) |
| 0 | (550) | (550) | (550) | (550) | (550) | (550) | (550) | (550) |
| 0 | (655) | (655) | (655) | (655) | (655) | (655) | (655) | (655) |
| 0 | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) |
| 0 | 500 | (200) | (200) | (200) | (200) | (200) | (200) | (200) |
| 0 | (1,600) | (2,200) | (2,200) | (2,200) | (2,200) | (2,200) | (2,200) | (2,200) |
| 0 | (35) | (70) | (70) | (75) | (75) | (75) | (75) | (75) |
| 0 | (1,635) | (2,270) | (2,270) | (2,275) | (2,275) | (2,275) | (2,275) | (2,275) |
| 0 | 5,380 | (1,290) | (2,100) | (2,000) | (2,000) | (400) | (400) | (150) |
| 0 | 5,380 | 4,090 | 1,990 | (10) | (10) | (410) | (410) | (960) |

Fiscal impact

Cumulative effect