

The Treasury

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
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- [14] Not in scope

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Chair
Cabinet Economic Growth and Infrastructure Committee

**QUEENSLAND FRUIT FLY IN AUCKLAND: FUNDING FOR
EXTENDED SURVEILLANCE AND ERADICATION PROGRAMME**

Proposal

1. This paper seeks Cabinet approval for new funding of [8] to carry out an extended surveillance and eradication programme on the small breeding population of Queensland fruit fly (fruit fly) found in Grey Lynn, Auckland, in February 2015.

Executive Summary

2. On 20 February 2015, a small and isolated breeding population of Queensland fruit fly was confirmed at a property in the urban area of Grey Lynn in Auckland.
3. Queensland fruit fly is one of the most economically damaging fruit flies, with the potential to seriously harm New Zealand's \$3.6 billion horticultural export trade. It is particularly destructive because it feeds on a very wide range of host plants including fruit such as kiwifruit, apples, pears and plums, and vegetables such as capsicums and tomatoes. The fruit fly will also impact fruit and vegetables grown in home gardens.
4. The presence of a well-established breeding population of fruit fly could impact on New Zealand through potential loss of market access, increased costs in meeting quarantine measures for export markets, and additional monitoring work. Market access restrictions may prevent crops grown and harvested within the incursion zone from being sold to premium markets. For example, the kiwifruit industry has assessed the financial impacts of a fruit fly incursion, and estimates that, in the worst-case scenario, the impact to the industry could be as high as \$430 million per year.
5. The Ministry for Primary Industries (MPI) believes eradication of this isolated population of fruit fly is possible and has a well-developed plan to do this. The total cost of the response and eradication programme is expected to be [8]
6. The first \$1.200 million of costs are to come from savings and reprioritisation within MPI's 2014/15 budget only, meaning that new funding of [8] is required.

7. These costs do not include any compensation payable under the Biosecurity Act 1993, or other ex gratia payments. If a liability arises I will consult with the Minister of Finance about seeking further funding for these claims.

Background

Economic impact of fruit flies

8. Fruit flies have been identified as the biosecurity threat of greatest concern to the New Zealand horticultural industry. The Chief Executive of Horticulture New Zealand has described the impacts as being equivalent to the "foot and mouth disease of the horticultural industry." New Zealand has had a surveillance programme in place since the mid-1970s to provide early warning of any incursions so that effective early eradication can take place.
9. Queensland fruit fly is one of the most destructive pests because it feeds on a very wide range of host plants. These include not only fruit such as kiwifruit, apples, pears and plums, but also vegetables such as capsicums and tomatoes. The fruit fly will impact both commercially-grown fruit and vegetables and those grown in home gardens.
10. The New Zealand horticultural industry contributes around \$6 billion to New Zealand's Gross Domestic Product (GDP), including domestic consumption and employment. In 2013 sales of produce earned New Zealand \$4.7 billion, of which \$3.6 billion was exports. More than 90% of fresh fruit and vegetable exports by value were crops considered hosts for fruit fly.
11. New Zealand is currently free from commercially damaging fruit flies. This means that fruit can be grown here without the need to control the pest, and that fresh produce can be exported without treatment for fruit fly. This promotes and simplifies trade, as importing countries would otherwise require that produce be treated to reduce the risk.
12. Market reactions such as preventing fruit imports or requiring treatments, could be expected if the fruit fly incursion becomes widespread.

New Zealand's actions to prevent and detect fruit flies

13. To maintain our favourable quarantine status, MPI has carried out a surveillance programme for fruit flies since the mid-1970s. This consists of a network of some 7,500 traps set to lure male flies in high risk locations during the warmer parts of the year. Traps are monitored in accordance with an internationally established protocol.
14. The fruit fly surveillance programme allows fruit flies to be detected at an early stage, provides information about the scale of any finds, and enables a quick and effective response when finds are made.

Previous fruit fly incursions and detections

15. Since 1989 the surveillance programme has recorded eight fruit fly interceptions. In 1996, MAF succeeded in eradicating a small population of Mediterranean fruit fly found in Mt Roskill, Auckland. Forty-one adult fruit flies were found during that response, which took around 12 months at a cost of \$6 million.
16. The 1996 incursion resulted in significant market access restrictions being imposed on exports of New Zealand produce. This is despite the fact it was contained in an urban area of Auckland and did not cause any crop damage. For example, China excluded imports of fruit from the whole of the North Island for a period, and restrictions were not finally removed until two years after the initial outbreak was notified.
17. The Queensland fruit fly is a broadly similar species, with similar surveillance and eradication needs. Current indications are that the eradication campaign underway for the fruit fly has a high chance of success.
18. All other finds, including the recent Queensland fruit flies in January and April 2014, were shown to be single insects, not from a breeding population established in New Zealand.
19. While MPI maintains core competencies and resourcing in biosecurity responses, it relies on the ability to scale up these resources as needed. AsureQuality is MPI's contracted service provider for operational responses in the field, such as surveillance and eradication campaigns.
20. Appendix 1 to this paper summarises the typical activities carried out during a response, and provides comparative total costs for some previous biosecurity responses.

Comment

Queensland fruit flies found in Auckland 2015

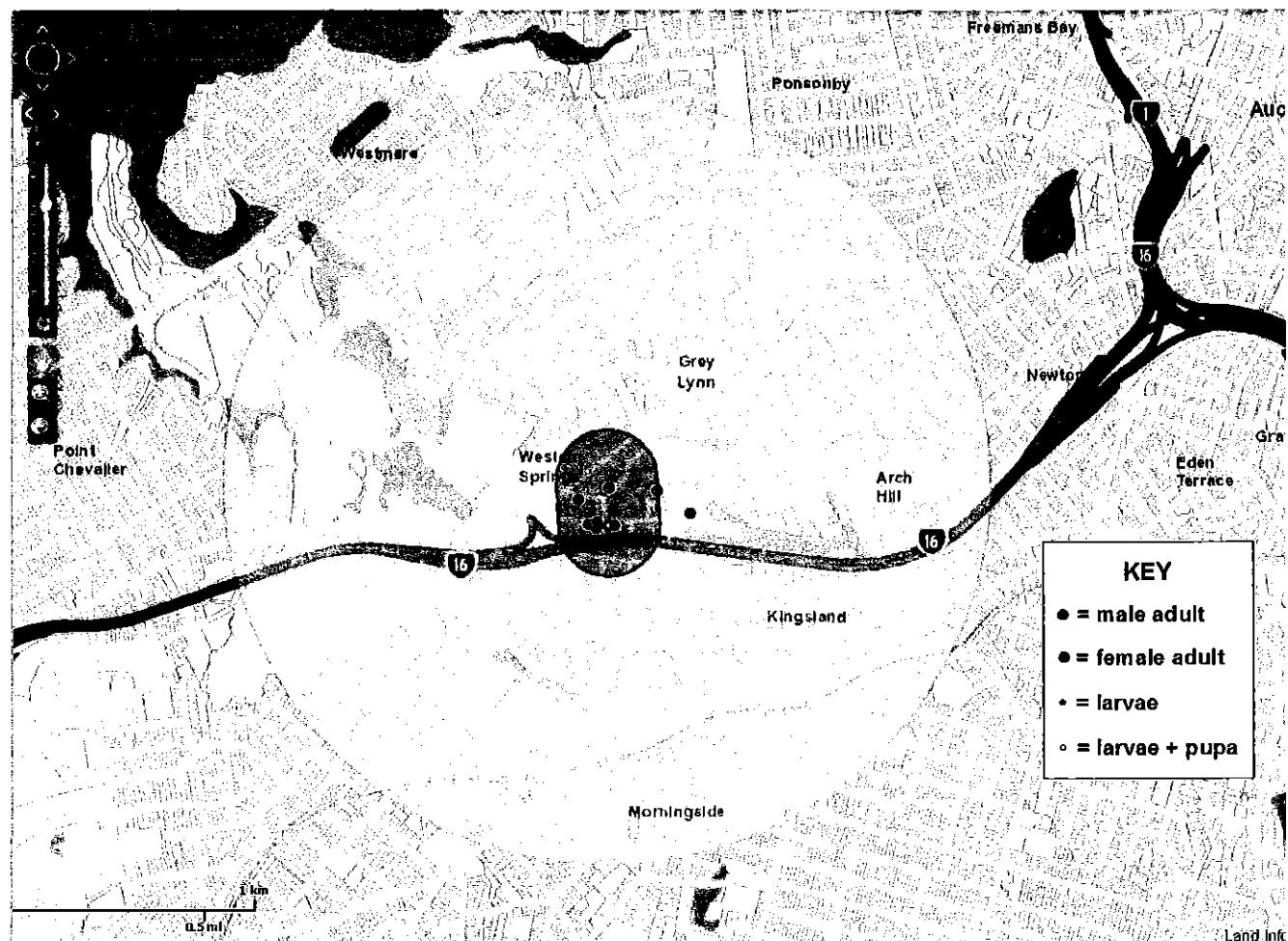
21. Following the initial find of a Queensland fruit fly on 16 February 2015, a small and isolated breeding population was detected at a property some 150 metres away on 20 February 2015.
22. A Controlled Area Notice has been implemented around the initial detection site as part of MPI's pre-agreed response plan; a map of the Controlled Area is provided on the following page (Figure 1). This prohibits the movement of whole fresh fruit and vegetables susceptible to attack by fruit flies from within the area, except under permit. Thirty-six signs have been placed around the Controlled Area for public notification, and more than 500 bins have been provided in the Controlled Area for households to dispose of waste attractive to fruit flies.

Figure. 1: Map showing Controlled Area and fruit fly locations.

Controlled Area Zone A shown in red, and Zone B in yellow.

An enhanced surveillance zone has also been established outside the boundary of Zone B, with additional traps placed up to 6.5 km radius from the site of the finds.

Blue circles show location of adult fruit flies found; other markings show finds of eggs, larvae and pupae.



23. Field teams have been mobilised to put the pre-agreed response plan into action. The response plan aims to eradicate the breeding population, involving:
 - treatment of the infested properties, involving ground spraying, covering the ground directly below the infested trees with polyurethane, and targeted spraying of the infested trees;
 - application of protein bait to host trees within the controlled area (1.5km radius from the detection);
 - placement and monitoring of pheromone traps within the A Zone, B Zone and the enhanced surveillance zone that extends 5km from the edge of the B Zone; and
 - movement controls to restrict the movement of host material out of the controlled area.
24. Field teams¹ have also increased the number of surveillance traps in the Controlled Area from the routine grid set-up of 34 to a total of 529 as at the beginning of March 2015. An additional 541 traps have also been positioned outside the Controlled Area for heightened surveillance.
25. The site of the breeding population has been treated with insecticide, and insecticide baits have been spread to attract and kill newly emerged flies of either sex. A significant public messaging campaign is underway with extensive advertising across a range of media.
26. Operations also involve collecting hundreds of kilos of fruit from domestic gardens within the high-risk Zone A. The fruit is sliced and incubated to promote the development of any fruit fly larvae, and any hatching insects are then carefully examined. This work is carried out within two mobile laboratories, commissioned in November 2014.
27. Contingency planning and trigger points for an escalation of the response have been identified in case of any unexpected high-risk finds. MPI is confident that the current breeding population will be eradicated by implementing the measures in place.
28. [1]
29. Some overseas trade partners have requested further information, and appear to be satisfied with the public profile, scale and quick reaction to the finds, the pre-agreed response plan and high probability of successful eradication.

¹ Up to 180 people, including staff from MPI, operations provider AsureQuality, and partners (including Auckland City Council and the horticultural industry).

Government-Industry Agreement (GIA)

30. The response is being carried out within the terms of the institutional structure established for the Biosecurity Readiness and Response Government Industry Agreement (GIA). Signatories to the GIA include Kiwifruit Vine Health (KVH), representing the kiwifruit industry, and Pipfruit New Zealand, representing apples and pears.
31. Both of these industries would be severely affected if fruit fly became established in New Zealand. The kiwifruit industry has carried out its own assessment of the financial impacts of a fruit fly incursion. It estimates that the worst-case scenario of a breeding population established in Te Puke could cost the industry between \$71.4 million and \$430 million per year, depending on market reactions.²

Proposal

32. It is proposed that MPI continues its eradication campaign to eliminate the small breeding population of Queensland fruit fly in Grey Lynn, Auckland, which is expected to continue to November 2015.
33. MPI is seeking approval to spend [8] million, including new funding of [8] million to carry out this work.
34. The duration of this response is longer than the two fruit fly responses initiated in 2014. The 2014 responses followed the find of single males in surveillance traps, whereas the current case involves a small breeding population which must be tracked down at all its sites and eradicated.
35. The length of response needed is based on the international technical specification for eradication, that there must be no detection of fruit flies for the period of one generation (timing based on temperature and biology of the fly) plus a further 28 days. This timeline is expected to bring the response into November 2015 to give confidence that the population has been eradicated, and provide a sound basis for discussions with trading partners on the lifting of export restrictions.

Financial implications

36. The proposed costs of [8] million are based on the continuing activities required to deal with the infestation within the current Controlled Area A. [8]

² \$71.4 million scenario based on an export restriction zone of 15km radius from find, for a period of 12 months, and not applying to produce exported to Europe and Western Australia; \$430 million scenario based on an export restriction zone of 80km radius from find (which would affect 75% of kiwifruit production) for a period of 12 months.

37. [8][12]

While every effort is made to plan specifically for all activities within the response, dealing with biological systems often involves the need to respond urgently without full information, and continual review is needed. It is essential that MPI is able to respond immediately if any high risk issues arise.

38. Whilst reprioritisation options exist, MPI cannot fund this increased level of response from its current baseline funding. MPI has identified \$1.200 million of funding for the 2014/15 financial year which it has been able to reprioritise to fund the initial response. The \$1.200 million transfer is available for 2014/15 only.
39. The financial implications are based on the scenario that the last fly is found within the next few weeks, within the controlled area. The intense response would continue until the end of May 2015 with a scaled-down response continuing until the end of November 2015.
40. The complexity of the Queensland fruit fly programme and the duration of the expected response, mean that costs may be incurred slightly later than budgeted. For this reason MPI are seeking an in-principle expense transfer of up to \$5.000 million from 2014/15 to 2015/16 in case costs forecast to be incurred this financial year end up being incurred in the 2015/16 financial year.
41. It is proposed that MPI report back to Cabinet in early 2016 on the final costs of the eradication programme, and hand back any unused funding.
42. Table 1 below provides a budget of provisional costs based on this scenario. The costs are estimates provided by AsureQuality contracted to carry out the operations and additional MPI funding required. It is expected that if no more fruit flies are found in the next few weeks, from November onwards no additional funding would be required as MPI has an established and effective surveillance plan in operation.

Table 1: Total costs of fruit fly eradication

Total Costs	Total 2014/15	Total 2015/16	Total Total Costs
[5]			
MPI Costs			
Human resource costs	758,434	222,500	980,934
Supplies	225,106	25,000	250,106
Communication, Advertising, Printing and Publications	758,440	300,000	1,058,440
Travel, accommodation and meals	215,491	50,000	265,491
MPI Costs	1,957,471	597,500	2,554,971
[5]			
[8]			
[8]			
Less: MPI funding from existing baseline	(1,200,000)	-	(1,200,000)
[8]			

Key risks and assumptions

43. During the initial phase of the response every effort has been made to reduce costs while maintaining activity levels. In logistics, for example, staff have been accommodated and catered for at Whenuapai air base when possible, at \$15 per person per night. Uniformed staff already on the payroll have been used in preference to contractors wherever possible. Savings have also been made on technical aspects of the response, such as changing waste disposal methods from heat sterilisation to cheaper deep burial of risk material. Now that the eradication is moving into its long-term phase, MPI is in the process of contracting resources at the best possible prices within the context of the longer-term work programme.
44. The objectives and activities carried out in the response will need to change if additional breeding populations of the fly are detected within Controlled Area A. This would require the zone to be extended, and the response timeline and costs extended also.
45. If a new population of fruit fly is detected outside the Controlled Area C (6.5km radius from the current infestation) this would constitute a new response and would require separate consideration. I would provide further advice to Cabinet if this occurred.

46. Other risks include the loss of community support for the fruit fly response, and a more serious reaction from trade partners. MPI will manage these risks by continuing its communications to ensure that the public is fully informed. Communication will be maintained with trading partners to outline the activities being carried out to prevent the spread of the fruit fly and its introduction from New Zealand into other countries. Some trading partners might require additional surveillance after eradication has been declared.

[12]

Consultation

With stakeholders

49. A separate work stream has been established within the response structure for liaison with industry partners, who have all been supportive of actions to date. The two incursions of Queensland fruit fly in early 2014 focused the attention of a range of horticultural industries on the potential costs to industry once the period of cost-sharing begins.
50. As part of Government's commitments to joint decision-making under the GIA, representatives of KVH and Pipfruit New Zealand are included in the Governance Board of the overall response structure.

With government departments

51. The Treasury, Ministry of Business, Innovation and Employment, Te Puni Kokiri, Ministry for the Environment, and the Department of Conservation have been informed of this paper.
52. The Department of Prime Minister and Cabinet, and Ministry of Foreign Affairs and Trade are represented as observers on the Governance Board of the response.

Human Rights

53. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative Implications

54. This paper has no legislative implications.

Regulatory Impact Analysis

55. Neither a regulatory impact analysis nor analysis of the paper's consistency with commitments in the Government Statement on Regulation are required, as the proposals in this paper will not result in a Government Bill or statutory regulations.

Publicity

56. Public announcements via newspaper, radio advertising and pamphlet drops will continue to be an important part of the overall surveillance and eradication programme. It is important that the public is well aware of the need for permits to move risk goods out of the Controlled Area to prevent the wider spread of any fruit flies until the eradication can be confirmed as successful. MPI will continue to manage communications in close consultation with my office.

Recommendations

57. The Minister for Primary Industries recommends that the Committee:
1. **Note** that in February 2015 a small breeding population of Queensland fruit fly was detected in Grey Lynn, Auckland;
 2. **Note** that this pest is one of the most economically damaging fruit flies world-wide, with the potential to affect 90% of New Zealand's fresh fruit and vegetable exports, worth more than \$3.6 billion annually;
 3. **Note** that the Ministry for Primary Industries is carrying out a campaign to eradicate the fruit fly, that is expected to run until November 2015;
 4. **Note** that based on current progress the response expenses for eradicating the small breeding population of fruit flies are expected to be [8] excluding any compensation payable under the Biosecurity Act 1993;
 5. **Note** that the expected funding needed is based on some assumptions around the extent of the fruit fly population;
 6. **Note** that a second submission will be drafted for Cabinet's consideration should there be any requirement for further response expenditure;
 7. **Note** the first \$1.200 million of expenses for the response will come from savings and reprioritisation from within the Ministry for Primary Industries' existing appropriations as proposed in the March Baseline Update;
 8. **Note** that should issues of compensation arise a further paper will be submitted for Cabinet's consideration;

9. **Approve** the following change to the appropriations to implement a Queensland fruit fly response programme; with a corresponding impact on the Government's operating balance:

	\$m – Increase/(Decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Vote Primary Industries Minister for Primary Industries					
Multi-Category Expenses and Capital Expenditure: Domestic Biosecurity Risk Management MCA Departmental Output expense: Biosecurity Incursion Response and Long Term Pest Management (<i>funded by revenue Crown</i>)	[8]	—	—	—	—
Vote Primary Industries and Food Safety Minister for Primary Industries					
Multi-Category Expenses and Capital Expenditure: Border and Domestic Biosecurity Risk Management MCA Departmental Output expense: Biosecurity Incursion Response and Long Term Pest Management (<i>funded by revenue Crown</i>)	—	[8]	—	—	—
Total			—	—	—

10. **Note** that the funding for 2014/15 will be charged against the between budget contingency, and the funding for 2015/16 will be a charge against the Budget 2015 allocation;
11. **Agree** that the appropriation changes referred to in recommendation (9) be included in the 2014/15 Supplementary Estimates and that, in the interim, these expenses be met from Imprest Supply;
12. **Note** the complexity of the Queensland fruit fly programme and the duration of the expected response, may potentially require an in-principle transfer of up to \$5 million of operating expenditure from 2014/15 to 2015/16;
13. **Approve** an in-principle expense transfer of up to \$5 million from the *Domestic Biosecurity Risk Management* appropriation in Vote Primary Industries in 2014/15 to the *Border and Domestic Biosecurity Risk Management* appropriation in Vote Primary Industries and Food Safety in 2015/16;
14. **Authorise** the Minister of Finance and the Minister for Primary Industries jointly to determine the final amount to be transferred, following the completion of the 2014/15 audited financial statements, with no impact on the operating balance; and

15. Direct MPI to report back to Cabinet by the end of February 2016 on the final costs of the eradication programme, and return any unused funding to the centre.

Nathan Guy
Hon Nathan Guy
Minister for Primary Industries

9 / 4 / 2015

Queensland Fruit Fly in Auckland: Funding for Extended Surveillance and Treatment Programme

What has occurred?

- On 20 February 2015, a small and isolated breeding population of fruit fly was confirmed at a property in the urban area of Grey Lynn in Auckland.
- Field teams have been mobilised to put a pre-agreed response plan into action. The response plan aims to eradicate the breeding population. Up to 200 people are involved in the response.
- MPI is focussed on containing and eradicating the current Queensland Fruit Fly incursion in the quickest and most efficient way possible. Failure to contain the current incursion could affect 90% of New Zealand's fresh fruit and vegetable exports, worth more than \$3.6 Billion annually.

The Eradication Programme

- The programme is based on the assumption that the last fruit fly is found within the next few weeks within the controlled area (refer to map on reverse).
- A scaled down response would continue until the end of November, this reflects the accepted standards for such a response and would be expected by our trading partners.

What drives eradication expenditure?

Some of the activities required to eradicate the fruit fly are:

- Baiting** – this involves approximately 30 staff applying bait in the A and B Zones (refer to map on reverse) covering approximately 1,600 properties, requiring 30,000 to 60,000 hours of effort.
- Trapping** – this involves up to 60 staff setting and inspecting approximately 1,000 traps ranging in frequency from daily to fortnightly.
- Logistics, Operations Management and Administration** – Providing the management of finances, personnel, procurement, health and safety, IT, and reporting. This activity will continue throughout the life of the response, requiring 20,000 to 40,000 hours of effort.
- Permitting** – issuing permits for movements of risk goods out of or through the Controlled Area, monitoring permits issued for compliance with requirements, requiring 1,000 to 2,000 hours of effort.
- Waste Management** – managing the collection, transportation, and destruction of risk material from the Controlled Area. Approximately 1,000 bins are distributed through the A and B Zones for residents and visitors to dispose of fruit and vegetables in a controlled manner, requiring 40,000 to 60,000 hours of effort.
- Risk Management Communications** – communicating with businesses in the Controlled Area that may be handling fruit and vegetables to ensure they understand and adhere to the requirements, requiring 4,000 to 8,000 hours of effort.

Funding required for the Eradication Programme

Total Costs	Total 2014/15	Total 2015/16	Total Costs
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[5]

MPI Costs

Human resource costs	758,434	222,500	980,934
Supplies	225,106	25,000	250,106
Communication, Advertising, Printing and Publications	758,440	300,000	1,058,440
Travel, accommodation and meals	215,491	50,000	265,491
MPI Costs	1,957,471	597,500	2,554,971

[5]

[8]

Less: MPI funding from existing baseline	(1,200,000)	-	(1,200,000)
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[8]

[8][12]

Any unspent funds to be returned

MPI is to report back to Cabinet at the end of February 2016 to outline the success of the eradication programme, its final costs, and to return any unspent funding.

Cost control

The costs for the eradication programme have been established following detailed costings of our response plan with AsureQuality, MPI's contracted supplier for field operational responses.

Cost control measures to date include:

- Accommodating and catering for staff at Whenuapai Air Base wherever possible, at the cost of \$15 per person per night;
- Using staff already on the payroll in preference to contractors whenever possible;
- Changing some waste disposal for some material from expensive heat sterilization to much cheaper deep burial landfills;
- Reducing activities such as trap inspections and clearance of waste disposal bins over the winter when fly activity levels are lowered, and;
- Changing movement control restrictions to allow approved retailers with acceptable lower risk supply chains to supply outside the controlled area.

MPI will continue to monitor the cost effectiveness of the response and take additional actions where appropriate.

Funding for Previous Programmes

- MPI is funded for a base level of biosecurity response (approximately \$700,000 annually). Large incursions have always required additional funding.

MPI regularly respond to incursions right across NZ, indicative costs of similar responses are:

Response	Cost \$ million*	Years
Southern salt marsh mosquito	77.0	1998-2010
Painted apple moth	61.0	1999-2004
Varroa bee mite	18.0	2000-2010
Mediterranean fruit fly	6.0	1996
PSA Vine Disease	50.0	2010-2013
Queensland fruit fly Whangarei	1.1	2014
Queensland fruit fly Whangarei	1.4	2014
Queensland fruit fly Auckland	1.5	2012

Cost comparisons

- The most recent Queensland Fruit Fly "level 1" responses in Auckland and Whangarei cost less than the current response because only a single male fruit fly was found.
- This latest Queensland Fruit Fly response has been elevated to a "level 2" response because a small breeding population has been found.
- The densely populated location (8,000 properties within the control area compared with 1,500 in Whangarei), along with a number of large events such as 4 cricket world cup matches at Eden Park within the response zone have also increased costs.

Potential Compensation Liability

- The costs of the programme do not include any provision for potential compensation.
- No compensation claims have yet been received by MPI.
- Should issues of compensation arise a further paper will be submitted for Cabinet's consideration.

*these costs were prepared in different years on different bases, and are not directly comparable.

Map showing Controlled Area and fruit fly locations

Controlled Area Zone A shown in red, and Zone B in yellow. An enhanced surveillance zone has also been established outside the boundary of Zone B, with additional traps placed up to 6.5 km radius from the site of the finds.

