

Title: Review of the Poultry Health Scheme (PHS) (Fees) Regulations 2011 IA No: Defra1434 Lead department or agency: Department for Environment Food and Rural Affairs Other departments or agencies:	Impact Assessment (IA)			
	Date: 28/05/2012			
	Stage: Consultation			
	Source of intervention: Domestic			
	Type of measure: Secondary legislation			
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Summary: Intervention and Options			RPC Opinion: AMBER	

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as
£0m	£0.593m	£0.06m	No	NA

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

The Poultry Health Scheme (PHS) (Fees) Regulations 2011 provides the legal basis for setting the fees for the approvals of the Poultry Health Scheme established under Council Directive 2009/158/EC and the Trade in Animals and Related Products Regulations 2011. Current fees do not reflect the true cost to Government of providing this statutory service resulting in subsidy for applicants and a financial cost to the general taxpayer. Government intervention is necessary to remove the subsidy and relieve the burden on the general taxpayer and it is intended to increase the charges to businesses to full cost recovery levels.

What are the policy objectives and the intended effects?

The Poultry Health Scheme facilitates EU trade and exports to third countries without risking the spread of certain diseases which prevent the economic wellbeing of the poultry industry. This proposal aims to relieve the burden on the taxpayer of providing this service without compromising the Government's objectives in maintaining our poultry disease status and facilitating trade in these products. The intended effect of the policy is a more efficient use of public resources by transferring the cost of service provision from the general taxpayer to the direct beneficiaries of this scheme and move toward Full Cost Recovery (FCR), in line with Government Policy (Managing Public Money (October 2007) HM Treasury).

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

0. Do nothing (no change to current policy of partial cost recovery)
1. Introduction of fee increases to achieve FCR for administration of the Poultry Health Scheme for all applicants in one go, from October 2012.
2. Phased introduction of fees to achieve FCR by year 2 of implementation (2013/14) for administration of the PHS. This is our preferred option as it is the only option that provides members with a period of adjustment to absorb the significant fee increase. We need to address the shortfall in funding for this service which has not increased since 2005. The proposed increases form a very small proportion of the value of Intra-Union and 3rd country trade which has steadily increased over the past 3 years.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: Month/2017					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: No		Non-traded: N/A

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

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Introduction of full cost recovery charging from October 2012

FULL ECONOMIC ASSESSMENT

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

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		0.074	0.632

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

This option introduces full recovery of costs from services from October 2012. The average cost per year at constant prices is £0.074m This cost will be born by businesses exporting to other EU Member States or trading with other PHS members domestically. (See table page 7).

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

None (admin burdens on industry are expected to be negligible as exiting systems for payment will continue to be used)

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		0.074	0.632

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

The beneficiaries of this option will be the general taxpayer who will benefit from a cost transfer to the industry. This benefit will be the same magnitude as the costs shown above.

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

Key assumptions/sensitivities/risks

Assumption: service cost forecasts for 2012/13 are based on the assumption that the number of members will remain at or close to 2010/11 volumes.

Discount rate (%) 3.5%

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.07	Benefits: 0	Net: 0.07	No	NA

Summary: Analysis & Evidence

Policy Option 2

Description: Introduction of full cost recovery charging from October 2013 with phasing in at half the full increased rate from October 2012.

FULL ECONOMIC ASSESSMENT

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

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		0.070	0.593

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

This option introduces full cost recovery, phased in over 2 years. The average annual cost at constant prices of £0.07m will be borne by businesses exporting to other EU Member States or trading with other Poultry Health Scheme members domestically. (See table page 7).

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

None (as option 1)

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		0.070	0.593

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

The beneficiaries of this option will be the general taxpayer who will benefit from a cost transfer to the industry. This benefit will be the same magnitude as the costs shown above. Maximum of 5 lines

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

The assumptions made and the risks involved match those described in Option 1. However, phasing increases over two years, ensures that relative to Option 1, impacts (foreseen and unseen) are likely to be reduced, and can be gauged and mitigated more easily. It also provides time for the service to work with industry to find more cost-effective ways of delivery the service. potentially reducing the fee increases required in year 2 to achieve FCR, while maintaining disease free status.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.07	Benefits: 0	Net: 0.07	No	NA

Evidence Base (for summary sheets)

1. Background: Poultry Health Scheme (PHS)

- 1.1 The present Poultry Health Scheme has been in place since 1990 and is a trade facilitation scheme that was established to implement a system of approval for establishments officially recognised as meeting the requirements of European Directive 2009/158/EC covering the animal health conditions for trade in live poultry and hatching eggs.
- 1.2 The scheme is aimed at any one that keeps the following types of poultry:
 - Fowl; turkeys; guinea fowl; ducks; geese; quails; pigeons; pheasants; partridges and ratites and wish to either:
 - export more than 20 birds or hatching eggs to another European Member State
 - sell birds or eggs to other PHS members; or
 - export to certain countries outside the European Union that require compliance with European Council Directive 2009/158/EC.
- 1.3 Membership of the scheme is open to all poultry breeders, rearers and hatcheries operating as either individuals or companies in the capacity of either owners or tenants at a particular premises. Membership of the PHS is a requirement for holdings that wish to export live birds or hatching eggs to the EU and 3rd countries. A charge for registration is applicable for those wanting to join the scheme, along with a charge for initial premises inspection. The cost of annual inspections and administration is recouped through the payment of annual membership fees. With renewal of membership, the scheme provides business with the flexibility of using the services of an Official Veterinarian (OV) as their costs are lower than AHVLA in practice. Most companies choose the OV route option either because they can negotiate a lower rate or have already a routine visit planned so can achieve a saving by combining their fee. In 2010/2011 this option was used in the majority of renewals with 106 members overall choosing OV's.
- 1.4 Memberships are paid per premises so one company may pay a number of membership fees. As of now there are 31 companies representing 215 holdings/locations that are members of the PHS. The breakdown of this total is in Annex 1 and these are not expected to change significantly within the near future.
- 1.5 Historically, in the 1970s, Poultry Health Scheme visits were carried out with visits statutorily required under the Poultry Breeding Flock and Hatcheries order (PBFHO) when similar checks were made on bio-security and records of testing. At the time as the PBFHO visits were a legal requirement and not chargeable the PHS visits were included at a nominal charge. When the PBFHO changed the method of testing and became the Control of Salmonella in Poultry Order and began charging the PHS visits were carried out separately and we introduced a small charge for carrying out PHS visits. The subsidised costs were seen as a way of facilitating trade. The proposed charges at Annex 3 reflect the actual VO time to inspect premises, so removes the subsidy. The increase in charge to FCR is an insignificant proportion of the value of trade.

2. Problem under consideration

- 2.1 The Poultry Health Scheme (PHS) (Fees) Regulations 2011 sets the fees for the approvals of the PHS established under Council Directive 2009/158/EC and the Trade in Animals and Related Products Regulations 2011. This Statutory Instrument guards against diseases of poultry and facilitates trade. Current fees do not reflect the true cost to Government of providing this statutory service resulting in subsidy for applicants and a financial cost to the general taxpayer. Government intervention is necessary to remove the subsidy and relieve the burden on the general taxpayer and it is intended to increase the charges to businesses to full cost recovery levels.
- 2.2 Animal Health and Veterinary Laboratories Agency (AHVLA) administer the scheme on behalf of Defra (the Competent Authority) and they charge companies for this service. Their fees cover

the administration and inspection of premises. They have not been increased since 2005 and need to reflect the true cost for providing this service. Parallel Fees SI's will be required in Wales and Scotland.

3. Rationale for intervention

- 3.1 It is Government policy to fully charge for publicly providing goods and services where feasible. Charging for executing the Poultry Health Scheme relieves the taxpayer of costs, as they should be borne by the users who largely benefit directly from poultry exports. This allows for a more efficient use of limited public expenditure and borrowing, as well as removing market distortion resulting from a public subsidy for the service.
- 3.2 These costs are transferred to industry by charging, essentially there is a cost to the industry and equivalent benefit to society as the revenue is paid to AHVLA. This arrangement avoids the implicit subsidisation of private sector at taxpayer expense. Charging for these services is in accordance with Treasury and Defra's **overall rationale** for charging.
- 3.3 Our evidence base shows the current charging regime as of financial year 2012 will not recover full costs. There is also an element of sector cross-subsidy in the order of £3k. This is based on an average fee being charged for flock and hatchery rather than an individual fee. If we charged a flat fee for both renewal of flock membership would be subsidising renewal of hatchery membership to the tune of £3k. Initial membership with a flock would subsidise initial membership with a hatchery to the tune of £145.00. Treasury guidance strongly advises against these practices.
- 3.4 The full cost to AHVLA for providing this service will be circa £104,000.00 for 2011/2012. Income received for 2011/2012 is forecast at £25,000.00.
- 3.5 Trade in poultry continues to increase, so although industry have to pay for each registration, the increase overall demonstrates the benefit of the scheme to industry and may indicate how costs will be absorbed.
- 3.6 Other Member States have a different approach to how they charge for services to industry. It has been recognised that some Member States are more supportive to industry than others. We have consulted other EU Member States on their approach to charging and some fully recover their cost while others subsidise. The table below illustrate responses from other Member States. For those who are yet to respond we will obtain this information during consultation.

Other Member States (MS) Approach to Charging Poultry Health Scheme (PHS)	
Cost Fully Recovered	Estonia, Finland, Latvia, Lithuania, The Netherlands
Costs Partially recovered	
No Cost - Industry subsidised	Cyprus, France, Ireland, Luxembourg, Norway, Poland, Romania
Other Comments	Ireland are currently reviewing their charges Germany unable to provide the information

*There are 27 Member States (including the UK), and responses received are from: Cyprus, Estonia, Finland, France, Germany, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland and Romania.

4. Policy objective and intended effects

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

5. Description of options considered (including doing nothing)

5.1 Three options have been considered in delivering this policy objective:

Option 0: This is the 'do nothing' baseline (i.e. keep charges at current levels) against which other options are evaluated. Costs and benefits are not measured for this option but clearly it would not deliver the government's objective of full cost recovery.

- **Option 1: Introduction of Full Cost Recovery charges (from October 2012) for inspection and approval of premises.** This option would deliver the Government's stated objectives and recover the full cost of the service in one go.
- **Option 2: Phased introduction to achieve Full Cost Recovery charges from October 2013 for inspection and approval of premises. From October 2012 fees would rise by half the eventual full increase.** This option would deliver the Government's stated objectives and recover the full cost of the service, but over a slightly longer period.
- **Preferred option - Option 2** – This option would fully recover cost for services provided by AHVLA over a longer period and allow an adjustment period for business

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

6.1 Options

Option 1: Introduction of full cost recovery charges from October 2012 for the Poultry Health Scheme for inspection and approval of premises.

Costs and Benefits:

- The services which are used by members of the scheme will be self funding from October 2012. The cost will be borne by those who stand to benefit. The table below shows the pattern of costs and benefits across financial years. Relative to current charges and assuming no change in uptake of services the costs to industry (and benefits to taxpayers) will increase by £38,850 and £77,700 in financial years 2012/13 and 2013/14 respectively.
- In economic terms fees and charges are regarded as a form of transfer i.e. the costs are transferred from one party to another. In the above cases the additional cost is being transferred from the government (taxpayer) to those who receive the service. The taxpayer therefore enjoys a benefit of equal magnitude to the cost borne by the user of the service.

Option 2: Introduction of FCR from October 2013 for inspection and approval of premises with phasing in at half eventual full cost from October 2012.

Costs and Benefits:

- The services which are used by members of the scheme will be self funding from October 2013. The cost will be borne by those who stand to benefit. The table below shows the pattern of costs and benefits across financial years. Relative to current charges and assuming no change in uptake of services the costs to industry (and benefits to taxpayers) will increase by £19,400, £58,200 and £77,713 in financial years 2012/13, 2013/14 and 2014/15 respectively.

6.2 Current and proposed charges (Full cost recovery)

6.2.1 Annex 2 shows basis for calculated charges

6.2.2 Annex 3 shows the current fees in comparison with existing fees, those increased in 2005.

6.2.3 Annex 4 shows the income for 2011-12 and 2012-13 with a comparison with existing fees SI e.g. those increased in 2005 and the impact of the different options.

6.2.4 Note that applicant's to the PHS must pay both the registration fee and the appropriate annual membership fee.

6.2.5 The following table shows the increased cost to business (financial years) as a consequence of higher charges. These costs are shown on the summary pages at the beginning of this Impact Assessment and are equivalent to the reduced need for subsidy from the general taxpayer. They are also therefore the benefits of these options.

Table 1: Increase in costs to business from higher charges (equivalent to benefit to taxpayer) (Financial years £m)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At constant prices											
Option 1	0.039	0.078	0.078	0.078	0.078	0.078	0.078	0.078	0.078	0.078	0.741
Option 2	0.019	0.058	0.078	0.078	0.078	0.078	0.078	0.078	0.078	0.078	0.701
Present Value (a)											
Option 1	0.039	0.075	0.073	0.070	0.068	0.066	0.063	0.061	0.059	0.057	0.632
Option 2	0.019	0.056	0.073	0.070	0.068	0.066	0.063	0.061	0.059	0.057	0.593

(a) discounted at 3.5%

6.3 Summary of preferred option with description of implementation Plan

The preferred option is option 2: Phased introduction of FCR by year 2 of implementation (from October 2013) for inspection and approval of premises.

- 6.3.1 The value of trade in exports to the EU and third countries in 2010 was £127.0m. The income derived by AHVLA for that year was £0.025m. The increase in charges to adopt FCR, which amounts to £0.078 per annum, is insignificant in comparison with the value of this trade. In principle, therefore overall cost recovery is achievable.
- 6.3.2 A phased introduction of FCR fees is being recommended given the magnitude of the increases in the charges, which will allow smaller businesses to adapt.
- 6.3.3 Our plan would be to introduce charges via a statutory instrument in October 2012.
- 6.3.4 The benefit of this option is to give businesses the time to adapt to the increase and if necessary apply efficiencies to absorb the fees. Annex 4 sets out details as to when the fees will be phased in against each activity/service and when we will achieve FCR.

6.4 Administrative burdens

- 6.4.1 We predict that there will be minimal (perhaps insignificant) increase in the administrative burden on businesses or Government, because, although charges will increase, the administrative process will remain unchanged.

7. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

- 7.1 Charging for these services identified in the proposed legislation is in accordance with Defra's overall rationale for charging. If an industry or group or individual undertakes an activity that has the potential to cause an adverse effect on others, it should face the cost of enforcing and implementing the regulation. Furthermore, where charges are applied for services they should aim for a full cost recovery.

7.2 In terms of GB trade patterns, the volumes and value of poultry exports have increased over the past 2 years and are set to increase further in 2011/12. The table below show the number of consignments and total export value from 01 January 2009 to date.

Trade in Live Poultry and Hatching Eggs to third countries and the EU		
Year	Number of consignments of poultry and hatching eggs	Values (£mill)
2009	2,166	112.0
2010	2,564	127.2
2011 to date	2,239	90.4

- 7.3 These volumes are largely driven by the multi-national companies with high exports and reputational risks to manage. Moving to FCR should not impact adversely on those businesses. At the other end of the scale, there are 15 smaller companies with one holding and we need to understand the impact of the increases in the proposed charges. The scheme already allows flexibility for firms to opt for OV inspection (on annual renewal of membership) which costs less than AHVLA VO inspection, and it is anticipated that more firms will take up this option. This would result in the loss of some business for AHVLA. It is also possible that some smaller firms might choose to scale down their operation by reducing the number of premises and thus costs. A worse case scenario is that smaller holdings would have to withdraw from the scheme altogether and operate using volumes below the PHS threshold. This is unlikely but our consultation will enable those affected to comment. As a precaution a phased approach to increasing the charges would ease the transition.
- 7.4 We have worked, in collaboration with the poultry sector during the past year, to review the scheme and explore alternative ways of delivering it. One output, which we have implemented after negotiation in the EU, is a new laboratory testing regime as the old one was no longer considered fit for purpose. This should lead to more reliable results in identifying disease and require less call out from OVs/AHVLA VOs.
- 7.5 It should also be noted the PHS members are also required to undertake regular testing for salmonella and mycoplasma. The tests are carried out by laboratories which must in turn be approved for the purpose. There is a separate project ongoing to review and update the fees charged to Laboratories that carry out the proficiency tests which will impact on PHS members also. Further information on this is set out in the National Control Plan for Salmonella Impact Assessment, IA No: DEFRA1445.

8 Risks and assumptions;

8.1 Risks:

The main risk if the requirement to introduce full-cost recovery based charges is implemented is that the increase in charges proposed may:

- reduce demand, for the service if some market sectors become unprofitable
- potentially increasing cost to importers (e.g. EU Member States and Third Countries)
- some businesses may consider reducing the number of premises

These implementation risks are considered manageable, with Option 2 providing a longer timescale to work with businesses in their mitigation.

8.2 Assumptions

- funding for the project remains at planned level; industry willing to engage with government on proposed fees increase; resources available to complete project
- The increase in costs for 2012/13, upon which the fees are calculated, are based upon the assumption that trade volumes (number of consignments) 2010/11 will be maintained post- implementation.
- The calculations of costs to businesses also assume that the administrative burden of implementation will not be significant for businesses.
- Changes in business practices in response to fee increase will vary between sizes of businesses. There are 15 companies with a single holding and increase could potentially (but unlikely) mean closure.
- Passing through some or all of the extra costs to customers, possibly resulting in lower demand, or absorbing the cost and reducing their profit margins.
- Membership of the scheme could reduce by companies trading in numbers less than 20 birds.

9. Direct costs and benefits to business calculations (following OIOO methodology)

9.1 One-In-One-Out methodology has been followed. However, it should be noted that these proposals are not under the scope of the One-In-One-Out in line with the statement by the MoS for Business and Enterprise that 'fees and charges should only be considered in scope of the Government's One-In-One-Out policy where they resulted from an expansion in the level of regulatory activity'. These proposals do not expand the level of regulatory activity. Treasury's Managing Public Money clearly states that it is government policy to charge for many publicly provided services and the norm is to cover full costs services and all options presented work towards this aim.

10. Wider Impacts (consider the impact of your proposals)

- 10.1 It is anticipated that businesses affected by the change in fees will pass these costs on to customers. We do not anticipate that the proposed charges will restrict competition in this sector within GB.
- 10.2 However, the phasing of fee increase (option 2) will enable the sector to adjust over the time period.

10.3 Small firms impact assessment

- 10.3.1 A significant proportion of companies (approximately 75%) using this service are micro to small and these account for approximately (% to be determined through our consultation) of the annual cost to businesses. Given that the service provided and charging scheme long established, Options 1 and 2 should entail no additional administrative costs or capital investments on business. Furthermore, the preferred option, Option 2, offers businesses a two year period to adapt to the increases. On this basis, we do not anticipate any significant, disproportionate impact of this option to businesses.
- 10.3.2 A more detailed exploration with trade associations will be carried out to ensure the issues for small businesses are scoped and set out fully in the draft consultation documents. Furthermore a request for evidence of impacts on small businesses will be carried out through informal and formal consultation. These will assist in determining whether further exemptions, in addition to the 2-year adaptation time provided under option 2, could be justified.

10.4 Competition Impact Assessment

- 10.4.1 The increase in the charges will be an additional cost to business in this sector. It may be possible for some businesses to pass the costs to customers to absorb them themselves. There may be some markets, particularly where profit margins are high, where demand is sufficient and robust for customers to pay the increased prices.
- 10.4.2 However, the sector is currently fragmented with micro, small, medium and large businesses involved in the trade. Industry will continue to trade and provide a good quality of service to their customers. Furthermore, the phasing of fee increase (Option 2) will help the sector to adjust to changes over a two year period. On this basis we do not anticipate that the proposed charges will restrict competition in this sector within England.

10.5. Cumulative Impact

- 10.5.1 Some business affected by these proposals, will also be affected by the proposals to increase charges that fall under the National Control Plan (NCP) for *Salmonella* Impact Assessment number IA 1445. Namely, those poultry food business operators (primarily chickens and turkeys) who want to export more than 20 birds, sell birds or eggs to other PHS members, or export to certain third countries. We anticipate that this mainly apply to the larger multinational *Salmonella* NCP poultry food business operators (it is estimated there are about 16 such operators in total) and may also apply to a few specialist operators
- 10.5.2 Policy makers recognise that there will be a cumulative impact of both PHS and *Salmonella* NCP proposals. This is something we want to better understand and will be seeking views through consultation with stakeholders. Both PHS and *Salmonella* charges are part of a package of related fees changes which will we will be consulting on at the same time.
- 10.5.3 It is important to note that other fees and charges may also be increased or introduced over time, in line with Government' policy t recover the full cost of service it delivers

10.6 Legal Aid

- 10.6.1 The proposal does not create new criminal sanctions or civil penalties.

10.7 Carbon Impact Assessment

- 10.7.1 The proposal will have no significant effect on carbon emissions.

10.8 Greenhouse gases Impact Assessment

- 10.8.1 The proposal will have no significant effect on greenhouse gases.

10.8 Other Environment Issues

- 10.9.1 The Proposal has no implications in relation to climate change, waste management, landscapes, water and floods, habitat and wildlife or noise pollution.

10.10 Health Impact Assessment

- 10.10.1 These proposals do not alter the number or frequency of inspections made to protect public health, but rather the sustainability of the inspection system going forward by ensuring full costs are recovered and that therefore the necessary number and quality of official visits continue in future years.

10.11 Race/ Disability/Gender

- 10.11.1 The legislation does not impose any restriction or involve any requirement which a person of a particular racial background, disability or gender would find difficult to comply with. Conditions apply equally to all individuals and all businesses (except the very smallest) involved in the activities covered by the legislation.

10.12 Human Rights

10.12.1 No impact noted.

10.13 Rural Proofing

10.13.1 The majority of producers affected by the charging legislation are based in rural areas.

Annex 1

Total Number of PHS Holding		215			
Company	Hatchery only	Flock only	Flock and hatchery	Total No of holdings	Percentage of sector (%)
Aviagen	9	46		55	25%
Aviagen Turkeys	1	26		27	12%
Bernard Matthews	1	14		15	6%
Cherry Valley Farms Ltd	2	11	2	15	6%
Lohmann GB Ltd	2	4	7	13	6%
Cobb Europe Ltd	1	11		12	5%
Hy-Line UK Ltd	1	6	2	9	4%
Joice & Hill Poultry Ltd	1	6	1	8	3%
Tom Barron Ltd	1	7		8	3%
Cranberry Foods Ltd	1	7		8	3%
Holly Berry Hatcheries	1	6		7	3%
Banham Group Ltd	0	6		6	2%
Hubbard UK Ltd	1	4		5	2%
Noble Foods	0	5		5	2%
Kelly Turkeys	1	3		4	1%
Vion Agriculture also	0	3		3	1%
Number of companies with one holding	5	7	3	15	6%

Basis for published charges

The proposed fees regulations provide the Secretary of State with powers to recover costs for the activities undertaken on his behalf with regard to:

Approvals for the purposes of the poultry health scheme established under Council Directive 2009/158/EC and the Trade in Animals and Related Products Regulations 2011.
<ul style="list-style-type: none"> • <i>initial approval visit and inspection to flock or hatchery</i> • <i>renewal of approval visit and inspection to flock or hatchery</i> • <i>initial approval visit to flock and hatchery combined</i> • <i>renewal of approval and inspection visit to flock and hatchery combined</i>
Processing of an application for registration under the Poultry Health Scheme
Processing of application for first membership to flock/hatchery/both
Processing renewal application to flock/hatchery/both
Inspection of premises
Inspecting a laboratory

The applicable fees for each service are published in the schedule of the fees regulations. The charges are derived on the basis of the following principles of the HM Treasury Fees and Charges Guide.

The financial objective should be full cost recovery for the services provided. In principle the full cost should be recovered each year.

- *The full cost should be calculated on an accruals basis. It is the total cost of all the resources used in providing the service (direct and indirect costs, including a full proportional share of overhead costs and any selling and distribution expenses, insurance, depreciation and cost of capital, etc, both cash and “non-cash” costs).*
- *The costs should be actual whenever possible, with estimates (e.g. based on periodic surveys) used only when the actual information is not available (or only available at disproportionate cost). Whenever possible, the method of assessing costs should be that used for the operating cost statement of departments’ resource accounts (or other public bodies’ annual accounts). Where necessary, a method of apportioning overhead costs should be determined and applied consistently*

The items which make up the costs of the services which are intended to be recovered by the charges specified in the proposed fees legislation cover:

- (a) *VO costs for travel to premises, bio security, inspection of premises, examination of records, agreeing hygiene rules, discussing obligation, clean up and finish, travel back in relation to sampling, supervision, inspection and testing.*
- (b) *personnel costs in relation completion of application and confirming membership.*

For annual renewal (payable by existing members) PHS members have the option of having the inspection carried out by either a Official Veterinarian (OV) or a Veterinary Officer (VO). In the case of an inspection by a VO, the member must be charged for the VO inspection as set out in the table below.

	Hourly rate for AHVLA administration Officer (AO) is £34.72	Hourly rate for AHVLA Veterinary Officer (VO) is £90.99
Registration	Time to process application for registration calculated to take 1:75 hours	Not applicable
1 st Membership	Time taken to complete site paperwork, confirm membership calculated to take 2.75 hours	Premises preparation, revised application, complete site paperwork calculated to take 2:50 hours plus Field activities time of 5.00 hours to a flock, 6:00 to hatchery and 8:50 to both.
Renewal	Raise renewal documentation and complete renewal paperwork calculated to take to 2:50 hours	Administration time 1:50 hours plus field activities time of 4:50 hours for flock, 5:50 hours for hatchery and 7:50 for both.

Current and proposed charges (Full cost recovery)

For charge out rates for 2012-2013 with a comparison with existing fees SI e.g. those increased in 2005, see below. It includes the volume of applications for registration in 2010/2011 with current and proposed charges, together with the number of renewals with visits carried out by an Animal Health Veterinary Officer (VO) and by an Official Veterinarian (OV). It compares the forecast income for the year 2011/2012 with proposed increase to full cost recovery.

Current Fees compared with FCR

Table A – Costs that have to be incurred by businesses

Activity	Current Fees Chargeable £	AHVLA charges 2012-13 £		Total	Increase %
		Admin Fee	VO Time		
Application for registration (new and renewal)	60.00	60.76	0.00	60.76	1.27
1 st membership + visit by VO to Flock	97.00	322.96	454.95	777.91	701.96
1 st membership + visit by VO to Hatchery	97.00	322.96	545.94	868.90	795.77
1 st membership + visit by VO to Flock and Hatchery	143.00	322.96	773.42	1096.38	666.69

The initial visit on application for joining the PHS is carried out by VO's as it is quite complicated (hence the higher charge) and since the flock has to be approved by the Competent Authority, the approval visit has to be carried out by AHVLA. However, the VO costs are variable, depending on the size of the holding/premises. In this table we have used an average VO call out as an indicator of cost to business.

Table B – Costs where business can mitigate the impact of FCR by using an OV

Activity	Current Fees Chargeable £	AHVLA charges 2012-13 £		Total	Increase %
		Admin Fee	VO Time		
Application for registration (new and renewal)	60.00	60.76	0.00	60.76	1.27
Renewal membership + visit by VO to Flock	97.00	223.29	409.46	632.75	552.31
Renewal of membership + visit by VO to Hatchery	97.00	223.29	500.45	723.74	646.11
Renewal of membership + visit by VO to Flock and Hatchery	143.00	223.29	682.43	905.72	533.36
Membership + visit by OV to Flock or hatchery	62.00	86.80	0.00	86.80	40.00
Membership + visit by OV to Flock and Hatchery	70.00	86.80	0.00	86.80	24.00

The annual renewal membership is an annual fee charged by AHVLA to cover the admin costs of handling renewal paperwork. The OV charges the member directly for the cost of their inspection which they often carry out with other veterinary work which cuts costs so hence often the preferred option.

Poultry Health Scheme (PHS)				Income Option 0	Income Option 1	Income Option 2
Activity	Proposed Full Cost Recovery Charge (2012-13 Rates)	Volumes for 2010- 11	Total Income 2010-2011 £'s	Do nothing current charges for 2011- 12	Introduction of new fees - FCR (from October 2012)	phased recovery - income at year 1 at 50% of FCR (from October 2013)
Application for registration	60.76	9	540	540	547	543
1 st membership + visit by VO to Flock	777.90	3	291	291	2,333	1312
1 st membership + visit by VO to Hatchery	868.90	3	291	291	2,607	1,449
1 st membership + visit by VO to Flock and Hatchery	1096.38	3	429	429	3,289	1,859
Renewal membership + visit by VO to Flock	632.75	62	8,886	8,886	39,230	24,058
Renewal of membership + visit by VO to Hatchery	723.74	61	8,143	8,143	44,148	26,147
Renewal of membership + visit by VO to Flock and Hatchery	905.72	2	286	286	1,811	1,048
Membership + visit by OV to Flock or hatchery	86.80	104	6,448	6,448	9,027	7,737
Membership + visit by OV to Flock and Hatchery	86.80	2	140	140	174	157
Total			25,454	25,454	103,166	64,310

Sources AHVLA and Defra