

Report RPE07.278  
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Committee Rural Services and Wairarapa  
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## Future Implementation of the Bovine Tb programme in the Wellington Region

### 1. Purpose

- To update the Committee on the status of; Greater Wellington's funding contribution to the National Bovine Tb Pest Management Strategy (NPMS), the recent Vector Management contract renewal and the performance of the Council's Bovine TB Vector control business unit BioWorks.
- To advise the Committee of the discussions underway with the Animal Health Board about Greater Wellington's role post June 2008 in the implementation of the NPMS in the Wellington region.
- To recommend that a review be undertaken of the BioWorks business unit and to outline the broad options available.

### 2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

### 3. Exclusion of the public

Grounds for exclusion of the public and officers under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

*Release of this report would disadvantage the Council in its negotiations with the Animal Health Board to renew its Vector Management contract, and may prejudice the discussions over the vector control work presently undertaken by the BioWorks business unit. The Council has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice.*

*Release of information included in the report would also prejudice the privacy of employees of Greater Wellington by disclosing details relating to their employment. Greater Wellington has not been able to identify a public*

*interest favouring disclosure of this particular information in public proceedings of the meeting that would override the privacy of Greater Wellington's employees.*

#### **4. Background**

In November 2002 the Committee considered Report 02.695; *Board of Inquiry Report – National Pest Management Strategy (Bovine TB)*.

Report 02.695 discussed the outcomes of the Board of Enquiry (BOI) following submissions on a discussion paper produced by the Animal Health Board and titled – *“Discussion Paper on Future Options towards a Tb free New Zealand, March 2000”*.

The key issues discussed in Report 02.695 that are still very relevant to Greater Wellington today include regional funding contribution, vector management contestability and vector control contestability.

Following consideration of Report 02.695 the Committee resolved as follows:

- (1) That the Minister of Agriculture be advised that the Council is opposed to being legally bound to contribute to the National Strategy.*
- (2) That the Council seek to continue to be the Vector Management Agency for the Region.*
- (3) That, if in the future the Council is not the Vector Management Agency for the Region, the Council will review its commitment to make rate funding available for vector control.*
- (4) That discussions be held with the Animal Health Board to clarify flexibility arrangements within their general contestability requirements for vector control.*
- (5) That officers report back to the Committee, if necessary, on the establishment of the Bovine Tb unit as a business unit.*
- (6) That strong representation be made to the Animal Health Board to support AgQuality's continuation as the Disease Manager for the Region.*

Since these resolutions were made BioWorks, Council's vector control business unit has been set up and Council has continued as the vector management agency for the Wellington region.

#### **5. Update**

Greater Wellington's main areas of commitment to the implementation of the NPMS are:

- As a funding contributor.
- As the Vector Management agency for the Wellington region.
- By undertaking vector control through Council's business unit BioWorks.

All of the above undertakings are discretionary activities for Council.

The Animal Health Board (AHB) and Greater Wellington recently executed a funding deed which confirms GW's funding share commitment until June 2008. The annual contribution is about \$550,000 which equates to about 11% of the cost of the programme within the Wellington region.

We also recently renewed our Vector Management contract until June 2008 (a nominal 2 year contract). The contract provides a revenue stream of about \$675,000 per annum and involves up to 5 staff from Wayne O'Donnell's Biosecurity Department. It has been a significant activity for the Department since its formation in the early 1990's.

At 30 June 2007 BioWorks will have completed about three and a half financial years as a stand alone business unit.

It appears that the Bovine Tb control programme is entering a period of possible change. These changes include an upcoming review of the NPMS, proposed rationalisation of vector management agencies and a "maturing" of the vector control contract industry. It is important that Greater Wellington be proactive in its discussions with the AHB if it wants to retain significant involvement in Bovine Tb vector control in the Wellington region.

Since late 2006 officers have had a number of discussions with the Animal Health Board to not only renew the funding agreement and vector management contract, but also to commence wider discussions about the nature of Greater Wellington's future involvement in the NPMS.

## **6. Funding Agreement post June 2008**

Greater Wellington is currently only committed to funding the Regional share of the Bovine TB control programme until the end of the 2007/08 financial year. This commitment is by way of the funding deed executed in early April.

The Animal Health Board originally proposed that the funding agreement should be for 3 years until June 2009. This lined the funding agreement up with the review of the NPMS currently underway with the AHB. However, in line with the resolutions made by the Committee in November 2002, the term of the funding agreement has been held in line with the recently renewed vector management contract.

Greater Wellington's funding of the regional component of the NPMS remains discretionary. Most regions still contribute rate funding to the programme, the main exception being Otago. However informal discussions with staff from other Council's suggest that some other regions may be reviewing their commitment.

## 7. Vector Management beyond June 2008

The Council's Vector Management (VM) contract with the Animal Health Board has just been renewed for a 2 year term ending June 2008. The VM contract provides for local input into the vector control programme in the region, but increasingly our staff feel that the activity is being more centrally controlled from the AHB head office.

Issues for the renewal from July 2008 include:

- The term – we have suggested a 5 year minimum.
- The coverage area – some consolidation of VM services in the North Island is proposed. GW is well placed to continue within its current Regional boundary but we could be asked to consider an expanded area of responsibility. This could bring some boundary concerns from our Regional neighbours.
- Renewal by negotiation – the AHB have indicated the possibility of making the renewal contestable ie inviting commercial bids for the work.
- The terms and conditions of the contract – the current (and previous) contracts require Greater Wellington to act as a defacto “contract principal” for the AHB. We end up assuming the risks and responsibilities as principal without the delegated authority to make some necessary decisions. This is just one of many of the terms and conditions which we would want to discuss with the AHB.

Discussions on the renewal of the contract (post June 2008) are already underway. Certainly GW will need to know where we are at with this work by the time of the 2008/09 Annual Plan update that commences in November this year.

We have also indicated to the AHB Council's current position that it would review its commitment to rate funding if we were to be no longer involved in Vector Management. Similarly we have indicated that GW would also certainly not want to remain in vector control should it no longer be the Vector Management agency for the region.

## 8. Proposed Review of BioWorks

BioWorks was set up in late 2003 in response to the AHB's requirement that GW's continued involvement in vector control move to a fully contestable basis. When BioWorks was first set up it retained some of its work as a preferred supplier with the current 2006/07 financial year being the first full year that BioWorks has had to win all its (AHB) work on an open tender basis.

Annual profit/(loss) results since set up are summarised as follows:

2003/04	(\$169,300)	Actual loss
2004/05	<b>\$110,500</b>	Actual profit
2005/06	(\$237,400)	Actual loss
2006/07	(\$350,000)	Forecast loss

Clearly these results are not sustainable and the forecast for 2006/07 requires that action be taken to stop the financial losses.

BioWorks has struggled in the new environment. In addition the “chinese wall” that Council has been required to put in place to separate the vector management and control activities has caused difficulties for all staff and management. It is also fair to say that most of the major players in the vector control industry have struggled at various times to generate adequate financial results, including the North Island arm of Target Pests, one of the unit's major competitors.

A full formal review of the unit is now appropriate. Likely areas for investigation include:

- Financial results, financial control and reporting.
- BioWorks management including cultural issues.
- Work completion and quality
- The mandate for the unit
- The required separation from our in-house expertise in the VM unit.

We also need to look at the business environment that the unit is operating in, including;

- The risks expected to be carried by contractors in vector control vs the profit margins able to be generated.
- Council's collective employment agreement which is at variance to pest control industry norms.
- The seasonal nature of the business.
- The tight time constraints for vector control operations.
- The long term requirement for Bovine TB vector control in the Wellington region.

There are three possible outcomes from the review – see **Attachment 1**:

- Maintain a full commercial unit – undertake management changes and restructure as required. Invest in human resources, financial management systems and a workable business plan.
- Return the unit to an in-house works unit – this option requires the agreement of the AHB (does not meet current contestability criteria) but does enable the unit to work to its strengths, removes the VM/works unit separation and enables sharing of operation risks with the AHB – see **Attachment 2**
- Council to get out of vector control work.

The concepts in Attachment 1 and 2 were subject to some preliminary discussions with the AHB at a meeting with senior management on 17 April 2007. The Committee will be verbally updated with the AHB's preliminary response at the meeting.

The proposed review of BioWorks would take 3 to 6 months to complete and would necessarily involve consultation with affected staff and the Amalgamated Workers union. It is proposed to bring in expertise as required to undertake the financial analysis and the team structure review. The review process has yet to be fully scoped.

In the meantime it is proposed that BioWorks would continue to operate on a reduced scale using largely the permanent staff complement. The unit has a reasonable forward work programme going into the 2007/08 financial year, but will need to win some additional work in the early tender rounds. Tighter controls on financial management and monitoring will be put in place for this interim period.

A core assumption for the review is that GW wishes to maintain a works unit with the expertise to undertake possum and similar control operations in an efficient and effective manner so that we are not relying on an uncertain contracting industry for work on Council's own estate and in the post Bovine TB programme era.

## **9. Summary of required discussions with the AHB**

Between now and November 2007 a great deal of work is required with the Animal Health Board to determine this Council's ongoing involvement in Bovine Tb vector control post June 2008, and even earlier in the case of the BioWorks business unit. Basically six months is available to complete discussions with the AHB and the review of BioWorks. It is proposed that policy recommendations to the Committee on the way forward be made no later than November 2007, in time to complete the Council's 2008/09 Annual Plan update.

Informal discussions with senior management in the AHB suggest the current programme of about \$4.5million per annum will be needed in the Wellington region for up to 10 years to achieve Tb control targets. This however could change through the review of the NPMS.

Final decisions by Council will also need to take into account the "industry environment" we will be asked to operate within. While discussions are underway with the AHB on how this business can be made more sustainable in the Wellington region no guarantee of outcome can be provided.

The Committee will be kept up to date with progress of the discussions with the AHB and the proposed review of BioWorks as work progresses. It may be appropriate at some point for the Council chair and the Committee chair to address the AHB at a board meeting.

## 7. Recommendations

*That the Committee:*

1. **Receives** the report.
2. **Notes** its contents.
3. **Endorses** officers entering into negotiations with the Animal Health Board with the aim of renewing the vector management agency contract from 1 July 2008 with terms and conditions acceptable to Greater Wellington.
4. **Requests** officers to commence a formal review of the BioWorks business unit with the aim of maintaining a viable works unit that will meet the foreseeable future needs of Greater Wellington while reducing financial risks when undertaking Bovine TB work.
5. **Confirms** its previous resolution that if in the future the Council is not the Vector Management Agency for the Region, the Council will review its commitment to make rate funding available for vector control.
6. **Requests** officers to write to the Animal Health Board conveying the key outcomes from the Committee's consideration of this paper, and formally requesting the assistance of the Animal Health Board to expedite discussions over Greater Wellington's involvement in vector funding, management and control post June 2008 (or possible earlier changes in the case of BioWorks).

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