

Report – Port Health and Environmental Services Committee

Animal Reception Centre – Heathrow Airport: Annual Review of Charges

To be presented on 7th March 2024

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The purpose of this report is to seek approval of the increase to be applied to the Schedule of Charges in respect of services provided at the Heathrow Animal Reception Centre (HARC), for the forthcoming financial year 2024/25.

Your Port Health & Environmental Services Committee propose an increase in fees relating to pet imports of 5% - 20%. Pet imports are more price sensitive than commercial imports, and there is greater choice of carriers, routes and Border Control Posts (BCPs). The range of percentage increases reflects the need to maintain a more competitive price for pet imports and increase income through commercial imports.

It also proposes to reintroduce the £22 processing and handling fee for all imports other than cats, dogs and ferrets. This fee was suspended in 2023/24 to ensure HARC fees were competitive but should now be reintroduced for consignments other than pets.

RECOMMENDATION

That the Court of Common Council:-

- Approve the charges included in the Appendix to this report with effect from 1 April 2024, or as soon as practicable thereafter.
- Approve the proposed Byelaws contained in the Appendix to this report and recommend that they be made, and that the Comptroller and City Solicitor be instructed to seal the Byelaws accordingly.

MAIN REPORT

Background

1. The charges for holding animals and provision of other services at the Heathrow Animal Reception Centre (HARC) require review towards the end of each year to enable an appropriate variation to be applied with effect from the following April. The major proportion of the charges is in respect of quarantine animals and allied services and has to be introduced as an “additional byelaw” to the principal byelaws for the Centre. The second, smaller element of the charges is

not byelaw controlled and relates to non-quarantine (export and boarding) charges but for practical and operational reasons the two are dealt with together.

2. The main source of income at HARC, the Pet Travel Scheme, is a non-statutory function and is thus open to competition from commercial enterprises. Income for 2023/24 has been severely impacted by competition, as documented in reports presented to your Committee in November 2023.
3. Whilst a downturn in pet import numbers is evident for 2023, this calendar year to date, HARC has received 76% of the level of pet imports received for the same period in 2019 (2019 being the most recent typical year to measure against). Considering the market share of British Airways was estimated to be around 40% before their move to the competing BCP, this is a positive result. It demonstrates that imports have increased, albeit not to the levels predicted, and/or that British Airways have lost market share to airlines using HARC services.
4. To allow HARC to compete against the other service provider at Heathrow, there was zero increase to fees in 2023/24. However, the loss of income and additional costs mean that an increase in fees for 2024/25 is advised. Fees are charged to customers clearing agents and not typically to airlines, and no further airlines have been lost to the competing facility since February 2023 when Lufthansa informed HARC managers that they would recommence their pet imports using Animal AirCare. It is therefore felt that agents will accept an increase in fees at this time, provided this is kept minimal for pet imports.
5. A 5% increase in fees relating to pet imports is proposed by your Committee, with a 10% or 20% increase in fees for commercial movements (except for commercial dog and cat imports which are typically pets). The 20% increase is to be applied to the disposal of crates (£18 to £22), destruction of goods (£90 to £108) and to the use of the large animal facility (£367 to £440). Pet imports are more price sensitive than commercial imports, and there is greater choice of carriers, routes and BCPs. The range of percentage increases reflects the need to maintain a more competitive price for pet imports and increase income through commercial imports.
6. The fee for processing and handling for all imports was suspended in 2023/24 to ensure HARC fees were competitive. It is now proposed to reintroduce the £22 fee for all imports other than cats, dogs and ferrets.

Current Position

7. It should be noted that HARC should only operate on a full-cost recovery basis for many of the services and functions it provides. Increasing HARC fees is a measure designed to contribute towards cost recovery.
8. Budgeted income for the Animal Health and Welfare Services in 2023/24 was £4.766m. The overall projected overrun for 2023/24 is £1.074m net expenditure.
9. Budgeted income for the service for 2024/25 is £3.51m.

Proposals

10. Your Committee now propose that the HARC Schedule of Charges is amended as shown in Appendix 1 and that this is introduced from 1 April 2024, or as soon as practicable thereafter.
11. The Comptroller and City Solicitor will prepare the necessary revised Byelaws that reflect the proposed charges as contained in Appendix 1 and will subsequently seal these should the Court give them their approval.

Corporate & Strategic Implications

12. Strategic Implications

These proposals aim to achieve the following Corporate Plan aims of: 1) People are safe and feel safe; 5) Businesses are trusted and socially and environmentally responsible; and 7) We are a global hub for innovation in finance and professional services, commerce and culture.

13. Resource Implications

The proposal has been designed to contribute towards cost recovery for the Animal Health and Welfare Service which includes the Animal Health Team and HARC.

14. Legal Implications

The Comptroller and City Solicitor has been consulted and reviewed the HARC fees. The Comptroller and City Solicitor comments:

“The statutory provision under which these charges are now made is Section 30 of the City of London (Various Powers) Act 1987 (which was an enactment removing the need for Ministerial approval of the HARC Byelaws), which provides ... “the charges imposed by such Byelaws shall be such as to secure so far as possible, that taking one year with another, the aggregate amount raised by such charges is equivalent to the reasonable costs incurred by the Corporation in operating the Animal Reception Centre”. The need for increases to be reasonable is especially important here, since, unusually, the Byelaws machinery which implements the new charges is not subject to any public notification procedure or to confirmation by the appropriate Minister.

15. Risk Implications

Increasing HARC fees does pose a risk of negative response from shipping agents who compete for import work. However, it is felt that reducing resources to create savings at a level to match the increase in income proposed, would detriment the service and pose a greater risk at this point. Efforts towards new income streams and cost reductions continue alongside this proposal.

16. **Equalities Implications** – N/A

17. **Climate Implications** – N/A

18. **Security Implications** – N/A

Conclusion

19. This proposal will increase HARC income which, alongside with increased Animal Health Team fees, new income streams and savings, will move the service budget towards full cost recovery. We therefore **recommend** that this Honourable Court approve the increase in HARC fees through the proposed Byelaws contained in Appendix 1 of this report, and that the Comptroller and City Solicitor be instructed to seal the Byelaws accordingly.

Appendices:

- Appendix 1 – Additional Byelaws Relating to the Heathrow Animal Reception Centre

All of which we submit to the judgement of this Honourable Court.

DATED this 9th day of January 2024.

SIGNED on behalf of the Committee.

Mary Durcan
Chairman, Port Health and Environmental Services Committee