

Committee(s):	Date(s):
Port Health & Environmental Services	21 January 2014
Subject: Animal Reception Centre - Heathrow Airport: Annual Review of Charges	Public
Report of: Director of Markets & Consumer Protection	For Decision
<p style="text-align: center;"><u>Summary</u></p> <p>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 2014/15.</p> <p>The continued increase in throughput following the changes to the legislation in 2012 and a moderate overall increase in fees for 2014/15 should mostly offset increased costs, with the service operating at a small deficit in 2014/15.</p> <p>Recommendations</p> <ul style="list-style-type: none"> • The charges included in the Appendices to this report be adopted and applied at the HARC, with effect from 1 April 2014 or as soon as it is practicable thereafter. • in the event that your Committee agrees to the recommendation contained in paragraph (a) it is <u>further RECOMMENDED</u> that the proposed Byelaws contained in Appendix A.1 to this report are approved and that it be recommended to the Court of Common Council that the Byelaws 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) are due to be reviewed towards the end of the financial year to enable an appropriate variation to be applied with effect from the following April. This advance consideration is necessary because 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. This takes somewhat longer than a more simplistic, discretionary fee increase. 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 funding review in 2011 agreed that the facility should aim to achieve full cost recovery within five years, and this was achieved in 2011/12 (with the exception of one-off capital charges incurred in that year), with a small surplus in 2012/13. However, increased costs (particularly in relation to central recharges and the City Surveyor's Additional Works Programme of repairs and maintenance) mean that the projected outturn for 2013/14 is a deficit of £73,000.
3. 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. Following a period of substantial fee increases to ensure a move towards full cost recovery, the last two years' increases have been kept to around the rate of inflation (see point 12 to this report).

Current Position

4. From 1 January 2012 the UK harmonised its rules with the rest of the European Union for the importation of dogs, cats and ferrets, as the previous derogation to the rules expired on 31 December 2011. The new arrangements make it extremely easy for people to bring their animals in from 'listed countries' (these are the countries that were in the Pet Travel Scheme prior to 1 January 2012 and are those deemed rabies free, or with good rabies controls in place) and allows the importation of animals from 'un-listed countries', (i.e. the rest of the world) without having to undergo six months quarantine on arrival. The process for the rest of the world is similar to the process for 'listed' countries' prior to 1 January 2012.
5. Thus, there is now a dual set of requirements. For 'listed countries', all that is required is a microchip, vaccination against rabies, a wait 21 days, and then the animal can travel. For un-listed countries, there is a requirement for a microchip, vaccination, a blood test 30 days after vaccination and then a three month wait before travel. This is similar to the former scheme, except that the wait has come down from six months to three months. This consolidates the old legislation and makes very few changes to the current regime.
6. Trade rose 8% during the course of the 2012/13 financial year. Expenditure budgets at the ARC have risen over the past two years to reflect the increased throughput, which has necessitated greater use of consumables (food, bedding etc.) and recruitment of additional staff. It is envisaged that staffing levels are now correct for the current throughput. The income for Animal Health during 2013/14 is originally projected as £2.5M.
7. Current projected income for Animal Health in 2014/15 taking into account the charges proposed in this report is £2.56M, and the overall deficit should be reduced to £10,000.
8. Dogs and cats travelling under the Pet Travel Scheme are currently only allowed to travel as manifested freight. This is a secure means of shipping goods and stops any animals from entering the U.K. without having the necessary checks. The City Corporation has been in negotiations with Defra, HMRC and Border Force, (BF), on trialling a system of allowing pets to be imported as passenger baggage. It is now envisaged that the scheme will start with EU movements some time in 2014. This may lead to an increase in trade.

Proposals

9. Having regard to the continuing need to balance and maximise the HARC income against the danger of reducing the customer base at the Centre, I propose that the HARC Schedule of Charges is amended as shown in Appendix 1.
10. I have only recommended a moderate increase in some fees this year as there is a need to retain competitiveness, and the increase will move the service closer to its target break-even position during 2014/15. Annual inflation is currently circa 2.1% and the overall effect of the recommended increase in fees is circa 2.5%
11. The Comptroller and City Solicitor will prepare the necessary revised Byelaws that reflect the proposed charges as contained in Appendix 1.

Implications

12. The Comptroller and City Solicitor has been consulted and 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 is 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”.
13. There is the potential for competition at Heathrow for the Pet Travel Scheme (PETS) part of our operation as this is not a statutory function. The legislation makes the carriers (in our case airlines), responsible for checking PETS. At Heathrow Airport, the City Corporation has negotiated Service Level Agreements with all the airlines that are currently in PETS, but this does not mean that a private organisation could not enter this ‘market’ by undercutting HARC fees. There is therefore a need to keep charges competitive.

Conclusion

14. Changes to fees in previous years have resulted in the Animal Health Service increasing its income, and the fees that are proposed for 2014/15 should offset some of the increase in costs that have led to the service operating at a small deficit.

Appendices: Appendix 1, Additional Byelaws relating to Heathrow Animal Reception Centre, to incorporate revised charges for 2013/14

Contact: *jon.averns@cityoflondon.gov.uk | telephone number: 020 7332 1603*