

**STATEMENT OF INTENT**

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1998 - 1999

August 1998

Prepared by the Environmental Risk Management Authority in accordance with Section 41 of the Public Finance Act 1989 and Section 147 of the Hazardous Substances and New Organisms Act 1996.

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## CHAIRMAN'S FOREWORD

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After a longer period of establishment than we had anticipated, the Authority welcomes the start of real operations during 1998/99. Applications for new organisms are already being accepted, and a firm date of 1 April 1999 has been set for hazardous substances commencement. The latter date reflects the need for the Ministry for the Environment to complete the underpinning regulations, and for industry to have a reasonable time to work through the implications.

The current year will be one of transition for the Authority, from planning to doing. However, it is a transition which is subject to large uncertainties. The HSNO regime is groundbreaking in its approach to risk management, and that means there are few reliable benchmarks in existing practice.

Uncertainties relate to numbers of applications and costs especially, but also to the procedures and criteria set out in the Act and its regulations. The approach the Authority will take in dealing with this will be one of common sense. Our intention is to make the Act work and to keep bureaucracy and cost to a minimum. When issues of interpretation arise we will address them positively. As we gain experience we will move quickly to improve efficiency and effectiveness, and to reflect experience in reassessing costs, prices and workloads.

Leaving aside matters of cost and process, it is likely that applications received in this first year will raise issues of consequence and interest to the whole community. The Authority is conscious that its decisions in such areas will set important precedents for the future, and will be a test for the efficacy of the HSNO Act itself. That challenge is one that we accept. While the results of our deliberations are unlikely to please everyone, our aim is to have them recognised as well founded, forward looking and strongly reflective of the purpose of the Act.

I look forward to working with my colleagues on the Authority, and with the Chief Executive and staff of ERMA New Zealand.

A handwritten signature in black ink, which appears to read 'W J Falconer'. The signature is written in a cursive, flowing style.

W J Falconer

*Chairman*

## CHIEF EXECUTIVE'S SUMMARY

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The 1998/99 planning period will see the completion of ERMA New Zealand's establishment and the full commencement of operations, with a start date of 29 July 1998 for new organisms and 1 April 1999 for hazardous substances. These dates are considerably delayed from the date of 1 April 1998, which was the target in last year's Statement of Intent. The delays reflect the time needed to complete the regulations required under the Act. ERMA New Zealand itself has been "ready to go" throughout this period.

The major strategic challenge facing ERMA New Zealand in the current planning period is that of demonstrating through the quality and effectiveness of the Authority's decision-making, that the additional costs imposed by the HSNO regime (and it needs to be recognised that the extra costs are real), represent added value for New Zealand. That added value will be realised in more durable and robust decisions for applicants, and a better and more consistent standard of risk management for the whole community.

In the shorter term, there are two tactical issues which are important. The first is the need to position the Authority, prospective applicants and the community to begin operations smoothly and effectively. It is not in anyone's interests to have teething problems during start up which could have been avoided. To that end, ERMA New Zealand will continue to give close attention to the build up to hazardous substances commencement, both in its internal preparation and in ensuring a well informed and prepared applicant community. Amongst other things, ERMA New Zealand will be coordinating an applicant information and training programme jointly with industry over the coming nine months.

The second short term issue is that of establishing a sound financial basis for operations. Funding for ERMA New Zealand comes principally from the Crown and from applicant fees and charges. Although an interim schedule of fees and charges for new organisms has been published, these will need to be reviewed and extended during the year. Factors to be considered in the review include the appropriate degree of cost recovery from applicants, the long term level of Crown funding and the costs of operation. The last can only be estimated at present, and it will be crucial to see how actual costs match with estimates.

In the 1998/99 year, funding will be constrained because of the transition from establishment to operations. In some core areas, it will only be possible to mount limited programmes, for example, policy advice and public education. However, it should be possible to improve work in these areas to a more acceptable and sustainable level in the following year.

There is also no provision for the carrying out of enquiries in the 1998/99 year, and no Chief Executive-initiated reassessments will be completed. However, this result is mainly to do with the delay in hazardous substances commencement.

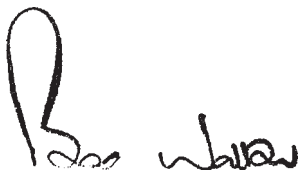
During the 1998/99 year, it is estimated that the Authority will need to consider about 196 applications under Part V of the HSNO Act. The majority of these (about 110) will be for new organisms. It is very difficult to estimate total costs and they will anyway, vary widely from one application to another; from as low as \$1,000 for many minor applications to as high as \$45,000 for major GMO applications. Some of the GMO applications in particular will set precedents for the future and are expected to attract considerable public interest. Their consideration will provide a good test of the "public involvement" provisions of the HSNO Act.

A major activity over the next three years will be the transfer of existing approvals to the HSNO Act. However, this work will not reach its peak until 1999/2000. Work in the coming year will be constrained by the delay in commencement and in resourcing. Priority will be given to dangerous goods and explosives (because they can be dealt with in relative isolation) and to the establishment of a database of notified toxic substances (NOTS). There could be as many as 90,000 NOTS by the hazardous substances commencement date. However, only a small proportion of these are currently logged into an accessible database.

Compliance is an important long term concern of ERMA New Zealand. Effective compliance is the necessary complement to robust and competent decision-making, and a full compliance strategy will be developed during 1998/99. Enforcement is a component in compliance. The enforcement provisions of the HSNO Act are not its strongest feature, and ERMA New Zealand expects to have some difficulty with its oversight and monitoring role in this area. The priority for 1998/99 is to ensure that clearly defined enforcement arrangements are in place for the commencement dates.

ERMA New Zealand as an organisation will continue to grow and mature during the establishment phase. The organisation now has long term accommodation and the main stage of our information technology (IT) system is in place and in operation. 1998/99 will see final completion and fine tuning. During the year staff numbers are expected to grow from the current level of 22 to around 35. The staff that we have attracted to date are of the highest calibre and committed to the job, and that bodes well for the future.

It is good to finally be in business! While the establishment period to date has been frantically busy, there has been a growing degree of frustration in dealing with the mechanics of establishment rather than processing and considering real applications, and so making a real impact. The staff of ERMA New Zealand and myself are looking forward to supporting and working with the Members of the Authority to now "make it happen".



Bas Walker

*Chief Executive*

## **INTRODUCTION**

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The layout and content of this Statement of Intent follow the general requirements set out in Section 41 of the Public Finance Act 1989, and the specific requirements for the Authority set out in Section 147 of the Hazardous Substances and New Organisms (HSNO) Act 1996.

This statement sets out the outputs which the Authority will provide to the Minister for the Environment in the 1998-1999 financial year. These outputs are also described in the purchase agreement between the Authority and the Minister.

The following terminology is used in this document:

The Environmental Risk Management Authority (the Authority) comprises the Members appointed under the HSNO Act. The statutory functions set out in the Act apply to the Authority. ERMA New Zealand is the organisation established to carry out operations in support of the Authority, and is lead by the Chief Executive. The Members of the Authority also comprise the governing board of ERMA New Zealand.

## 2. STRATEGIC OVERVIEW

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### 2.1 ALIGNMENT WITH GOVERNMENT STRATEGY

The HSNO Act in conjunction with the Biosecurity Act, the Agricultural Chemicals and Veterinary Medicines (ACVM) Act and the Resource Management Act (RMA) provides a comprehensive framework for managing environmental risks.

The passage of the HSNO Act and the establishment of the Authority are key elements in the implementation of the Government's strategy for protecting and enhancing New Zealand's environment, and the health of its people and communities. This strategy is set out in the Government's Strategic Result Areas (SRAs) which place emphasis on:

***ensuring effective management of risks posed by pests, weeds and diseases, consistent with objectives for biological security of the economy, biological diversity and people's health***

and

***improving the regulatory and administrative frameworks for public and workplace health and safety, disability support and accident compensation, so as to minimise the risk, incidence and impacts of illness and injury.***

The principal means of alignment with Government strategy lies in the effective implementation by the Authority of the functions set out in the Act. Key features of successful implementation include high quality decision-making and cost-effectiveness. The Authority will also need to interact constructively with other agencies working in related fields, and take account of wider Government policy. The Government has laid particular emphasis on ensuring that compliance costs are minimised, while ensuring the satisfactory performance of functions.

### 2.2 GOVERNMENTAL RELATIONSHIPS

Although ERMA New Zealand has the principal responsibility for implementing the HSNO Act, a number of other governmental agencies are also involved. In particular:

- The Ministry for the Environment is responsible for advising the Minister on the HSNO framework in relation to environmental policy as a whole, for administering the HSNO Act and for providing advice on regulations established under the Act
- A number of agencies have specific enforcement responsibilities and these agencies include the Department of Labour (OSH), Land Transport Safety Authority, Police, Civil Aviation Authority, Maritime Safety Authority, Ministry of Health, Ministry of Commerce and territorial authorities
- Approvals by ERMA New Zealand integrate with or occur in parallel with approvals by other agencies, including the Ministry of Agriculture and Forestry (MAF) for importing new organisms, and agricultural chemicals and veterinary medicines; the Ministry of Health, for medicines and food; and regional councils for resource consents under the Resource Management Act
- During the transitional period, transitional decision-making support will be sought from those departments involved with those decisions prior to commencement, i.e. MAF, OSH, Ministry of Health.

### **2.3 WIDER STRATEGIC CONTEXT**

The over-riding purpose of the HSNO Act is to protect the health of people and communities, and the environment. The framework provided by the Act for this purpose is more rigorous than previous frameworks, and provides more comprehensive and consistent coverage of all hazardous substances and new organisms. The existence of a single central implementation agency (the Authority) is also a strong feature, although counter balanced to some extent by the dispersal of responsibility for enforcement.

These features have the potential for achieving improved risk management. However, these improvements will involve additional costs. A major strategic challenge for the Authority is to demonstrate, through the quality and effectiveness of its decision-making, that the additional costs represent added value for both applicants and the community.

### **3. AUTHORITY MEMBERS, ADVISORY COMMITTEE AND SENIOR MANAGEMENT PROFILES**

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#### **AUTHORITY MEMBERS**

Since the last Statement of Intent, Professor Alastair Scott has resigned from the Authority. No replacement appointment has yet been made.



**W J (BILL) FALCONER LLB, CHAIRMAN**

Bill Falconer has a background in law and policy development. He currently chairs Hellaby Holdings Limited and the St Lukes Group Limited. He recently served as the Chair of the Government's Working Group on CO<sub>2</sub> policy.



**OLIVER SUTHERLAND BSC (HONS), PHD, DEPUTY CHAIRMAN**

Oliver Sutherland is General Manager, Weeds and Pests at Manaaki Whenua - Landcare Research. He has experience in the introduction to New Zealand of new organisms, research on pest control and has been involved in the initiation and development of genetic modification of plants. His academic background is in zoology and entomology.



**HELEN R HUGHES CBE, MSC (HONS), MS, HON DSC**

Helen Hughes was Parliamentary Commissioner for the Environment between 1987 and 1996. She has an academic background in plant ecology, and was formerly employed as a scientist by the Department of Scientific and Industrial Research.



**TERRY LOMAX MSC (HONS), PHD, MNZIC**

Terry Lomax is a senior scientist with NZ Forest Research Institute in Rotorua. He was a member of the Interim Assessment Group for the introduction of genetically modified organisms. His academic background is in physical organic chemistry and colloidal polymers. His tribal affiliation is Te Iwi o Ngapuhi. He has experience in Treaty of Waitangi issues.



**LINDIE NELSON MSC, PHD**

Lindie Nelson is a senior policy analyst with the Ministry of Fisheries. Her academic experience is in resource management and agricultural economics.



**PROFESSOR BARRY SCOTT BSC (HONS), PHD**

Barry Scott is Director of the Massey University Centre for Gene Research and Technology, based in the Institute of Molecular BioSciences. Professor Scott is a molecular geneticist and has published widely on microbial gene research. He is a member of the BSE Science Expert Panel and recently chaired the Interim Assessment Group responsible for recommendations to the Minister for the Environment on field testing of genetically modified organisms.



**JOHN MAASLAND, MA**

John Maasland is Chairman of the Airways Corporation of NZ Ltd and was formerly Chief Executive of Wilson and Horton Ltd. He remains a Director of Wilson and Horton. He is a past President of the New Zealand Chemical Industries Council, having worked for ICI in various capacities from 1969-1983. He began his career as a legal officer for the Ministry of Foreign Affairs and Trade.

#### **ADVISORY COMMITTEE - NGĀ KAIHAUTU TIKANGA TAIAO**

The establishment of Ngā Kaihautu Tikanga Taiao as a forum for providing Māori input to the work of ERMA New Zealand, is a requirement of the methodology set down by Order-in-Council under Section 9 of the HSNO Act. Ngā Kaihautu is formally an advisory committee established under Clause 42 of the First Schedule to the Act. The Members of the Committee are:

##### **LEATRICE WELSH (CHAIRPERSON)**

Tribal affiliation: Ngā Puhi/Ngāti Whātua. Leatrice Welsh is from Northland and is the Chairperson of Te Kotahitanga o te Taitokerau, and a member of the Northland Conservation Board.

##### **GERRARD ALBERT**

Tribal affiliation: Whanganui. Gerrard Albert is the Manager of Māori Perspectives with the Manawatu/Wanganui Regional Council.

##### **MARYANNE BAKER**

Tribal affiliation: Ngā Puhi/Ngāti Wai/Whangaroa. Maryanne Baker has a masters in pharmacy and Bachelor of Commerce in business management and works as a pharmacist. She is also Chairperson of Te Tii (Waitangi) B3 Trust and is also a trustee of Ngāti Hine Forestry Trust.

##### **ANAKE GOODALL**

Tribal affiliation: Ngai Tahu. Anake Goodall has an MBA from Canterbury University and is Claims Manager for Te Rūnanga o Ngai Tahu. His background is in resource management and the meat industry.

## **SENIOR MANAGEMENT**

### ***BAS WALKER, CHIEF EXECUTIVE***

Bas Walker holds a Bachelor's degree and a Ph.D. in chemical engineering, and was previously the Principal of Aspen Consulting, specialising in public sector management and policy development. Prior to that he held several chief executive positions in the public service including the Ministry of Research, Science and Technology, the Ministry of Defence and the Ministry of Energy. His earlier career was spent as a scientist in the Department of Scientific and Industrial Research.

### ***IAN JOHNSON, MANAGER, CORPORATE SERVICES***

Ian holds a BCA majoring in accountancy and is a Chartered Accountant. He has had 24 years finance and administrative experience in a variety of industries and size of companies. Over the past nine years, he has been with Telecom Mobile Communications, mainly as Financial Controller.

### ***KEVIN CURRIE, MANAGER, OPERATIONS***

Kevin has qualifications in biology and water and soil management. He has extensive experience in local government in the field of resource management, including periods with the Otago Catchment Board and the Otago Regional Council. He was most recently Manager, Resource Investigations with the Wellington Regional Council.

### ***STEPHEN THORNTON, MANAGER, POLICY AND ANALYSIS***

Stephen holds an MSc in Resource Management with First Class Honours, and undergraduate degrees in mathematics and philosophy. Over the past four years, Stephen has held the position of Policy and Strategic Planning Manager at the Energy Efficiency and Conservation Authority (EECA). Stephen has occupied a wide range of senior positions involving policy development and strategic planning. These include public sector bodies in New Zealand, such as the Treasury and the Ministry for the Environment, and overseas organisations such as the Organisation for Economic Co-operation and Development in Paris.

### ***KAREN CRONIN, MANAGER, COMMUNICATIONS***

Karen has qualifications in geography and resource management. She has worked in central and local government and the community sector.

### ***DONALD HANNAH, MANAGER, SCIENCE AND RESEARCH***

Donald holds, among other qualifications, a PhD in Chemistry. His most recent work has been as a scientist in the field of toxic chemicals. He was the Principal Scientist in the Institute of Environmental Science and Research Ltd (ESR). He joined ESR in 1992 as Group Leader, Environmental Organic Chemistry, and prior to this worked in the Department of Scientific and Industrial Research in both food and environmental organic chemistry.

## **4. AUTHORITY PURPOSE, MISSION, GOALS AND OBJECTIVES**

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### **4.1 PURPOSE AND FUNCTIONS**

The purpose of the Authority derives from the purpose of the Hazardous Substances and New Organisms (HSNO) Act 1996, which is to protect the environment, and the health and safety of people and communities, by preventing or managing the adverse effects of hazardous substances and new organisms (section 4). The statutory functions of the Authority in relation to this purpose are:

1. Under Part V of the Act, to determine whether to approve or decline applications for the import or manufacture of hazardous substances, the import, development, field testing or release of new organisms (sections 25 to 27), and reassessments (sections 63 and 64); and to decide on grounds for reassessments (section 62)
2. Under Part VI of the Act, to classify and place controls on hazardous substances (sections 75 to 77) issue Codes of Practice (section 78) and approve test certifiers (section 83); and to report on transferable permits (section 88) and environmental user charges (section 96)
3. Under Parts XI to XVI of the Act, to implement the transitional provisions for approvals and controls covering pesticides (Part XII), toxic substances (Part XIII), dangerous goods (Part XIV), explosives (Part XV) and new organisms (Part XVI); and to implement the transfer of existing approvals to the Act (section 160)
4. Under section 11(a) of the Act, to give advice to the Minister for the Environment (the Minister) on any matter relating to the purpose of the Act but especially compliance, inconsistencies in the treatment of hazardous substances and new organisms between the HSNO Act and other legislation, and environmental user charges
5. Under section 11(b)(i) of the Act, to monitor and review the effectiveness of the Act in reducing adverse effects
6. Under section 11(b)(ii) of the Act, to monitor and review the enforcement of the Act including the exercise of section 103 powers by enforcement officers; and to appoint or authorise the appointment of enforcement officers (section 99) or carry out enforcement functions directly (section 101)
7. Under section 11(c) of the Act, to promote awareness of the adverse effects of hazardous substances and new organisms on people or the environment, and of the prevention or safe management of those effects
8. Under section 11(d) of the Act, to contribute to and cooperate with international forums and carry out international obligations, as directed by the Minister
9. Under section 11(e) of the Act, to carry out enquiries into incidents or emergencies involving hazardous substances or new organisms
10. Under section 11(f) of the Act, to keep registers of information relating to applications to, and decisions by, the Authority on hazardous substances and new organisms, and as is considered necessary, to effectively administer the Act.

## **4.2 MISSION AND LONG TERM GOALS**

While the purpose of the HSNO Act is to protect human and community health and safety, and the environment, the intention of the Authority is to pursue that purpose in a way that recognises that there are benefits as well as risks associated with new organisms and hazardous substances. Accordingly the mission adopted by the Authority is to:

***“Achieve effective management of risks to the environment, public health and safety associated with importing or manufacturing hazardous substances and introducing new organisms, and their use.”***

***This mission will be achieved principally through:***

- ***cost-efficient and effective decisions on applications under the HSNO Act which take appropriate account of benefits and costs as well as risks, to New Zealand***
- ***compliance with the Act and with the Authority’s decisions***
- ***promotion of public understanding and knowledge of the risks associated with new organisms, and hazardous substances***
- ***enhancement of the HSNO Act as an effective legislative framework for risk management.***

In carrying out its mission, ERMA New Zealand will have the following medium term goals:

### **ESTABLISHMENT**

1. To complete the establishment process for ERMA New Zealand by 1 April 1999 so that a sound and robust organisation and support structures are created for carrying out all the functions of the Authority.

### **POLICY ADVICE**

2. To provide high quality advice to the Minister so that continuing improvements can be made to the Act and its regulations, and to associated policies, which achieve more effective implementation of the Act’s purpose.

### **DECISION-MAKING UNDER THE ACT**

3. To achieve the consideration of applications under Part V of the Act, in accordance with the approved methodology and regulations, and decision-making under the transitional provisions, including the management of associated statutory registers, so that there is a high level of stakeholder satisfaction with the consistency, cost effectiveness and quality of the decisions made.

### **TRANSFER OF SUBSTANCES UNDER THE TRANSITIONAL PROVISIONS**

4. To achieve the transfer of substances to the HSNO Act within an agreed timeframe and so that the risk profile presented by those substances is consistent with that which would have resulted from Part V applications.

**COMPLIANCE**

5. To implement a compliance strategy, which incorporates interaction with enforcement agencies and a framework for the monitoring of enforcement, and includes the provision of an assurance that decisions by the Authority are being effectively implemented.

**PUBLIC AWARENESS AND KNOWLEDGE**

6. To implement a programme for promoting public understanding of the HSNO Act and of the risks covered by the Act, which provides positive feedback into decision-making and is able to achieve a significant and demonstrable improvement in public understanding.

**INTERNATIONAL**

7. To participate in international activity in a way and at a level which contributes cost-effectively to the Authority's decision-making and meets any explicit requirements set by the Minister.

**ENQUIRIES INTO EMERGENCIES AND INCIDENTS**

8. To conduct enquiries into significant and selected incidents or emergencies involving hazardous substances or new organisms, so that public concerns can be effectively met and a positive contribution made to improved practices in the future.

## **5. STRATEGIC OBJECTIVES FOR THE PLANNING PERIOD**

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### **5.1 THREE YEAR ANALYSIS**

As indicated above the over-riding medium term issue for the Authority is to demonstrate, through its decisions, that the rigour of the HSNO Act in its protective purpose is able to produce added value for the whole community which justifies the added costs of compliance. Within this overall context, five key issues have been identified, responses to which will drive the work of the Authority over the next three years. Those issues are:

- Achievement of the practical application of the Act and of the methodology, to produce consistent, credible and competent decisions under Part V of the Act, while minimising compliance costs
- Inclusion of Maori perspectives in the work of ERMA New Zealand in a way that meets the requirements of the Act, and is satisfactory to both Treaty parties, i.e. the Crown (through the Government) and the Maori community
- Achievement of credibility with stakeholder groups; especially key groups such as the Government, applicants, those making submissions, the Maori community and special interest groups
- Achievement of compliance so that decisions are seen to be effectively implemented in practice
- Achievement of the transfer of substances to the HSNO Act within an agreed timeframe, so that risk standards are met, and in a way which is seen as acceptable by key stakeholders.

### **5.2 SPECIFIC OBJECTIVES FOR 1998/99**

The specific objectives of the Authority for 1998/99 are to:

1. Complete the establishment process for the Authority so that a competent staff, sound and robust processes and administrative structures and external support arrangements are created for carrying out all the functions of the Authority; and the applicant community especially is well informed on its obligations under the Act
2. Decide applications made under Part V of the HSNO as from the stipulated commencement dates (29 July 1998 for new organisms and 1 April 1999 for hazardous substances) so that the statutory time limits are adhered to, the processes are implemented cost efficiently, and decisions are legally robust and respected by all stakeholders
3. Decide applications made under the transitional provisions of the Act so decisions are made on at least an equivalent basis to those applying under the previous arrangements, and time targets are met
4. Ensure a full knowledge of enforcement arrangements in place as at the commencement dates, and ensure that any deficiencies in enforcement practice beyond commencement are promptly identified to the Minister together with suggestions for corrective action

5. Set in place and test criteria and contingency plans for the selection and carrying out of enquiries
6. Progress the transfer of existing dangerous goods and explosives approvals to the HSNO Act and establish a database of toxic substance notifications
7. Establish benchmarks of public awareness of HSNO risks and develop a public awareness programme for implementation in 1999/2000
8. Establish a set of indicators for monitoring the effectiveness of the Act and provide a first comprehensive package of advice on changes to the Act which will improve effectiveness
9. Establish an initial database of international agreements relevant to HSNO implementation, and carry out a programme of international involvement as agreed with the Minister
10. Establish a sound financial basis for the future operation of ERMA New Zealand based around a pricing policy which reflects Government policy for cost recovery and takes account of long term Crown funding.

## **6. IDENTIFICATION AND MANAGEMENT OF RISKS TO THE BUSINESS**

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This is the first Statement of Intent prepared by the Authority after a full analysis of the scope and cost of the functions set down for the Authority in the HSNO Act. At the time of the first Statement of Intent, the Authority had only just appointed a Chief Executive and had no facilities for a full analysis of the business. The first Statement of Intent was thus prepared on the basis of rudimentary assumptions.

Although a full analysis underlies the present Statement of Intent, this analysis still contains a large number of untested assumptions about costs and workloads. These assumptions will only be tested once solid practical experience of operations is available, and that will not be the case until well into the 1998/99 financial year. This uncertainty constitutes the single largest risk facing the Authority, but there are other risks which will be important during the start up phase.

### **1. BALANCING OF COSTS AND REVENUE**

The Authority has fixed income from the Crown of \$4.0 million (GST excl), and this is largely intended to cover the costs of “public good” activities. The Authority is expected to move progressively to the full cost recovery of other activities, especially the consideration of applications under Part V of the Act. However, for the initial introductory period, the Authority has adopted a schedule of fees and charges which strikes a balance between cost recovery and not moving too far from the fees applying to similar decisions in the past. It has been clearly signalled that this policy will be reviewed once practical experience is available. The principal risk for the Authority lies in ensuring that revenue is sufficient to cover costs, and this will be a primary driver for the review.

### **2. WORKLOAD ASSOCIATED WITH PART V APPLICATIONS**

As indicated above, there are significant uncertainties in regard to the number of applications which will be made under Part V of the Act, and the cost to the Authority of considering those applications. Although some guidance is available from the experience of previous jurisdictions, for example, the Pesticides Board, Toxic Substances Board, Ministry of Agriculture, OSH, Ministry of Health, this guidance is limited because the HSNO Act imposes significantly different requirements.

It is also difficult to forecast numbers of applications, particularly in the first year. There is clear evidence of a rush to push through applications under the old rules in some areas, for example, notified toxic substances, but not in others.

The Authority has nevertheless established planning benchmarks as set out below and these benchmarks are the basis for the cost and revenue estimates and financial statements in this Statement of Intent. The benchmarks assume an average 15% increase in the cost-efficiency of operations in future years compared with the first year.

Type of application	Number of applications expected per annum		Average total cost <sup>1</sup> per application of processing and consideration, i.e. including overheads. (\$000)	
	1998/99	Long term	1998/99	Long term
New organisms (GMO): All applications are classified as major	20	15	63	55
New organisms (other): <sup>2</sup> 42% of applications are classified as major	34	52	16	13.5
Hazardous substances (pesticides) 9% of applications are classified as major	33	220	9	8
Hazardous substances (dangerous goods and explosives) 2% of applications are classified as major	26	120	1.5	1.3
Hazardous substances (toxic substances and others) 14% of applications are classified as major	23	235	9	7.6
<b>Total</b>	<b>136</b>	<b>642</b>		

**NOTES:**

1. Actual costs will cover a very large range, from minor applications (as little as \$500) to major applications (an average of about \$40,000 but considerably higher in some cases). In 1998/99 overheads make up 48% of total costs, but this is expected to decrease to 40% in the longer term.
2. Excludes applications determined by rapid assessment at an average total cost of about \$400 each. It is estimated there will be 60 of these in the first year.

These benchmarks are subject to considerable uncertainty, notionally plus or minus 50%. At the upper end the benchmarks specifically exclude applications of an unusually complex character such as that for RCD. The benchmarks also assume that legislative action will be taken to remove the requirement for “every person” to make an application.

The benchmarks also cover only Part V decisions made by the Authority itself. Decisions made under delegated authority (GMO development rapid assessments) are excluded.

The Authority’s response to this risk is in two parts. First, the pricing policy has been designed to recover the full marginal cost of complex applications (a flat fee applies to simple applications) so that revenue will move equally to costs. This strategy provides cover against a larger than expected number of applications, and to some degree against greater than expected unit cost. If cost increases were substantial, then prices would need to be reviewed. A relatively uncovered risk is, however, that of a lower number of applications than expected.

Secondly, the Authority is structuring its organisation so that there is an emphasis on outsourcing a large part of the expert input to the evaluation of applications, so that the core organisation is able to handle substantial variations in evaluation workload.

### **3. COMMITMENT OF EXTERNAL AGENCIES TO ENFORCEMENT**

The enforcement provisions of the HSNO Act allocate the major role in enforcement to a variety of external agencies, none of whom are accountable to the Authority. Although the Authority has independent powers to appoint enforcement officers, the clear sense of the Act is that this is a reserve power. It is nevertheless a power which the Authority may need to exercise in relation to GMO field trials because of the special skills required.

The extent to which the framework set by the Act will achieve effective enforcement is uncertain and a significant risk. There are uncertainties as to the willingness and ability of some enforcement agencies, and boundary lines are unclear. If gaps develop which can only be filled by the exercise of powers by the Authority this will create financial risks.

The Authority's response is in several parts. Emphasis will be placed on establishing the extent and adequacy of enforcement, measured against set standards. If deficiencies develop they will be reported to the Minister, as provided for under the Act. If there are gaps which cannot reasonably be filled by nominated agencies, the Authority will exercise its reserve powers. The financial risks of doing so will be managed by authorising enforcement officers in other organisations (not within the Authority's staff) or by charging for enforcement "up front" rather than as enforcement occurs.

### **4. COMMITMENT OF EXTERNAL AGENCIES TO THE SUPPORT OF TRANSITIONAL DECISION-MAKING**

It is neither desirable nor practicable for the Authority to establish its own infrastructure for handling transitional decision-making. The preferred course of action is to seek continuing support from those agencies with pre-HSNO responsibility, and to move from transitional decision-making to Part V decision-making as soon as possible. It has been assumed that this support will be self funding, i.e. the agencies will continue to have the resources for this work that they currently have.

One significant risk in this approach is that the existing agencies will decline to provide support, either as a conscious business choice or for other reasons. A more significant risk is that the support provided will not be self funding.

Discussions are in active progress with the involved agencies (principally Ministry of Health, Ministry of Agriculture and Forestry, Department of Labour) to confirm arrangements and funding and thus remove the risk. If these arrangements fall down the only response available to the Authority will be to outsource on a commercial basis and/or impose charges to recover the costs.

### **5. TRANSFER OF HAZARDOUS SUBSTANCE APPROVALS UNDER THE TRANSITIONAL PROVISIONS OF THE ACT**

The transfer of existing approvals to the HSNO Act is a major task and must be achieved before the transitional provisions can be terminated. The two major risks facing the Authority in this area are related to timing and resourcing.

Taking advantage of all available extensions, the HSNO Act requires the transfer of substances to be completed by 1 January 2001. There is a major risk of not completing the transfer within this time frame and this risk has been exacerbated by the delay in hazardous substances commencement to 1 April 1999. The preferred response is for the Act to be amended to allow a longer time frame. The alternative is for the Crown to provide additional funding so that the transfer process can be speeded up. It is assumed that the transfer of existing full approvals i.e. approvals which are the result of an assessment, should legitimately be funded by the Crown.

A special risk exists in relation to notified toxic substances (NOTS). NOTS are simply received, not assessed, and a very large number have been created since the passing of the HSNO Act. The number could be as high as 90,000 by 1 April 1999. There is a risk of a higher workload than can be resourced by Crown funding in dealing with NOTS. The Authority's response is in two parts. First, a database of NOTS will be created so that the workload risk can be better established. Secondly, a strategy will be set in place which either enables the NOTS workload to be reduced to a manageable level, or institutes notifier charging. Charging is considered to be a valid approach in this case because the existing notification process does not involve any assessment or charges.

#### **6. WORKLOAD ON THE AUTHORITY**

Estimates of decision-making workload indicate that the time commitment per Authority Member may climb to over 100 days/year once the Act is in full operation. This is a high level of commitment and will (for example) make the Authority vulnerable, in the event of resignations. Workload will be monitored carefully with this in mind.

## **7. DESCRIPTION AND PERFORMANCE MEASURES FOR OUTPUTS**

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### **7.1 OUTPUT CLASS**

The purchase of outputs by the Minister for the Environment from the Authority is covered under one Non-Departmental Output Class in the 1998/99 Main Estimates. That Output Class is described as follows:

#### **OUTPUT CLASS 02: HAZARDOUS SUBSTANCES AND NEW ORGANISMS ASSESSMENT AND REGULATION**

Description:

Under this non-departmental output class, the Minister for the Environment purchases activities carried out under the Hazardous Substances and New Organisms Act 1996, to protect human health and the environment from the adverse effects posed by hazardous substances and new organisms. The Environmental Risk Management Authority (ERMA New Zealand), is responsible for carrying out the provisions of the Act. ERMA New Zealand's role includes:

- deciding on applications made under Part V of the Act, and on the applicability of economic instruments under Part VI of the Act; approving test certifiers, and granting licenses, permits and other instruments which are required under the transitional provisions of the Act
- monitoring enforcement of the Act, and reporting to the Minister for the Environment on whether or not enforcement is adequate
- developing regulations to transfer substances or new organisms from coverage under the transitional provisions of the Act, onto the respective sections of the Act
- conducting inquiries into emergencies and incidents involving hazardous substances and new organisms that occur in New Zealand, as may be required
- promoting awareness of the risks posed by hazardous substances and new organisms, and of their safe, effective management
- participating in the work of international forums concerned with hazardous substances and new organisms, as may be directed by the Minister for the Environment
- advising the Minister for the Environment on any matter related to the purpose of the Act, including the effectiveness of the Act and the regulations made under it.

### **7.2 OUTPUTS AND PERFORMANCE MEASURES**

The outputs which will be produced by the Authority, together with relevant performance measures, are set out below. This material is largely drawn from the purchase agreement between the Authority and the Minister for the Environment.

#### **Outputs and Performance Measures**

For the purposes of this Statement, it is convenient to define the outputs of the Authority as follows. This structure is consistent with that in the purchase agreement.

**7.2.1 ESTABLISHING ERMA NEW ZEALAND**

**Strategic Outcomes**

- ERMA New Zealand capability in place for the implementation of the HSNO Act.
- Applicant communities well informed on HSNO obligations.

**Output Description:**

Completion of the establishment of ERMA New Zealand, including staff, infrastructure, systems, policies, procedures and external support arrangements, so that it is in a position to fully implement its functions under the Act; and the provision of information to the applicant community on their obligations under the Act.

**Performance Measures**

During 1998/99, the set-up of the organisation and the decision-making processes required by the HSNO Act will be completed. Establishment arrangements for new organisms will be completed early in the year, so the additional work will be mainly concerned with hazardous substances. Specific performance measures are as follows:

Quantity	Performance Measures
i The executive of the Authority and supporting infrastructure, systems and processes for hazardous substance related functions are in place. This will especially include the development of decision-making protocols, and of internal procedures for applying the regulations on classifications and controls; and the release of information to applicants and others on how hazardous substance decisions will be made and enforced.	Achieved by 1 April 1999 for hazardous substances. Establishment enables all of the functions of the Authority to be fully implemented. Information released through guideline publications, the website and direct contacts is comprehensive and reaches all key stakeholders.
ii Extent of practicable hazardous substances enforcement established and monitoring in place.	Interim report provided to the Minister on any risks emerging from arrangements for hazardous substances commencement by 30 November 1998.
iii Support arrangements in place with OSH, MOH, TLAs and other agencies, to enable transitional decision-making responsibilities to be implemented.	Report provided to Minister on arrangements in place, by 31 January 1999. Gaps and deficiencies in enforcement are comprehensively identified.
iv Information programme on HSNO implications carried out co-operatively with industry. Programme reaches a high proportion of prospective hazardous substance applicants.	Written arrangements with each agency in place by 1 April 1999. Arrangements provide coverage of all types of transitional decision-making. Most client demands for information and explanation are met by 1 April 1999.

**7.2.2 DECISIONS ON APPLICATIONS IN REGARD TO HAZARDOUS SUBSTANCES AND NEW ORGANISMS, MADE UNDER PART V OF THE HSNO ACT**

**Strategic Outcomes**

- The practical implementation of the HSNO Act, including its impact on environmental risk management and compliance costs, is able to be demonstrated.
- A more robust platform is created for forward planning by the Authority, applicants and others.

**Description:**

The carrying out of the statutory decision-making functions of the Authority in regard to the introduction, control and review of hazardous substances and new organisms under Parts V and VI of the Act, including reassessments.

**Performance Measures**

The Authority will begin the implementation of Part V decision-making in two stages; for new organisms from 29 July 1998 and for hazardous substances from 1 April 1999. Specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Consideration of and decisions on applications made to the Authority under Part V of the Act, noting that the benchmark planning levels for each type of application are: GMO: 20 major Other new organisms: 19 major and 75 minor including rapid assessments Hazardous substances (pesticides): 3 major and 30 minor Other hazardous Substances: 5 major and 44 minor NB: Minor applications are defined as those which do not require a hearing or additional information.	All applications which are accepted for processing are processed within statutory time limits, with waivers as allowed under the Act. All decisions are made in accordance with the Act and the methodology. No successful appeals other than on matters which are identified beforehand as open to a court judgement in one direction or another. Workloads able to be effectively managed within uncertainty limits around benchmark planning levels.
ii Delegations for rapid assessment effectively managed.	Policies and systems for managing delegations, including audits, in place and operating. Delegations made as appropriate and possible.
iii Maintenance of a set of operating policies (including Protocols) for decision-making which are comprehensive and reflect the experience gained by the Authority.	Protocols cover all topics identified by stakeholders as strongly desired. All Protocols reviewed prior to 30 June 1999.
iv All publicly accessible registers specified under Section 20 of the Act are up to date and able to be accessed.	Public access provided through inspection at the ERMA New Zealand premises during normal business hours and through the ERMA New Zealand website. All applications and decisions placed on the appropriate register within three days of the registration information becoming available and confirmed.
v Consideration of and decisions on all reassessments of new organisms or hazardous substances, which are formally requested after grounds have been agreed.	Start of two chief executive initiated reassessments. Maintenance of a priority list for chief executive initiated reassessments. Other performance measures apply as under (i) above.
vi Consideration of and decisions on applications made for the approval of test certifiers	Criteria (including qualifications and experience) for test certifiers established as required. Applications decided upon and advised within 20 working days of receipt.
vii Development and implementation of Codes of Practice.	Codes of Practice developed and implemented in accordance with programme set by ERMA New Zealand.

**7.2.3 DECISIONS ON APPLICATIONS IN REGARD TO HAZARDOUS SUBSTANCES AND NEW ORGANISMS MADE UNDER THE TRANSITIONAL PROVISIONS OF THE HSNO ACT**

**Strategic Outcomes**

- The existing approvals system continues to operate satisfactorily until it is able to be completely replaced by Part V of the HSNO Act.

**Output Description**

The carrying out of the statutory decision-making functions of the Authority in regard to the issue of licences and other approvals under the transitional provisions of the Act. Transitional decision-making covers dangerous goods, explosives, pesticides and toxic substances in particular.

**Performance Measures**

Transitional decision-making will effectively start with the commencement of the Act in respect of hazardous substances on 1 April 1999. The intention is to use the existing infrastructure to support this decision-making, to avoid setting up new infrastructure for a temporary need. Specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Consideration of and decisions on all matters brought to the Authority under the transitional provisions of the Act.	95% of applications are decided upon within 20 working days of receipt of recommendations from the supporting agencies (OSH, Ministry of Health, etc.)
ii All publicly accessible registers specified under the transitional provisions of the Act are up to date and able to be accessed.	Public access provided through inspection at the ERMA New Zealand premises during normal business hours and through the ERMA New Zealand website. All applications and decisions placed on the appropriate register within three working days of the registration information becoming available and confirmed.

**7.2.4 MONITORING AND FACILITATION OF ENFORCEMENT UNDER PART VII OF THE ACT**

**Strategic Outcomes**

- Enforcement of the HSNO Act, including controls, is at least maintained at pre HSNO standards, and progressively improved beyond that.
- A narrow focus on enforcement is replaced by a wider attention to compliance involving all stakeholders as partners and integrating decision-making with compliance.

**Description**

The monitoring of enforcement by the enforcement agencies listed in the Act and reports to the Minister accordingly, assistance to the enforcement agencies in resolving boundary issues, the appointment of enforcement officers where this is necessary to cover enforcement deficiencies, and the development and implementation of a compliance strategy which incorporates enforcement.

**Performance Measures**

Initial enforcement arrangements will be in place by 29 July 1998 for new organisms and 1 April 1999 for hazardous substances. Activity in the first year will focus on identifying the adequacy of initial arrangements and setting in place a compliance strategy for implementation in future years. Specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Enforcement by enforcement agencies monitored against initial expectations and the goal of maintaining pre-HSNO standards as a minimum, and significant variances reported to the Minister.	Significant issues reported to the Minister within 20 working days of receipt of information from monitoring agencies. An overall report on enforcement provided to the Minister within 30 days after year end.
ii Compliance strategy developed and implementation underway.	Strategy confirmed by 31 December 1998. Existing enforcement activities integrated into overall compliance framework by 30 June 1999.

#### **7.2.5 THE CARRYING OUT OF ENQUIRIES PURSUANT TO SECTION 11(E) OF THE ACT**

##### **Strategic Outcomes**

- Lessons from incidents and emergencies are promptly and effectively incorporated into future decision-making and risk management practice.

##### **Output Description**

The carrying out of enquiries into incidents and emergencies involving hazardous substances and/or new organisms.

##### **Performance Measures**

Initial activity will focus on developing criteria for determining when to hold an enquiry, and contingency plans setting out how enquiries are to be conducted and resourced. There are no resources allocated to or available for enquiries in 1998/99. If an enquiry needs to be held it will have to be funded from taxpayers' funds. Specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Framework for selecting and carrying out enquiries under Section 11(e) in place and operating.	Selection criteria and contingency plans in place and tested by December 1998. Any enquiries initiated by the Authority carried out in accordance with the contingency plan.

#### **7.2.6 TRANSFER OF HAZARDOUS SUBSTANCE APPROVALS UNDER THE TRANSITIONAL PROVISIONS OF THE ACT**

##### **Strategic Outcomes**

- The HSNO framework incorporates all pre-HSNO approvals so that all new organisms and hazardous substances are able to be managed in a coherent and consistent way.

##### **Output Description**

The transfer of substances for which there is an existing approval, to within the framework of the HSNO Act. Transfers are carried out in accordance with the transitional provisions of the Act.

##### **Performance Measures**

The transfer activity able to be undertaken in 1998/99 will be limited to completing technical work on the transfer of dangerous goods and explosives, and compiling a database of all notified toxic substances. Specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Existing dangerous goods and explosives approvals prepared for transfer. [Transfer will occur in the sequence of explosives and dangerous goods, pesticides, toxic substances. Pesticide transfers will not begin until 1999/2000.]	All dangerous goods and explosives ready for inclusion in the transfer regulations by 30 June 1999. Controls are attached to transferred substances in accordance with the Act, including requirements for consultation. The risk profile of transferred substances is consistent with that which would have applied under Part V decision-making.
ii A summary database of all non-assessed substances, as at 1 April 1999, completed. The number of non-assessed substances is forecast to be 80,000.	Transfer occurs in an orderly fashion. Achieved by mid April 1999. Database includes all transferable notifications supplied by Ministry of Health up to 1 April 1999.
iii A strategy for transferring non-assessed substances is confirmed and implementation started.	Strategy confirmed after consultation with interested parties, by 30 October 1998. Targets in strategy achieved as stated.

#### **7.2.7 PROMOTING PUBLIC AWARENESS OF HSNO RISKS**

##### **Strategic Outcomes**

- Improved understanding in all sections of the community about HSNO risks and how to effectively manage them.
- Reduced costs and more effective results in Part V decision-making and associated compliance, as a consequence of improved understanding by applicants and submitters.

##### **Output Description**

Programmes for promoting public awareness and knowledge of hazardous substance and new organism risks and how to effectively manage them.

##### **Performance Measures**

Resource constraints will limit public awareness activities in 1998/99 to the establishment of awareness benchmarks, and the use of existing instruments such as the ERMA New Zealand newsletter to encourage awareness. Specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Production of the ERMA New Zealand newsletter as a vehicle for promoting public awareness.	At least 3 issues of the newsletter in 1998/99 to contain a significant article which contributes to public awareness. Public awareness material placed on the website as it becomes available.
ii An initial public awareness programme developed for implementation. Programme will include launch of initiative on "good practice in risk management".	Programme in place in time for implementation from 1 July 1999.
iii Awareness benchmarks established to enable monitoring of performance.	Achieved by 30 June 1999.

**7.2.8 POLICY ADVICE AND INTERNATIONAL**

**Strategic Outcomes**

- Continuing improvements in the HSNO Act as a framework for effective environmental risk management.
- Establishment of ERMA New Zealand as a leader in risk management policies and approaches in New Zealand.
- Effective integration between the requirements of the HSNO Act and new and developing international agreements.

**Output Description**

Provision of advice to the Minister on legislation, regulations and government policies, and on the effectiveness of the Act; and representation at international fora in accordance with the requirements of the Act, and as otherwise agreed.

**Performance Measures**

Resource constraints will limit policy activity especially in 1998/99. Policy work will concentrate on establishing effectiveness indicators, and providing required reports to the Minister. International work will include the construction of a database of international agreements, and a programme of international activities which focuses on harmonisation with Australia. More specific performance measures are as follows:

<b>Quantity</b>	<b>Performance Measures</b>
i Implement measures for monitoring the effectiveness of the Act, and provide consequential advice on changes to the HSNO Act to improve its effectiveness.	A first comprehensive package of advice, with emphasis on measures to minimise compliance costs, provided no later than 30 August 1998. Initial set of indicators for monitoring effectiveness defined by 30 October 1998.
ii Provide advice on any contentious issues arising from the implementation of the Act which may require a political or policy response.	Advice is timely and appropriate.
iii Provide advice of any changes in fees and charges, including long term pricing policy.	Advice is timely (before changes made) and accurate. Report on long term pricing policy provided by 30 September 1998.
iv Provide other reports to the Minister as set out in the HSNO Act.	Reports are appropriate and timely.
v Database and programme for international involvement established/carried out.	Database of relevant international agreements updated by 30 June 1999. Programme of activities carried out, including activities which are Ministerially directed, pursuant to Section 11(d) of the Act.
vi Coordination of Biosecurity Council review of RCD experience.	Review completed by 31 December 1998.

## **8. FINANCIAL STRATEGY**

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The immediate financial objective of ERMA New Zealand is to achieve a balanced budget, i.e. to ensure that revenue equals costs as closely as possible. Fees and charges to applicants will be set at levels which achieve this objective, but also in the context of:

- the pricing policy parameters set by the Government, and in particular the extent to which costs are required to be recovered by prices
- the funding made available by the Crown, assumed in this Statement of Intent to be \$4.5m GST incl. p.a. throughout the three year period.

In the short term, there are particular challenges in achieving a sensible transition from establishment to operations. Preliminary results show a surplus of \$213,000 for the 1997/98 financial year, reflecting in part the delay in commencement for hazardous substances and thus the slowing of establishment activities. This has been counterbalanced by a planned deficit of an equal amount in 1998/99 - in effect, a carry forward of funding to reflect a carry forward of establishment activities.

In the longer term, ERMA New Zealand's objective is to achieve continuing improvements in cost efficiency, which can then be reflected in reduced prices to applicants. However, these improvements will be sought in the context of ensuring high quality decisions that are legally robust, soundly based and in accordance with the purpose of the Act.

## **9. MEASUREMENT AND REPORTING OF THE PERFORMANCE OF THE AUTHORITY IN MEETING OBJECTIVES**

The Act requires the Authority to include in the Statement of Intent, the methods (including financial and non-financial performance measures) by which the Authority intends to assess the extent to which it meets the objectives specified in the Statement of Intent during that year. The required non-financial performance measures are set out in Chapter 7. Financial performance measures are set out in Chapter 12.

The Act also requires the Authority to state how it intends to report on the extent to which it met or is meeting those objectives for that year, and the dates by which interim reports, if any, will be given to the Minister.

Reports will be provided as follows:

- A report on progress in providing the outputs as described in the purchase agreement will be provided to the Minister within one month of the completion of each quarter
- A full annual report will be provided in conjunction with the annual financial statement for 1998/99, and this will be in accordance with Section 41 of the Public Finance Act and the additional matters specified in Section 148 of the HSNO Act.

## **10. OTHER INFORMATION TO BE PROVIDED TO THE MINISTER**

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### **10.1 INFORMATION ON DECISIONS UNDER SECTION 62 OF THE ACT**

Section 147(1)(d) of the Hazardous Substances and New Organisms Act 1996 requires that the Statement of Intent provides information on decisions under section 62 of the Act. Section 62 provides for the reassessment of any new organism in containment or any hazardous substance if it is decided that specified grounds for doing so have been met. No decisions of this type have been made or will be possible until the Act commences in regard to Part V decision-making.

### **10.2 CONSIDERATION OF ENVIRONMENTAL USER CHARGES**

Section 147(1)(f) of the Hazardous Substances and New Organisms Act 1996 requires that a statement be provided in the Statement of Intent about the consideration given by the Authority when granting each approval of a hazardous substance of the reasons for and against imposing an environmental user charge as a control. No approvals have been given or will be possible until the Act commences in regard to Part V decision-making, and so no consideration has had to be given to the imposition of environmental user charges.

### **10.3 IMPACT OF STATEMENT OF INTENT ON THE MANAGEMENT AND USE OF HAZARDOUS SUBSTANCES AND NEW ORGANISMS**

Section 127(3) of the Hazardous Substances and New Organisms Act 1996 requires that every Statement of Intent should be accompanied by a written statement from the Authority, estimating the effects that the matters set out in the Statement of Intent are likely to have on the management and use of hazardous substances and new organisms, in the year to which the Statement of Intent relates and the following years.

In general terms the Authority expects that the principal effects of the matters set out in the Statement of Intent will be to provide greater consistency and transparency in managing the introduction of hazardous substances and new organisms. This is so the purpose of the Act is achieved, i.e. protection of public health and safety and of the environment. Amongst other things it is expected that decisions under Part V of the Act will provide a more evident link with identifiable standards of risk exposure relative to benefits. While the decisions of the Authority will not universally please all the interested parties, they should nevertheless be seen as impartial, well explained and true to the intentions of the Act. It is expected that the body of precedent established by the Authority will not only inform future decision-making but will be an important and influential contributor to wider debate in the community about risk management.

It is anticipated that some important precedents will be established by the Authority over the next three years. It is likely that one of those precedents will relate to the release (or not) of genetically modified organisms (GMOs). It is likely that some significant reassessments will be undertaken, resulting in revised standards for the manufacture and use of pesticides and toxic substances. The Government has signalled the likelihood of the Authority being asked to reassess organochlorines.

The role of the Authority in coordinating enforcement is expected to highlight the need for improvements in the practice of enforcement, but the Authority will nevertheless aim to at least maintain existing standards. Over the three year period a progressive shift towards a focus on compliance, rather than just enforcement, is expected to occur.

## **11. ORGANISATION AND MANAGEMENT**

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### **11.1 ORGANISATIONAL STRUCTURE AND HUMAN RESOURCES**

The organisational structure of ERMA New Zealand is set out in the diagram on the following page. The management structure comprises the Chief Executive and five managers.

The structure adopted recognises that specific skill types will be important to a range of activities within ERMA New Zealand and provides for staff with these specialist skills to be associated in groups. This approach provides for a maximum degree of professional reinforcement, both in contributing toward problem solving and in achieving mutual enhancement of skills. The three major skill groups are:

- Science and engineering
- Economics, policy analysis and risk management
- Communications

However, a similar approach will be applied to other skill types as and when appropriate.

The management of activity will be strongly project based. However, projects and skill groups will overlap to some degree so that the result will not be a true matrix structure. Overlapping will help reduce problems of confused accountability which can affect matrix structures, but a key factor will be the influence of ERMA New Zealand's IT system. The system is being constructed to provide for direct access to non confidential information for all staff, and to provide for ready cross communication at all levels.

This Statement of Intent is based on the assumption that total staffing will rise to approximately 35 by the end of the 1998/99 year. This staffing level is subject to confirmation, once there is some operating experience available. A first major review of experience to date will occur at about mid year.

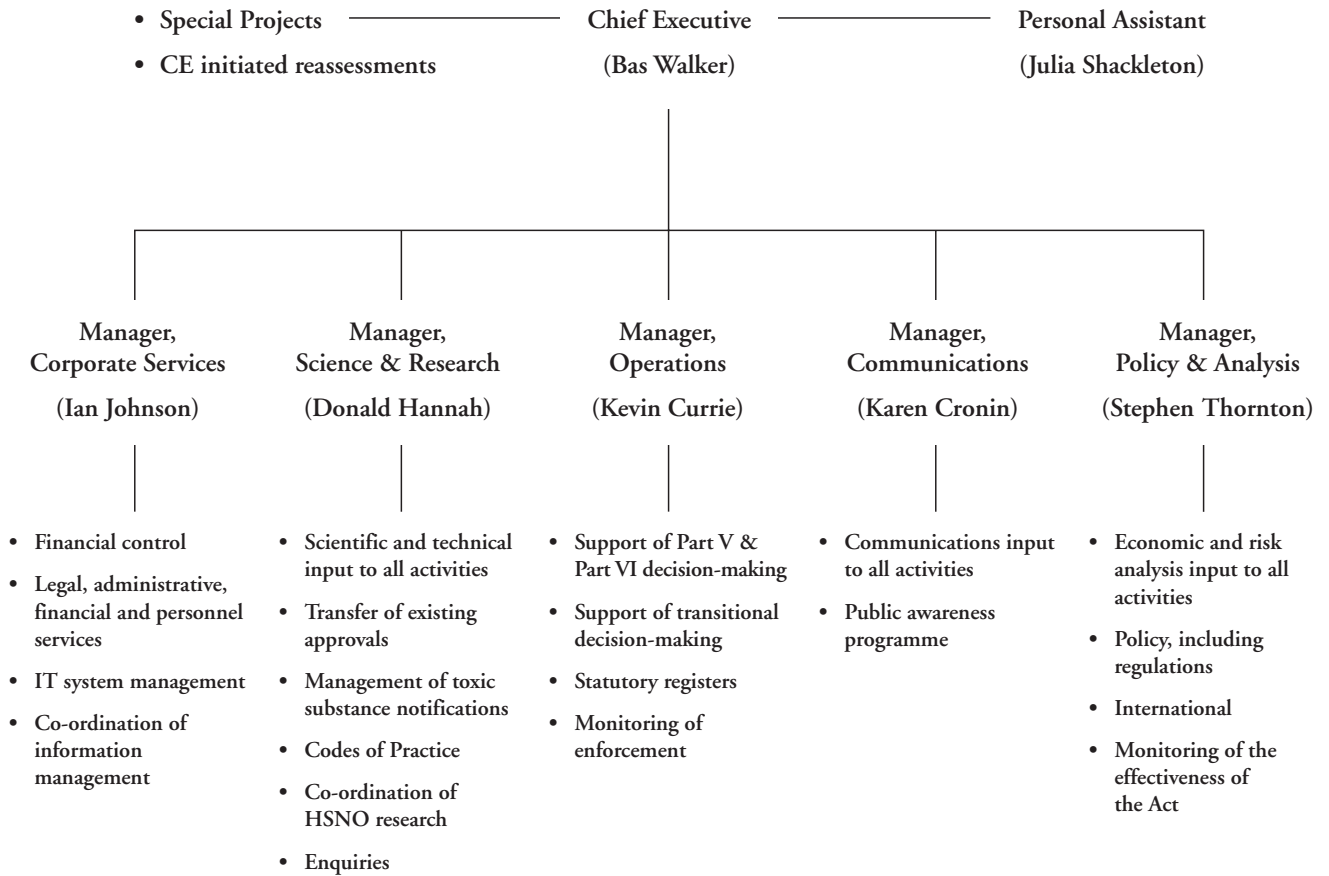
During the initial staff build-up phase (through to 30 June 1998) the primary drive has been to find and appoint individuals who are top professionals in their areas, and are in tune with the culture ERMA New Zealand wishes to promote. That culture incorporates key elements of self-motivation, professionalism, integrity and mutual support in achieving organisational goals; overlaid by a twin focus on customers and solutions. This first tier of staff will provide the intellectual and technical leadership for the future activities of the organisation.

The staffing drive during 1998/99 will shift in focus to the second tier of staff, but with a continuing emphasis on those key attributes set out above.

Skills need to be continually replenished and extended, both to accommodate the changing business environment and to provide personal growth for staff. To reflect this, a pro-active approach to training and development is being integrated into systems and policies for performance management, and this will be backed up by a commitment of resources.

## ORGANISATION CHART

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## **11.2 FINANCIAL MANAGEMENT**

A financial management system has been installed based on Solomon software. This system operates separately from the software being installed to manage applications, but the two will be harmonised through the use of common coding for applications or projects.

The financial management system incorporates activity costing through several levels, down to individual applications and customers. Financial reporting and invoice/statement generation is fully computerised.

## **11.3 INFORMATION MANAGEMENT**

ERMA New Zealand has made a major investment in information management systems. The investment reflects the fact that the business is information based, and will need to process and use large volumes of technical information from applicants and submitters.

The information technology (IT) platform for information management is Microsoft Windows based, and is a custom developed, integrated system covering contract management, application processing and register requirements using a common database of information. Additionally, a website facility has been developed using Microsoft Internet tools to create the home page and provide register access. Remote access to the application process components will be available to assist Authority decision-making.

A key element in the system design has been the assurance of data security. ERMA New Zealand will be handling commercially sensitive information while at the same time allowing reasonable public access to non-confidential information about applications. A clear separation will be maintained.

ERMA New Zealand plans to take an integrated approach to information management and has appointed an Information Services Co-ordinator to take the lead role. The Information Services Co-ordinator will overview the management of applicant and other records, databases and conventional library resources. This will include the development of an integrated classification system and of corporate management standards. However, the detailed management of particular blocks of information will be delegated to that part of organisation with the most direct "ownership" and user interest.

## 12. FINANCIAL INFORMATION

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### 12.1 STATEMENT OF ACCOUNTING AND OTHER FINANCIAL POLICIES

#### General Accounting Policies

The accounting standards adopted conform with the Financial Reporting Act 1993, the Public Finance Act 1989, and the Statement of Concepts for General Purpose Financial Reporting.

#### Measurement Base

The accounting principles recognised as being appropriate for the measurement and reporting of operations, cash flow and financial position on an historical cash flow basis, have been followed in the preparation of the Authority's financial statements.

#### Particular Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

Revenue: The Environmental Risk Management Authority receives revenue from the Crown and from other parties through charges.

Revenue from the Crown is subject to appropriation from Vote Environment through a non-departmental output class. In the year to 30 June 1999 the total amount appropriated within this non-departmental output class will be accounted for as income. Revenue from the Crown and from other parties is recognised when it falls due for payment.

Capital contributions appropriated will be recognised as taxpayer's funds.

Fixed Assets: Fixed assets are stated at costs less accumulated depreciation. Depreciation is charged on a straight-line basis, in accordance with the estimated useful life of the assets, over the following periods:

Computer Equipment 3 years

Software 3-5 years

Office Equipment 6 years

Furniture and Fittings 6 years

Accounts Receivable: Accounts receivable are stated at their estimated realisable value.

Financial Instruments: The Authority is party to financial instruments as part of its normal operations. All financial instruments are recognised in the Statement of Financial Position. These financial instruments include bank accounts, accounts receivable and creditors. All revenue and expenditure in relation to financial instruments is recognised in the Statement of Financial Performance.

Foreign Currency: Transactions denominated in a foreign currency are converted at the exchange rate that applies at the date of purchase of the foreign currency.

Goods and Services Tax: The financial statements are exclusive of GST, except for current liabilities, payables, receivables, and advances which are GST inclusive.

Cost of Services: The Authority will establish and maintain a costing system that will identify the costs of services provided to the Crown and to other parties.

### **Changes in Accounting Policies**

The policies set out above are those which the Authority believes to be prudent and appropriate for the first full year of operations, given that no operating experience is yet available. These policies will be reviewed once significant operating experience is available, i.e. no later than for inclusion in the Statement of Intent for 1999/2000 (for implementation from 1 July 1999).

### **Charging policy**

Charges will be applied for all applications made to the Authority for decisions made under Part V of the Act, and may be applied for other functions carried out by the Authority. A schedule of charges has been published by the Authority. In accordance with Section 21 of the HSNO Act, these charges are related to and do not exceed, the actual and reasonable costs incurred. Actual and reasonable costs are defined to include an appropriate share of overhead costs.

### **Balancing of revenues and costs**

The Authority will aim to operate a balanced budget so that revenues equal costs in the long run, but may be in slight deficit or surplus in any one year. Any surplus made will be used to fund future operating costs. A deficit will not be incurred unless the deficit can be funded from existing funds including retained earnings.

## **12.2 NEW BORROWINGS AND OTHER LIABILITIES**

Section 147(1)(e) of the Hazardous Substances and New Organisms Act 1996 requires that the Statement of Intent sets out any new borrowings or financial leases, or similar liabilities that the Authority intends to incur during that year. The Authority does not intend to incur any such liabilities in the 1998/99 year.

### 12.3 FINANCIAL STATEMENTS

#### OUTPUT EXPENDITURE BY FUNDING SOURCE (GST EXCLUSIVE)

OUTPUT DESCRIPTION	\$000					
	COST TO THE CROWN	1998/99 APPLICANT FEES AND OTHER INCOME	TOTAL COST	COST TO THE CROWN	1999/2000 APPLICANT FEES AND OTHER INCOME	TOTAL COST
Establishing ERMA New Zealand	851	-	851	-	-	-
Decisions on applications made under Part V of the HSNO Act including reassessments	900	1,133	2,328	502	3,592	4,167
Decisions on applications made under the transitional provisions of the HSNO Act	138	-	138	70	-	70
Chief executive initiated reassessments	47	-	47	456	-	456
Monitoring and facilitation of enforcement	251	30	281	189	15	204
Management of toxic substance notifications	27	29	56	-	-	-
Transfer of hazardous substance approvals under the transitional provisions of the Act	819	-	819	1,703	1,300	3,003
Carrying out of enquiries	48	-	48	77	-	77
Promoting public awareness of HSNO risks	162	-	162	169	-	169
Policy advice	531	14	545	661	-	661
International	226	-	226	173	-	173
Contributions to costs other than from the Crown and charges directly attributable to outputs	-	295	-	-	73	-
<b>Totals:</b>	<b>4,000</b>	<b>1,501</b>	<b>5,501</b>	<b>4,000</b>	<b>4,980</b>	<b>8,980</b>

**FORECAST STATEMENT OF FINANCIAL PERFORMANCE**

	<b>ACTUALS</b> 30/06/98 \$000	<b>BUDGET</b> 30/06/99 \$000	<b>BUDGET</b> 30/06/00 \$000	<b>BUDGET</b> 30/06/01 \$000
<b>REVENUE:</b>				
Fees	-	1,192	4,907	5,045
Crown	2,436	4,000	4,000	4,000
Other	34	96	100	120
<b>TOTAL REVENUE</b>	<b>2,470</b>	<b>5,288</b>	<b>9,007</b>	<b>9,165</b>
<b>COSTS</b>				
Authority Fees & Costs	188	353	739	739
Advisory Committee Costs	21	40	40	40
Personnel	1,038	2,234	2,499	2,499
Consultants & Contractors	258	617	3,253	3,253
Accommodation	103	230	230	230
Audit	20	20	20	20
Other Operating Costs	435	1,347	1,440	1,605
Depreciation	96	444	502	533
<b>TOTAL EXPENSES</b>	<b>2,160</b>	<b>5,285</b>	<b>8,723</b>	<b>8,919</b>
Capital Charge	97	216	257	242
Surplus/(Deficit)	213	(213)	27	4
<b>Forecast Statement of Retained Earnings</b>				
Opening Balance		1,725	2,418	2,290
Surplus/(Deficit)		(213)	27	4
Plus(Minus) Capital Contribs(Rpmnts)		906	(155)	(155)
Closing Balance		2,418	2,290	2,139

**FORECAST STATEMENT OF TAXPAYERS' FUNDS**

	<b>OPENING</b> <b>01/07/98</b> <b>\$000</b>	<b>BUDGET</b> <b>30/06/99</b> <b>\$000</b>	<b>BUDGET</b> <b>30/06/00</b> <b>\$000</b>	<b>BUDGET</b> <b>30/06/01</b> <b>\$000</b>
TAXPAYERS' FUNDS	<b>1,725</b>	<b>2,418</b>	<b>2,290</b>	<b>2,139</b>
Represented by:				
FIXED ASSETS	1,480	1,697	1,305	882
CURRENT ASSETS				
Bank	100	100	100	100
Short Term Investments	585	1,121	1,385	1,607
	685	1,221	1,485	1,707
TOTAL ASSETS	<b>2,165</b>	<b>2,918</b>	<b>2,790</b>	<b>2,589</b>
CURRENT LIABILITIES				
Provision for Payment of Surplus	0	0	0	0
Accruals	440	500	500	450
TOTAL LIABILITIES	<b>440</b>	<b>500</b>	<b>500</b>	<b>450</b>
NET ASSETS EMPLOYED	<b>1,725</b>	<b>2,418</b>	<b>2,290</b>	<b>2,139</b>

**FORECAST STATEMENT OF CASH FLOWS**

	<b>BUDGET 1997-98 \$000</b>	<b>BUDGET 1998-99 \$000</b>	<b>BUDGET 1999-2000 \$000</b>
<b>Cash Flows from Operating Activities</b>			
Cash provided from supply of outputs to:			
Fees	1,192	4,907	5,045
Crown	4,000	4,000	4,000
Interest	96	100	120
	<b>5,288</b>	<b>9,007</b>	<b>9,165</b>
Cash disbursed to cost of producing outputs:			
Outputs expenses	(5,057)	(8,478)	(8,628)
Less opening creditors & payables	(440)	(500)	(500)
Plus closing creditors & payables	500	500	450
	(4,997)	(8,478)	(8,678)
<b>Net Cash Flows from Operating Activities</b>	<b>291</b>	<b>527</b>	<b>487</b>
<b>Cash Flows from Investing Activities</b>			
Cash disbursed to:			
Purchase of physical assets	(661)	(110)	(110)
<b>Net Cash Flows from Investing Activities</b>	<b>(661)</b>	<b>(110)</b>	<b>(110)</b>
<b>Cash Flows from Financing Activities</b>			
Cash provided from:			
Capital contributions	906	(155)	(155)
Cash disbursed to:			
<b>Net Cash Flows from Financing Activities</b>	<b>906</b>	<b>(155)</b>	<b>(155)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>536</b>	<b>264</b>	<b>222</b>
Opening total cash balances at 1 July	685	1,221	1,485
<b>Closing total cash balances at 30 June</b>	<b>1,221</b>	<b>1,485</b>	<b>1,707</b>

**FORECAST STATEMENT OF CAPITAL EXPENDITURE**

	<b>BUDGET 30/06/99 \$000</b>	<b>BUDGET 30/06/00 \$000</b>	<b>BUDGET 30/06/01 \$000</b>
IT - Hardware	121	40	40
IT - Software	270	40	40
Plant & Equipment	205	10	10
Leasehold Improvements	50	10	10
Fixtures & Fittings	15	10	10
<b>TOTAL</b>	<b>661</b>	<b>110</b>	<b>110</b>

## NOTES TO THE FINANCIAL STATEMENTS

1. The level of revenue from fees in the first year (1998/99) is below that for subsequent years, to reflect a slow start in initial applications and the delay in hazardous substances commencement. The revenue shown for the 1999/2000 and 2000/2001 years also includes the effect of charges for the transfer of notified toxic substances.
2. The cost estimates for Authority Fees and Costs, Consultants, Contractors and to some extent Personnel, are largely driven by the cost of processing and considering applications under Part V of the Act. Part V costs have been estimated based on the experience of existing agencies supplemented by an in depth analysis of the specific requirements of the HSNO Act.
3. The cash balances shown in the statement of cash flows are largely represented by accumulated depreciation, plus the capital contribution from the Crown.

## 12.4 KEY FINANCIAL PERFORMANCE INDICATORS

	UNIT	BUDGET 1998-99 \$000	BUDGET 1999-00 \$000	BUDGET 2000-01 \$000
<b>Operating Results</b>				
Revenue: Fees	\$000	1,192	4,907	5,045
Revenue: Interest	\$000	96	100	120
Output Expenses	\$000	5,501	8,980	9,161
Net Surplus/(Deficit)	\$000	(213)	27	4
<b>Liquidity</b>				
Working Capital	\$000	721	985	1,257
Current Ratio: 1		2.44	2.97	3.79
<b>Resource Utilisation</b>				
Year End Fixed Assets	\$000	1,697	1,305	882
Return on Assets	%	(8%)	1%	0%
<b>Equity Funds</b>				
Level at Year End	\$000	2,418	2,290	2,139
<b>Expenses</b>				
Ratio Personnel Expenses:				
Total Expenses	%	41	28	27