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**Committee** Rural Services Wairarapa Committee  
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## **Bovine Tb Vector Control - Status of Contracting Industry**

### **1. Purpose**

To update the Committee on the current status of the vector control contracting industry in New Zealand, with particular emphasis on the Wellington Region.

### **2. Significance of the decision**

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

### **3. Background**

At the November 2005 meeting of the Committee, officers were asked to prepare a report on the Bovine Tb vector control contracting industry in New Zealand. This issue was raised following concerns about the continuing lack of contractors tendering for work (control and monitoring) in the Wellington region.

All Vector Managers (VM) under contract to the Animal Health Board were contacted in December and asked to provide details on contractors operating in their respective regions. Of the eleven VM, ten have provided responses.

### **4. Contracting Industry – Current Status**

The table below summarises the current status of the vector control contracting industry in New Zealand for the 2005/06 year. Some VM have also provided comments on future prospects.

VM Region	Registered Monitors	Registered Control	Tenders Received (average) *	Future Prospects **
Wellington	5		3	unchanged
		8	2.6	unchanged
Hawkes Bay	1 (single supplier)			
		8	2.8	unchanged
West Coast	8		3.5	slight decrease
		5	2.3	increase
		4 (aerial)	4	unchanged
Waikato/Taranaki	1 (2 year term)			
		10	2-5	unchanged
Marlborough	9		6	may increase
		7	4	may increase
Manawatu		7	7	may increase
Canterbury	8		4	unchanged
		14	5	unchanged
Otago	6		2-6	unchanged
		10	2-10	unchanged
Tasman	3		3	unchanged
		5	4	unchanged

\* contracts for aerial operations attract a reduced number of tenders as this work is highly specialised

\*\* 'increase' comments are largely due to a perceived downturn in control work in Southland / Otago forcing contractors to seek work elsewhere. 'Unchanged' comments were made prior to the recent AHB requests to significantly reduce future budgets (refer accompanying Report 06.41). Hawke's Bay predicts a slight decrease in tenders for 2006/2007. Changes to the Contract plan may be required to ensure survival of some contractors (smaller short term contracts).

## 5. Vector Manager Comments

A number of VM provided additional comments on their areas:

- Some VM pointed to the additional administrative costs forced on contractors following the introduction of the Vector Control Contracting Procedures (VCCP) as a reason for some smaller operators either leaving the industry or contemplating their future.
- The predicted increase in control contractors in Manawatu is due to the loss of the Horizons RC Business Unit i.e. a number of small contractors are re-entering the industry.
- The predicted increases in West Coast and Marlborough are due to new contractors entering the scene following work reductions in Southland and Otago. The West Coast has had a major increase in control funding in recent years.
- Most VM are actively encouraging new entrants (control and monitoring). However, even in the low risk monitoring industry very little growth has

occurred. This is perhaps a reflection of the uncertainty created by competitive tendering and the fact that monitors are constantly working in difficult conditions year round. The initial set up costs for new entrants is also likely to be a deterrent.

- In recent years the labour pool for contractors wishing to expand has been shrinking, a direct result of a buoyant rural economy. Contractors must spend considerable resources in training new entrants. There has possibly been some reluctance to do this if potential staff are able to secure higher paid employment elsewhere.
- In most cases, contractors are required to stay away from their home base and work in high risk conditions for long periods of time. A number of contractors have found it difficult to retain experienced staff who have family commitments.
- In the Central North Island, costs have risen as a result of exit from industry of the Horizons APU and more realistic pricing by other contractors. We are now seeing a market correction. In addition higher fuel and bait costs, increased risk management, and labour costs are driving up contractor prices.

In order to grow their business, contractors need a level of certainty that control work will continue to be available. The current competitive tendering model does not necessarily provide this. Furthermore, marked fluctuations in budgets approved by the AHB (refer Report 06.41) will do little to add confidence to the contracting industry.

## **6. Input Contracts**

It is possible that renewed interest in the Wellington region may occur if we progressively introduce ‘input’ contracts. This not only removes the potential risk for the contractor but also reduces total costs as performance monitors are not required. Under this option, more responsibility is put on the VM to develop appropriate input criteria to ensure operational effectiveness. The Wellington VM team is well placed as members have amassed many years of field and management experience. However, input contracts will require more effort from VM staff resulting in the possible need for more resources to remain effective. In some cases the Disease Managers may still require monitoring information from input contracts but this should be an exception.

The writer considers that a review of the VCCP is appropriate to remove any unnecessary criteria that add cost without improving effectiveness.

## **7. Communication**

No public communications are considered necessary.

## 8. Recommendations

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

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