

**REPORT OF THE
DEPARTMENT OF AGRICULTURE
AND CONSUMER SERVICES**

**Feasibility Study of
Establishment Of An
Import/Export Quarantine
Facility For Equine
at Dulles Washington
International Airport**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Report of the Department of Agriculture and Consumer Services

**Feasibility Study
of
Establishment of An Import/Export Quarantine Facility
For Equine at Dulles Washington International Airport
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
December, 1988**

To: Honorable Gerald L. Baliles, Governor of Virginia
and
The General Assembly of Virginia

INTRODUCTION

The Virginia horse industry generates over \$417 million each year to the economy of the Commonwealth, ranks sixth among Virginia's agriculture commodities with \$102 million in yearly cash farm receipts, and markets horses abroad accounting for \$10 million to \$30 million in export sales per year. A permanent quarantine facility does not now exist at Virginia's primary international airport but has been discussed by the state horse industry and the Virginia Department of Agriculture and Consumer Services since the 1960's.

Generally assumed economic benefits of such a facility for horses at Dulles Washington International Airport include: heightened international awareness of Virginia horses; slightly increased employment opportunities within the Commonwealth; increased aviation fuel sales; stimulation of traffic through the state's service facilities (hotels, restaurants, etc.); and a decreasing of the costs and risks of moving valuable horses out of state for international shipment. Full development of these potential benefits will realistically be stymied by certain inherent problems in airline animal freight scheduling and less than acceptable usage projections.

DISCUSSION

All import/export quarantine stations must be authorized by the U.S.D.A. Animal and Plant Health Inspection Service (APHIS). Import and export centers are treated as separate entities by APHIS even when occupying adjacent sites at one airport. Import facilities may be provided by entities other than U.S.D.A., but must be administratively under direct operational supervision by APHIS. Of the three permanent import facilities in the United States, both Miami, Florida and Newburgh, New York, are owned and solely operated by the federal government. The facility at Los Angeles International Airport represents direct operational supervision, but is owned by "Jet Pets, Inc.", a private concern. Standards for approval of such private facilities for horses were

developed by APHIS in 1984, but have not received formal approval, making the procedure of requesting approval of a private facility more difficult. Import facility authorization is much more difficult to obtain (than export) because import represents possible health dangers to the U.S. horse population. Export only assures foreign governments that their health and sanitation standards have been adhered to. Export stations may be operated by non-federal government entities (including the private sector) with APHIS supplying inspection and certification services only.

A usable, operational structure for any future import and export facilities at Dulles Washington includes:

An Import Quarantine Station to be established by a commission (or existing regional authority) created by the General Assembly. Upon completion, the facility could be operated in either of the following ways: 1) directly conveyed to U.S.D.A. for operation and management (acceptance is not assured because U.S.D.A. budget and manpower restraints could well limit possession) or 2) facility provided by the commission with direct operational supervision by APHIS. An Export Quarantine Station could be established and operated by a commission created by the General Assembly. APHIS would then supply inspection and certification services.

Recognizing that imports and exports originating from only one state are not large enough to support quarantine facilities, a regional approach was taken in this study. This region was defined as Virginia, Kentucky, Maryland, Tennessee, North Carolina, West Virginia and Delaware. Virginia, Kentucky and Maryland represent the majority of import/export activity. Direct contacts were made and input taken from importers, exporters, industry leaders, government officials and transporters in Virginia, Kentucky, Maryland, Tennessee and North Carolina. Freight forwarding companies in the Northeast were interviewed as well.

Import

Horses imported into the United States (excluding border ports to Canada and Mexico) must enter through either Miami, FLA, Newburgh, NY, or Los Angeles, California. Miami and Newburgh are directly operated by the U.S.D.A., whereas the facility in Los Angeles is provided by "Jet Pets, Inc.", with supervision by U.S.D.A. (Note: U.S.D.A. did establish a facility in California in 1984; its use was discontinued due to operational losses.) Temporary quarantine licenses can be and are granted for invitational races, etc.

No significant number of horses imported through Miami are directly destined for this region.

Approximately 31% of the horses imported through Newburgh, N.Y. move directly to this region, with 17.6% to KY and 8.9% to Virginia. This 31% represents 877 horses, assuming Newburgh processes 2,800/year. Due to air freight scheduling, it is not reasonable to assume more than 50% of these horses or 439 head would use Dulles Washington.

Export

Horses may be exported through many ports. Of the approximately 20,000 horses exported from the United States each year, roughly 75% go to Canada and Mexico, leaving around 5,000 horses for "overseas" export through air and sea ports. Miami accounts for approximately 1,055 head; 2,720 exit through the ASPCA Quarantine Facility at New York's JFK Airport. Newburgh, N.Y. and Cincinnati, Ohio and other export stations, easily account for another 725 head, leaving potential export business for Dulles Washington at approximately 500 head per year.

Use of an import/export quarantine facility at Dulles Washington is predicated more on airline schedules and air freight cost structures than on simple horse numbers. While the numbers available to a quarantine facility at Dulles Washington are not great enough at less than 1,000 head to indicate break even operations integrity, the major constraint at this time appears to be airline scheduling.

Miami represents the northern turnaround point for Latin American freight carriers. In order to bring a plane (on a charter basis) to Virginia, costs increase \$8,000 to \$15,000 per plane (mileage, fueling charges, loading and unloading, etc.) Additionally, regularly scheduled animal freight service only exists in Miami and at JFK in N.Y. (for major airlines). Obviously, cost efficient export to or import from Central and South America is not realistic at this time for Dulles Washington.

Import and export to and from Europe represents the major activity for the mid Atlantic region. As noted, 31% of the imported horses are directly destined for this region. Most imported horses arrive on scheduled airlines on "pallets" containing three to six horses each. In order for Dulles Washington to be viable, airlines serving Europe would have to shift their JFK animal freight operations to or at least duplicate them at Dulles Washington. Most base their scheduling on a "combi", or combination principle-people and freight. For any change to or inclusion of Dulles Washington, significant numbers of horses would have to be available on a routine basis and this does not appear possible now. For example, Cincinnati International Airport, serving the Bluegrass horse breeding area of Kentucky, does not have enough horse business for the airlines to schedule regular service; only charter service is available.

CONCLUSIONS

The Department of Agriculture and Consumer Services conducted an indepth study of feasibility of establishment of an Import/Export Quarantine Facility for Equine at Dulles Washington International Airport. Considering the dual benefits of a higher international profile for Virginia products and accompanying domestic economic stimulation in addition to basic operational profit and loss concerns, this study assessed actual need for such a facility and determined what factors now in place discourage establishment.

The study results indicate that an Import/Export Facility is not now operationally feasible. This situation is due, in large measure, to airline animal freight scheduling. (See Appendix B.) Additional findings show that capability for the international shipment of horses directly from Virginia is not vital for export growth. In consideration of airline animal freight scheduling and cost, and the relatively stable sizes of the horse import and export markets in the United States, major increases in the numbers of horses shipped into and out of the mid-Atlantic region would be necessary to change scheduling patterns and thus support such an installation.

All import and export quarantine stations must be authorized by the U.S.D.A. Animal and Plant Health Inspection Service (APHIS). During the 1974-1978 consideration of a Dulles Washington site for import, APHIS expressed concern over proximity to the Northern Virginia horse population. Recent general discussions with the APHIS Import/Export Operations Staff indicated current reticence stemming from general budget and manpower constraints.

Costs to Virginia importers and exporters would probably not decrease upon establishment of a Dulles Washington facility. Similar fee schedules would apply as in existing facilities and air freight costs would realistically increase. Trucking costs would decrease, but not enough to offset increased air transportation, creating an actual higher cost to Virginia individuals and companies. Obviously, a Virginia facility would be more convenient.

Cost of establishment (construction costs) of both import and export quarantine facilities for horses at Dulles Washington is conservatively estimated at \$855,000. Included would be a 30 stall import barn, a 30 stall export barn, an incinerator, administration building, site improvement, fencing and lighting. (See Appendix A.)

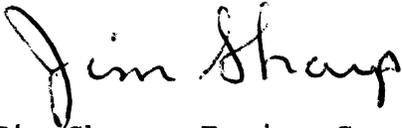
Construction costs can be projected to include facilities for livestock quarantine in addition to horses. Inclusion of livestock increases construction costs by \$325,000 to a total of \$1,180,000. Due to the cost of diverting aircraft from Miami or New York to Dulles Washington, establishment of a strictly air transport facility for livestock is not practical. (Most shipments directly from Virginia go by ocean ship from Deepwater Terminal in Richmond, a USDA approved export quarantine station.)

The horse and livestock export industries in Virginia would be better served at this time by increased foreign promotion and market development than by establishment of the proposed facility at Dulles Washington. The current export procedure, including surface transportation to areas served by regularly scheduled air transportation, while not particularly convenient to Virginians, is cost effective and does work.

RECOMMENDATION

The Department of Agriculture and Consumer Services recommends that in consideration of the expected increase in the state Thoroughbred business due to racing, heightened foreign marketing efforts by the horse industry, and the international promotional benefits stemming from such a facility, feasibility of establishment of an import/export quarantine center for equine and other domestic livestock should be reevaluated within five years.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jim Sharp". The signature is written in black ink and is positioned below the typed name.

Jim Sharp, Equine Specialist
Office of International Marketing
Department of Agriculture and Consumer Services

APPENDIX A

ESTIMATED COST OF ESTABLISHMENT

Gross Estimates of Construction Costs

- I. Equine Import Quarantine Barn - 30 stall, individual environmental controls (each serve as separate quarantine center) 10,000 sq. ft. @ \$40.00/sq.ft.....
..... \$400,000
- II. Equine Export Quarantine Barn - 30 stall, 8,000 sq. ft. x \$25.00/sq. ft. \$200,000
- III. Incinerator..... \$ 75,000
- IV. Administration Building, including rudimentary Laboratory 1,000 sq. ft. x \$80.00/sq. ft.....\$ 80,000
- V. Appropriate parking areas; security fencing of five-acre site; utilities \$100,000

Equine Facilities Only, Total Estimated Cost:\$855,000

If livestock facilities are included:

- Equine facilities cost..... \$855,000
- Livestock Export Quarantine Barn..... \$250,000
capacity: 180-200 head, loading arenas, etc.
- Livestock Import Quarantine Barn \$ 75,000
capacity: 70 head

Equine and Livestock Facility, Total Estimated Cost:

\$ 1,180,000

APPENDIX B

PROJECTED OPERATIONAL COSTS

Operational costs and potential income are based on the October 1, 1987 through September 30, 1988 expenditures and income experienced at the import and export facilities in Miami. Miami represents the type facility which would logically be constructed at Dulles Washington.

Import

Operational costs \$234,000
(90% of Miami's \$260,000 was based on horse import)

Income \$213,464
(90% of Miami's \$450,000 attributable to horses; lowered charges will reduce this further, by \$16,000. This \$389,000 pro rated against 800 import horses through Miami produces an average "income" per horse of \$486.25.)

Assume that 50% of the estimated 877 horses now imported through N.Y. and destined directly for VA, KY, MD, NC, TN, DEL and WVA use Dulles Washington; 439 horses x \$486.25/horse = \$213,464.

Import Operations NET LOSS - \$ 20,536

Export

Operational costs \$ 51,646*
(52.7% of all shipments from Miami are horse shipments; 52.7% of \$98,000 in costs.)

Income \$ 30,125
(30% of export income total of \$211,893 in Miami is produced through horse shipments, producing an average income per horse for each of the 1,055 shipped through Miami of \$60.25 per horse.)

Assume that 500 horses could be exported through Dulles per year (based on possible diversion from other export quarantine centers).

Export Operations NET LOSS - \$ 21,521

Total Yearly Operations Net Loss (Import/Export):
- \$ 42,057**

* In a practical situation, this amount must be higher to cover operating costs regardless of prorated usage. Higher costs, of course, translate to greater yearly operating cases.

** Direct losses would realistically be much higher due to probable lower number of horses during years of operation and higher operational costs.

NOTE: Construction costs and any land rental costs are not included herein.