



First Principles Review of Cost Recovery

Overview

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Growing and Protecting New Zealand



www.mpi.govt.nz

The Current System: Overview

2014/15

- MPI total revenue ~ \$425m
- Crown revenue ~ \$321m
- Other revenue (mostly fees/levies) ~ \$104m
- 11 Statutes under which we are able to recover costs
- More than 330 fees, charges and levies

First Principles Review: Problem Definition

- Legislative frameworks and processes vary
- Many different types of fees and ways of setting fees
- Industry seek greater transparency and more consultative processes
- There are still some areas that have not been reviewed.

First Principles Review: Objectives

- Provide a clear description of the principles and policy considerations that will guide the Ministry's approach to cost recovery and how they will be applied
- Align the Ministry's approach with available best practice guidance
- Improve transparency of the basis for determining where fees, charges and levies will be imposed and the levels at which they will be set
- Enable greater harmonisation across all of the Ministry's cost recovery activities
- Improve communication, collaboration and certainty for fee payers of the frequency, timing and process for review and update of fees, charges and levies
- Enhance transparency of costs and service performance for fee payers

First Principles Review: Scope

- Existing frameworks including regulations, rules and orders
 - The principles that should guide cost recovery
 - The authority to charge for services
 - The economic characteristics of the Ministry's services (e.g. public good, private good, merit and club good)
 - What activities should be subject to cost recovery
 - Who could be charged and who is it 'best' to charge
 - How much should be recovered and how costs are constructed and allocated
- All existing fees, charges and levies
- Policies that guide the application of exemptions and waivers
- Processes for recovery, including any requirements for correcting over-recovery and under-recovery
- Existing reporting arrangements and information about recovered activities that is provided to fee payers.

First Principles Review: Approach

Phase 1

- Develop a charging framework to guide approach to cost recovery
- Consult on the framework in the first quarter of 2016

Phase 2

- Undertake a substantive review of all fees, charges and levies
- Review process for updates/reviews
- Consult on changes later in 2016 (TBC)

Terms of Reference:

<http://www.mpi.govt.nz/law-and-policy/legal-overviews/updated-fees-charges/cost-recovery-first-principles-review/>

Working with stakeholders

- Established an Industry Reference Group
- Stakeholder meetings throughout the process
- Workshops during the consultation process (6-8 weeks).

Members of the Industry Reference Group

- Ag Carm
- Board of Airline Representatives of NZ Inc. (BARNZ)
- Custom Brokers and Freight Forwarders Federation (CBAFF)
- Dairy Companies Association of New Zealand (DCANZ)
- Dairy NZ
- Deer NZ
- Federated Farmers
- Food & Grocery Council
- Forest Owners Association
- Hort NZ
- Meat Industry Association
- New Zealand Wine
- Pet Industry Association/ Retail NZ
- Pipfruit NZ
- Port Companies of NZ
- Seafood NZ