



Supporting information for:

Cost Recovery at MPI

Findings from the First Principles Review of MPI's cost recovery arrangements

MPI Information Paper No: 2018/06

Prepared by the Ministry for Primary Industries

ISBN No: 978-1-77665-974-6 (online)

ISSN No: 2253-394X (online)

August 2018

Disclaimer

While every effort has been made to ensure the information in this publication is accurate, the Ministry for Primary Industries does not accept any responsibility or liability for error of fact, omission, interpretation or opinion that may be present, nor for the consequences of any decisions based on this information.

Requests for further copies should be directed to:

Publications Logistics Officer
Ministry for Primary Industries
PO Box 2526
WELLINGTON 6140

Email: brand@mpi.govt.nz

Telephone: 0800 00 83 33

Facsimile: 04-894 0300

This publication is also available on the Ministry for Primary Industries website at <http://www.mpi.govt.nz/news-and-resources/publications/>

© Crown Copyright - Ministry for Primary Industries

Contents	Page
Introduction	1
Summary of MPI's cost recovery policy guidance	1
Key themes raised during 2016 consultation on a proposed framework for cost recovery	2
Impact of cost recovery charges on business	2
More consideration of cost sharing arrangements	2
More information on costs, and comparability with other countries	3
More frequent reviews, especially of levies	3
Improved incentives for efficiency	4
MPI's cost recovered services	5
2016 comparison of cost recovery in other countries	18
Examples of cost sharing for MPI services	25
Selected references	27

Introduction

This document provides supplementary information to the report *Cost Recovery at MPI: Findings from the First Principles Review of MPI's cost recovery arrangements*, and should be read in conjunction with that report. Publishing this supplementary information contributes to our commitment to improve the transparency of our cost recovery arrangements.

Approximately 40% of MPI's departmental funding comes from cost recovery. Costs are generally recovered from the users who benefit from the services we provide and/or create the risks that we must manage. Given its importance, we are investing in improvements to the way we manage cost recovery.

After updating a large number of fees in 2015, MPI has undertaken a First Principles Review (the Review) of cost recovery across all of the systems we manage. The purpose of the Review was to support a more consistent and transparent approach to cost recovery across MPI, and make sure the approach aligns with the cost recovery guidance published by the Treasury and the Controller and Auditor General (CAG).

For the Review to be successful it was important to involve the users of MPI's cost recovered services. As part of ensuring this happened we have worked with a Cost Recovery Industry Reference Group (IRG) that includes representation from key industry bodies. We also sought feedback from the public as part of developing a policy framework to support cost recovery across MPI.

We progressed the Review in two phases. During the first phase we developed policy guidance that we are now using to support decision making on cost recovery. The second phase involved a more detailed review of existing cost recovery arrangements across the organisation.

Our analysis found that cost recovery settings are broadly appropriate across all the systems we manage and generally aligned with the Treasury and Controller and Auditor-General (CAG) guidance. We are actively managing charges to make sure we recover the right amounts.

There are some areas where we can improve how we manage and apply cost recovery. These include how we manage information on the costs of services, and providing transparent and consistent reporting. There are also opportunities to improve how the costs for some services are allocated and make some charging arrangements simpler for customers.

We are now closing the Review and will continue to implement the changes to address the findings as part of the ongoing cost recovery work programme.

Summary of MPI's cost recovery policy guidance

One of the key outputs from the First Principles Review was the MPI cost recovery policy guidance, now an organisational policy. This diagram provides a summary of the policy guidance. A full copy is available [here](#).

INTRODUCTION	About this document:		MPI's approach to cost recovery seeks to:		
	<ul style="list-style-type: none">This guidance should be used to inform development of cost recovery proposals regardless of whether or not they are authorised in legislation. It is not determinative; each situation needs to be considered on its merits.When developing cost recovery proposals you also need to consider cost recovery guidance from the Treasury and the Office of the Auditor-General, and be able to demonstrate any requirements set out in legislation have been met.This is a living document; as our context and operating models change, this guidance will need to evolve.This document has been developed for MPI's internal use only.	OBJECTIVES	<ul style="list-style-type: none">Ensure those who use services which enable commercial or private benefits pay for the services that deliver those benefitsEncourage those undertaking certain activities to take responsibility for managing risks to public health, biosecurity, or the sustainability of New Zealand's primary resources by ensuring they pay for the costs of managing those risks.Promote transparency for those who pay for services.Encourage efficient service delivery, while minimising transaction costs for service users and stakeholders wherever possible.Recover costs in a way that ensures MPI can provide services essential to growing and protecting New Zealand and meet regulatory and wider government objectives.		
GUIDING PRINCIPLES: Equity, Efficiency, Justifiability, Transparency					
DEVELOPING POLICY	Understanding the nature of the service	Identifying parties that could pay	Understanding the impacts of charging	Identifying the costs to be recovered	Designing charges
	<p>Consider:</p> <ul style="list-style-type: none">Is there authority to charge?What are the outputs produced?What are the outcomes sought? <p>If services are provided pursuant to legislation, the authority to cost recover will usually be set out in the relevant statute. When developing or changing cost recovery arrangements authorised in legislation it is important that any and all legislative requirements are met.</p> <p>The outputs of services are relevant to understand who uses the service, receives the benefits or creates risks the service is designed to manage. MPI's charges seek to recover the costs of delivering outputs, rather than outcomes.</p> <p>Understanding outcomes sought is important context for understanding the impacts of charges.</p>	<p>Consider:</p> <ul style="list-style-type: none">Who receives direct benefits, or creates risks services are designed to manage?What is the economic character of the service (public, private, club, merit goods)?What impact will charging have on the behaviour of parties? <p>When a service delivers benefits to third parties, charging the direct beneficiaries of outputs is likely to be most equitable and efficient.</p> <p>When a service is designed to manage risks created by third parties, charging the risk exacerbator is likely to be most equitable and efficient.</p> <p>Understanding economic characteristics helps to identify which options are likely to be practical or efficient to implement, but they are not determinative. For example, a service can be a public good, but it may still be appropriate to charge those that create risks if they can be identified and efficiently charged.</p> <p>Application of the principles, equity and efficiency in particular, help to identify the best option. Often this will come down to which party is best placed to influence the long term supply of the service by how much they choose to consume, or by taking steps to reduce the risks they create.</p>	<p>Consider:</p> <ul style="list-style-type: none">What are the impacts of charges likely to be (including cumulative impacts of government charges)?Is there a good reason not to recover, to partially recover, phase in, or share costs? <p>In some situations, the government may choose not to recover costs, to partially recover, or to phase in cost recovery. This needs to be considered on a case by case basis. It may be appropriate to:</p> <ul style="list-style-type: none">➢ further other policy objectives, manage significant impacts, or competition issues➢ provide funding on behalf of direct beneficiaries or risk exacerbators where it would not be feasible to identify and equitably charge them➢ avoid perverse incentives, or where it is inefficient to charge➢ fund where significant free riding may occur➢ fund where full recovery is prohibited, inconsistent with international obligations or may create technical barriers to trade. <p>Cost sharing is appropriate when government funds on behalf of different types of beneficiaries that cannot be identified or charged. In some situations there <i>may</i> be a case for cost sharing with the taxpayer to reflect specific public benefits, but quantifying public benefit is difficult; the materiality of costs and certainty about benefits are relevant factors when determining whether this approach is desirable.</p>	<p>Consider:</p> <ul style="list-style-type: none">What are the direct costs, indirect costs and shared costs?How strong is the link between costs and the outputs/services?How should costs be allocated and/or apportioned? <p>Only the reasonable costs of providing a service should be recovered. MPI recovers all direct costs associated with a service and a fair proportion of indirect costs (e.g. wider business support or common costs, including corporate costs).</p> <p>When recovering indirect costs, it is important to identify an appropriate method for working out what represents a fair proportion (allocation driver).</p> <p>Costs should also be allocated as closely as practicable to the services, including the period in which the service was provided.</p> <p>Recovery of significant one-off costs can create equity issues e.g. where one party pays, but a future party benefits, so this needs to be considered on a case by case basis. This is why MPI recovers appropriate capital costs through depreciation and capital charge.</p>	<p>Consider:</p> <ul style="list-style-type: none">How could design of charges influence behaviour?How strong is the link between the party and the output, benefit or risk?How fixed or variable are the costs?How simple will the charges be to understand and administer?How predictable do the charges need to be? <p>Design of charges should incentivise services users, beneficiaries, risk exacerbators and MPI to make efficient choices about how much of a service to consume, how to manage their risks, and how to perform services efficiently.</p> <p>Fees are suitable where there is a clear link between a party and their use, benefit, or the risk they create. Levies may need to be used where it is more difficult to link use, benefit or risk to an individual, but possible to link it to a group.</p> <p>Levies should still aim to approximate the level of use, benefit or risk created by levy payers to the extent practical. Levies tend to be less transparent so it is also important to clearly describe what activities the levy is being used for.</p> <p>Design should recognise the variability of costs. Fixed fees are suitable for limited variation in costs. Charging actual costs (e.g. hourly rates) are suitable when costs vary significantly.</p>
MANAGEMENT PROCESSES	Frequency of review		Stakeholder engagement and consultation		Monitoring and reporting
	<ul style="list-style-type: none">In general MPI aims to comprehensively review charges at least once every three years. However, some Acts require more frequent reviews and limit MPI's ability to recover historic deficits.In determining frequency it is important to weigh up the administrative and transactional costs of more regular reviews with the need to ensure that charges are set at the right levels, as well as legislative requirements.Considerations include the status of memorandum accounts and how charges are performing, how much the population of service users is likely to change and how much the costs and demand for the service has or is likely to change.	<ul style="list-style-type: none">In many cases MPI's regulated sectors can assist with our understanding of likely changes in service demand and emerging risks. Consideration should be given to engaging service users in determining the nature and level of service, but care must be taken to avoid or manage conflicts of interest.Consultation on cost recovery arrangements should be meaningful, and stakeholders provided with adequate information to ensure they understand: the principled basis and rationale for charges, the forecast and actual costs of service delivery, relationship between costs, volumes of outputs and, where appropriate, quality standards of MPI services.	<ul style="list-style-type: none">Regular reporting to stakeholders about the performance of cost recovered services supports improved transparency and accountability for delivery of efficient and effective services.Reporting should include information on the types of costs that are involved in service delivery (both direct and indirect costs), service volumes and achievement of service standards.It is important that when seeking to cost recover for services to consider whether appropriate performance standards and measures are in place.		

Key themes raised during 2016 consultation on a proposed framework for cost recovery

As part of the First Principles Review, we developed a framework to guide MPI's approach to cost recovery. To give stakeholders an opportunity to provide feedback, in June 2016 MPI released the discussion document *Developing a Cost Recovery Framework for the Ministry for Primary Industries*. The discussion document set out the key principles and policies that we considered should underpin how we develop and manage cost recovery across all MPI systems.

In general, submitters agreed with the principles and supported us in developing a consistent and transparent approach to cost recovery. A summary of the key themes raised in submissions and MPI's response is set out below.

Impact of cost recovery charges on business

A number of submitters suggested that cost recovery has negative impacts on export and business growth. They noted that compliance costs impact on their ability to remain competitive, and that it is not always possible to pass these costs on to consumers. Submitters recommended that the goal of doubling primary industry exports by 2025¹ should be specifically captured in MPI's cost recovery objectives.

MPI acknowledges that cost recovery imposes compliance costs on business, and agrees that it is important to consider the impact on growth in export markets and wider economic objectives.

MPI's work supports business by enabling market access, ensuring production systems are well regulated, and protecting New Zealand's reputation as a humane, safe, environmentally sustainable producer of primary produced goods. Industries receive significant financial benefits as a consequence. Industries receive significant financial benefits as a consequence.

Full cost recovery also maximises incentives to ensure that those who use MPI's services are aware of the full costs of participating in markets, and will only do so when the benefits of participation outweigh the costs. Equally, it maximises incentives for those that create risks to take steps to reduce these risks, and can incentivise MPI to provide services efficiently, particularly where fixed charges are used. In the long term, this will influence the level of service supplied and support more efficient use of resources.

This approach is consistent with guidance published by the Treasury and the Controller and Auditor General. A scan of publicly available information shows this approach is also consistent with that taken by our trading partners and competitors. A comparison of cost recovery approaches and charges in other countries is provided in this document.²

In many cases, industry is able to internalise charges into cost structures. This is an efficient way to ensure that downstream or indirect beneficiaries or risk exacerbators contribute to costs. For example, cost recovery from the meat industry means that consumers face a portion of these costs through the price they pay for meat. MPI does acknowledge that this is more difficult in highly competitive markets.

MPI agrees that it is important to consider how charges might impact on market competitiveness (or other regulatory objectives). In some cases it may be appropriate to consider recovering less than full costs or phase in cost recovery.

This is reflected in MPI's cost recovery policy which includes a description of circumstances where government may choose not to recover, to share costs or to phase in cost recovery.

More consideration of cost sharing arrangements

Cost sharing to reflect public benefits

A number of submitters considered that an element of public good or benefit exists in all MPI services and that this should be reflected in more cost sharing arrangements.

¹ The goal of doubling exports by 2025 refers to a policy of the previous Government.

² It has not been possible to compare MPI's approach with all trading partners.

MPI agrees that the services it delivers contribute to the achievement of wider benefits or outcomes, such as greater economic growth for New Zealand or the sustainable use of New Zealand's primary resources.

At an outcome level, cost is shared with taxpayers through the Crown funding MPI receives to deliver services. MPI charges seek to recover the costs of activities and services associated with delivering outputs, because it is at this level that costs are incurred. There are a much wider range of activities (and costs) which contribute to the delivery of outcomes. For example other services that MPI provides, which are not cost recovered (such as policy development) also contribute towards the achievement of outcomes.

Factors external to MPI also influence or contribute to outcomes. The extent to which outcomes are realised often depends on the choices made by those that use MPI's services. For example, the extent to which increased export revenue contributes to employment can depend on whether a business chooses to expand its operations domestically or offshore. Nonetheless, at an outcome level, funding is shared with the taxpayer - through the Crown funding MPI receives to deliver services.

MPI also acknowledges there may be circumstances where implementing cost recovery could materially impact on the delivery of outcomes, and it is important that MPI understands these impacts. This is reflected in MPI's cost recovery policy.

Expanding the application of the Government Industry Agreement (GIA)

A number of submitters suggested GIAs could be used more widely. Traditional cost recovery mechanisms seek to recover the costs of service outputs government agencies are required or requested to provide. The GIAs are different. They are partnerships between the Crown and specific sectors which provides for shared decision making, funding and resourcing (i.e. information and technical expertise) of biosecurity readiness and response activities as provided for under the Biosecurity Act. Conversely, conventional cost recovery seeks to recover the costs of service outputs government agencies are required or requested to provide.

More information on costs, and comparability with other countries

Submissions emphasised the importance of transparency, and most submitters indicated they would welcome more information being provided about the costs of MPI's services. They also sought more information on how MPI's cost recovery regime compares with other countries.

MPI has begun work to develop a cost recovery performance reporting framework. Once developed the framework will be the basis for a consistent approach to industry reporting and improve the transparency of MPI's service costs. It is also expected to improve understanding of efficiency in MPI systems.

The framework will be in place by July 2018. This will allow the first reports to start being developed consistently across all MPI systems. Regular reporting on the performance of charges will help both MPI and service users to actively monitor where charges may need adjusting.

In response to feedback received, in 2016, MPI completed a high level comparison of the cost recovery frameworks used in primary industry-related government agencies in comparable jurisdictions (Australia, Canada, United States of America (USA), and the United Kingdom (UK)). These countries have similar systems of democratic government, and have similar interests in the success of primary industries, and the safety of food production.

All these countries appear to have adopted full cost recovery for a range of primary industry-related services. A direct comparison of specific cost recovery arrangements between countries is more difficult as regulatory frameworks and services differ significantly. Further detail on the 2016 comparison of cost recovery is provided later in this document.

More frequent reviews, especially of levies

Submitters generally favoured more frequent reviews of charges to minimise the size of any adjustments required.

MPI agrees that minimising surpluses and deficits is desirable, but the frequency of the reviews needs to be balanced against the costs of the reviews and change for MPI and industry. Where it is required, it can take anywhere from nine to twelve months to make regulatory change. MPI favours the review

of regulations on a three yearly basis, but will seek to undertake out of cycle reviews if large unexpected surpluses or deficits emerge.

MPI is also committed to regular monitoring of memorandum accounts throughout the year, and where significant surpluses or deficits are identified, an out of cycle review could be undertaken to address these. The establishment of a permanent Cost Recovery Directorate with responsibility for managing cost recovery aims to ensure regular monitoring, reporting and review, and the development of improved forecasting capability.

As the cost recovery work programme progresses MPI will assess the feasibility of having more flexibility around the time available to adjust for historic deficits or surpluses. For example, in 2018 the levy period defined in the Biosecurity (Border Processing Levy) Order was extended from 12 months to up to 36 months, to provide greater flexibility and align with a similar levy administered by the New Zealand Customs Service.

Improved incentives for efficiency

Submitters emphasised the need for MPI to be able to demonstrate efficiency and value for money. MPI agrees and considers that the way it recovers costs can influence incentives for efficiency improvement. MPI plans to address this in the following ways:

- by improving the data MPI holds on costs, expenditure and revenue drivers and service performance
- through more frequent engagement with industry on cost recovery and by developing regular industry reporting
- examining the balance between input based charges (such as hourly rates) and output based charges (such as fixed fees), and the extent to which each support incentives for efficiency improvement.

MPI's cost recovered services

This section summarises the types of services and activities that MPI provides and illustrates how costs for services and activities may be recovered based on MPI's cost recovery policy (see summary diagram in the first section of this document).

Table 1 sets out the different types of cost recovered services provided under the range of Acts MPI administers. Descriptions are to assist with understanding differences between the types of services and not intended to be exhaustive.

Table 1: Types of services provided by MPI

Services	Description
Approvals (includes permits, licenses, registrations, recognitions and listings, associated with a person, organisation, facility, plan or programme).	One or more of these services is provided under each of the Acts administered by MPI. They enable individuals to produce, sell and use specific products or devices in certain circumstances, or to operate and sell services under certain conditions or in accordance with specific requirements. The purpose of these approvals is to provide confidence to consumers and service users that the products or services provided by these organisations are compliant with New Zealand regulations and are fit for purpose.
Clearances	These services are provided under the Biosecurity Act and some limited clearances are provided under the ACVM and Animal Products Acts. They are similar to approvals in that they enable importers to bring goods into New Zealand (or for travellers to enter into New Zealand) if certain requirements are met. Clearances provide confidence to New Zealand industries and the public that goods and passengers are not carrying biosecurity hazards and are safe to enter the country.
Assurance	Assurances and certifications are provided under a range of Acts, including the Animal Products Act, Wine Act and Animal Welfare Act. Services result in assurances to other countries related to the quality and compliance of goods and services with requirements, and support market access.
Monitoring and compliance	<p>Monitoring is undertaken under all Acts administered by MPI. Monitoring aims to ensure systems are delivering objectives and manage risks associated with non-compliance. In doing so it supports reputational benefits to industry, health and safety benefits to consumers and wider benefits, such as the satisfaction that comes with knowing animals are being cared for responsibly.</p> <p><i>System-wide monitoring</i> may take the form of random sampling of compliance, auditing of all participants, or specific programmes targeted to determine effectiveness of a specific aspect of the system or the system as a whole.</p> <p><i>Audits and inspections</i> are other types of monitoring for compliance, focused on an individual industry participant. These can be reactive, as a result of a tip-off or a specific incident, or they can be proactive based on risk profiling, routine inspections or audits that are required to be completed periodically.</p> <p><i>Recalls</i> can be undertaken under the Food Act and the ACVM Act. Recalls and investigation are the result of voluntary action by the party responsible for the product. Recalls aim to manage health and safety issues that consumers may be exposed to. They also protect the integrity and reputation of New Zealand domestic and international industries.</p>
Verification	Verification is a specific type of audit in the food system which ensures that applicable risk management requirements are met at premises where meat, seafood, other animal products, and plant and organic products are processed. MPI employs veterinarians and other appropriately trained verifiers to verify that appropriate protocols are being followed, and provide certification on that basis. These services ensure that food products are produced in line with the required standards and regulations.
Risk assessment, intelligence and surveillance activities	These activities occur under most Acts MPI administers. It enables MPI to target its resources towards areas where risks are more likely to result in issues, to identify issues and generally support monitoring, compliance, investigation and enforcement activity.

Investigations and enforcement	Investigations and enforcement occur under all Acts administered by MPI. Investigations are triggered by tip-offs or following monitoring. Investigations aim to validate whether non-compliance has occurred. They support the integrity and reputation of industries and the wider benefits, such as the maintenance of consumer health and safety. Enforcement activity includes infringements and other directed compliance activities, including prosecution.
Standards development	Standards include domestic standards that apply to items consumed in New Zealand (i.e. Food, Wine and Animal Welfare Acts), import standards (i.e. import health standards under the Biosecurity Act) and standards that set out requirements for exports (i.e. under the Animal Products Act and Wine Act). Standards development is sometimes instigated by requests from individuals/organisations who wish to import specific goods, or by industries or individuals wishing to export certain goods into certain markets. Standards development is also instigated by MPI in response to risks certain goods may present to consumers. As such, standards support the effective and efficient operation of domestic markets, imports, and exports.
Market access	Market access comprises the development and maintenance of relationships with other countries and the use of these relationships to resolve specific issues (i.e. the clearance of a consignment of goods exported from New Zealand). It also includes the negotiation of frameworks within which positions on broader issues can be set out.
Science and research	Science and research occurs in a range of areas, such as biosecurity and fisheries. It supports decision making (e.g. stock assessment to set catch limits in commercial fisheries) and the identification of pests and diseases (for biosecurity), which in turn enable industry to derive reputational and financial benefits. Wider benefits also accrue from the accumulation and dissemination of scientific knowledge.

Tables 2 and 3 outline the different types of cost recovered services provided under the range of Acts MPI administers and the economic/cost recovery considerations relevant to deciding where and how charges could be directed. These tables have been compiled to illustrate the application of MPI's cost recovery policy guidance (see summary diagram in the first section of this document). This information is indicative only – when developing policy proposals for charges more in-depth analysis is required and there may be a range of other factors to take into consideration.

Table 2: Applying MPI's cost recovery policy guidance to services generally cost recovered using fees

Service type	Service or activity	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Where and how should charges be directed?
				Excludability from output benefits	Rivalry for output benefits	Economic character	Options for directing charges	Who benefits from the output?	Who creates risks?	
Approvals	Issuing permits and licences	Demonstrating that a person is fit to operate in an industry and commercially use a resource	A licence or permit to commercially use a resource	High – Only the person who receives the permit/licence commercially use the resource	High – The permit/licence is specific to the applicant and the resource	Private good	Applicant, or taxpayer	The person who holds the permit/licence can sell the permitted resource	The person who wishes to exploit the resource presents a risk of not meeting required standards	Fees targeted at the person seeking the permit/licence
	Registering a person or organisation as a domestic operator	Demonstrating that a person or organisation is fit to operate in a domestic market	Entry on to a controlled list which allows operation in a regulated industry	High – Only the registered/ listed person or organisation can participate in and provide services to a domestic market	High – The registration/ listing is specific to the applicant, activity and targeted market	Private good	Applicant, or taxpayer	The person/ organisation who is registered can provide services for private benefit	The person/ organisation who wishes to operate may not meet required standards	Fees targeted at the person/ organisation seeking the registration
	Registering a person or organisation as an importer or exporter	Demonstrating that a person or organisation is fit to import or export	Entry on to a controlled list which allows operation in a regulated export/import industry	High – Only the registered/ listed person or organisation can import or export goods	High – The registration/ listing is specific to the applicant, activity and targeted market	Private good	Applicant, or taxpayer	The person/ organisation who is registered can import or export for private benefit	The person/ organisation who wishes to import or export may not meet required standards	Fees targeted at the person/ organisation seeking the registration

Service type	Service or activity	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Where and how should charges be directed?
				Excludability from output benefits	Rivalry for output benefits	Economic character	Options for directing charges	Who benefits from the output?	Who creates risks?	
	Issuing a recognition of and listing a person or agency	Demonstrating that a person or agency is fit to act on MPI's behalf	An authorisation to act on MPI's behalf	High – Only the recognised/ listed person or agency has the authority to provide the service	High – The recognition is specific to the applicant and the relevant service(s)	Private good	Applicant, or taxpayer	The person or agency who is recognised is able to charge for services, which they are authorised to provide	The person or agency who wishes to offer services on MPI's behalf may not meet required standards	Fee targeted at the person or agency seeking recognition
	Approving an operator	Demonstrating that a person or organisation can operate in compliance with regulations	An authorisation to operate	High – Only the person or organisation who receives approval can operate	High – The approval is specific to the applicant	Private good	Applicant, or taxpayer	The person or organisation who receives the approval is able to operate	The person or organisation who wishes to operate may not meet required standards	Fees targeted at the person or organisation seeking the approval
	Approving industry products or devices	Demonstrating that industry products or devices meet requirements	An authorisation to commercially use a product or device	High – Only the person that receives the approval can provide the approved products/ devices to others	High – The approval is specific to the product/ device and the applicant	Private good	Applicant, or taxpayer	The person who receives the approval is able to provide and charge for products/ devices which they are approved	The person who wishes to use products and devices that may not meet required standards	Fees targeted at the person seeking the approval
	Approving plans and programmes	Demonstrating that a plan or programme meets standards and is compliant with requirements	An authorisation to operate in an industry pursuant to the plan or programme	High – Only the person whose plan/programme is approved can operate under that plan/programme	High – The approval is specific to the plan or programme and the applicant	Private good	Applicant, or taxpayer	The person who receives the approval is able to produce products for financial gain	The person who produces the product creates the risk of the product not meeting required standards	Fees targeted at the person seeking the approval

Service type	Service or activity	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Where and how should charges be directed?
				Excludability from output benefits	Rivalry for output benefits	Economic character	Options for directing charges	Who benefits from the output?	Who creates risks?	
Clearances	Clearing imported goods for entry into New Zealand	Demonstrating that an imported good meets biosecurity requirements and is fit to enter New Zealand	A clearance for goods to enter New Zealand	High – Only cleared goods can be imported to New Zealand	High – The clearance is specific to the good cleared for import	Private good	Applicant, club of parties, or taxpayer	The person who imports the good	The person who wishes to import the good, which may present a biosecurity risk	Fee targeted at the person seeking the clearance
Official assurances and certification	Issuing an official assurance or certificate (usually for entry into overseas markets)	Demonstrating that a product has met New Zealand regulatory requirements	A document certifying a product has met requirements	High – Only the person who receives the assurance can use it to enter overseas markets	High – The assurance is specific to the certified product and the applicant	Private good	Applicant, club of parties, or taxpayer	The person who receives the official assurance is able to use it for exporting goods	The person who wishes to export the goods which may not meet required standards	Fee targeted at the person seeking the official assurance
Market access	Direct in-market support for exporters	Providing assistance in the clearance of specific consignments of goods and to resolve industry specific trade barriers.	Resolution of in-market access issues	High – Only the exporter receiving the assistance gets resolution (e.g. clearance of the consignment)	High – The resolution is specific to the exporter's consignment	Private good	Applicant, club of parties, or taxpayer	The exporter seeking assistance	The person who wishes to export goods which may not meet overseas market requirements	Fee targeted at the person seeking the market access support (exporter)
Monitoring and compliance	Conducting audits or inspections	Assessing whether or not a person or business operates in compliance with requirements	Confirmation of compliance or non-compliance	Low – a range of groups and individuals may benefit	Low – One person benefiting does not preclude another	Public good	Taxpayer or risk exacerbator	Any group or individual who has an interest in the industry being monitored	The individual who is undertaking the activity that needs to be audited or inspected	Fee targeted at the individual who is undertaking the activity requiring audit or inspection

Service type	Service or activity	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Where and how should charges be directed?
				Excludability from output benefits	Rivalry for output benefits	Economic character	Options for directing charges	Who benefits from the output?	Who creates risks?	
	Recalls	Identification of products that may be unsafe and requiring producers to remove them from the market	Unsafe products are removed from the market	Low – a range of groups and individuals may benefit from unsafe products being recalled	Low – one person benefiting does not prevent another	Public good	Taxpayer or risk exacerbator	Individuals who consume the products, the club of market participants whose sales will be supported by a timely response that maintains consumer confidence	The producer of the unsafe product	Fee targeted at the producer <i>Note: cost recovery may not be desirable where it would dissuade voluntary reporting</i>
Verification	Establishment and circuit verification	Verifying that processors are complying with regulations/risk management plans	An assurance that processors are in compliance with regulations/risk management plans	High – only the processor receiving the verification service receives and can use the assurance to continue operating or to export	High – the assurance is specific to the processor who is verified.	Private good	Individual, club of parties, or taxpayer	The processor that receives the assurance can sell products and/or gain export certification	The processor whose activities require verification	Fees targeted at the premises being verified.
Other	Examining registers	Obtaining copies of registers or examining registers	Access to view managed registers	High – Any person can be prevented from accessing a register unless they are publicly available	High – Only one person may view a register and at any one time unless they are publicly available	Private good	Applicant, or taxpayer	The party who wishes to view the register	N/A	Fees targeted at the person wishing to view the register where it is not publicly available

Table 3: Applying MPI's cost recovery policy guidance to services likely to be cost recovered using levies

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
Standards	Development and maintenance of standards <i>(Includes domestic standards, import and export standards and overseas market access requirements)</i>	Prescribing standards that exporters, importers or domestic producers meet in order to export, import or sell products domestically	A set of requirements, that if met, mean eligibility to export, import or produce specific products	High - only those wishing to export, import or produce products subject to a standard benefit directly	Low – within groups of importers, exporters or producers, one person benefiting from the standard does not preclude another	Club good	Taxpayer, clubs covered by the standard	Parties who wish to export/import or produce goods under a specific standard benefit	Those wishing to export, import or produce	Levy on exporters/importers or domestic producers. <i>Note: cost recovery may not be desirable where it could see other countries reciprocate by introducing charges that create barriers to entry for New Zealand exporters</i>
Market access	Developing and maintaining access arrangements for the export of specific products. government to government <i>(Direct in-market support for exporters is described in Table 1)</i>	Engaging with other countries and negotiating and maintaining the ability for product exporters to access their markets	Access for product exporters to foreign markets	High – only those wishing to export benefit from access to foreign markets.	Low - one party's benefit does not preclude another party benefiting	Club good	Clubs of product exporters	Product exporters.	N/A	Levy on exporters

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
Market Access	Generic maintenance of trade relations with export markets (not product specific)	Maintain access to export markets by providing information/ assurances export control systems.	Maintaining ongoing access to export markets for	Low – all exporters benefit from maintaining relationships.	Low - one party's benefit does not preclude another party benefiting	Public good	Taxpayers, club of exporters	All primary sector exporters.	N/A	Taxpayer funding in recognition that it is not efficient to equitably apportion costs to direct beneficiaries.
Science and research	Undertaking science and/or research to inform specific management controls or standards	Science that informs the setting of utilisation limits (e.g. stock assessment), particular requirements, standards or risk management tools	Data to support definition and development of management controls	High – Information relates to and supports management controls for activities undertaken by specific individuals or groups	Low – all members of a group subject to a particular management control gets the benefit of the data	Club good	Taxpayer, clubs subject to particular management controls, risk exacerbator	Groups that benefit from being able to undertake the 'controlled' activity	Those that create the need for management controls	A levy on risk exacerbators
	Laboratory testing and diagnostics for a range of purposes including for pests, diseases, attributes, residue levels.	To underpin assurance for import/export requirements and support compliance with domestic production standards (usually at the request of individuals or industry)	Information that confirms whether the relevant requirement or standard has been met	High – information is specific to the animal/product being tested, so only the importer/exporter or producer receives the benefit	High - information is specific to the animal/product being tested, so only the importer/exporter or producer can use it	Private good	Taxpayer, individuals (exporters/importers or producers seeking testing)	Exporters/importers or producers seeking testing	Exporters/importers or producers of animals or products that may not meet requirements	Fees directed at the individual seeking testing

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
	Research to understand systems or sustainability generally	Research targeted at general biodiversity or geographic features or land use	Information that supports understanding systems or sustainability generally	Low – as long as the research is or can be made publicly there are a wide range of groups that could benefit	Low – one persons use and benefit from the information does not preclude another	Public good	Taxpayer	A wide range of groups could benefit	A wide range of group may create risk (unknown, and often the subject of the research)	Taxpayer funding in recognition that all the different groups of beneficiaries or risk exacerbators cannot be efficiently or equitably identified or charged.

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
Monitoring and Compliance	Inspections/audits	Inspections or audits are part of routine monitoring of on-going compliance	Identifying compliance with requirements	Depends on whether parties are found to be compliant or non-compliant. Compliance: excludability is high. This confers benefits to the individual by enabling them (and only them) to continue to operate. Non-compliance: excludability is low. It's not possible to exclude industry or the public from the benefits of improving compliance	Depends on whether parties are found to be compliant or non-compliant. Compliance: rivalry is high as benefits are specific to the individual that continues to operate Non-compliance: rivalry is low as one parties benefit does not preclude another	Private good for compliant parties Public good when non – compliance is identified	Taxpayer, individuals, risk exacerbator, clubs	Parties being inspected or audited for compliance (when they are found to be compliant) The industry, and the public may receive reputational benefits from high levels of compliance	Parties being inspected or audited for compliance All members of the industry who present risks of non-compliance	A direct charge where this is efficient, or an industry levy where direct charging is not efficient
	Systems auditing - intervention monitoring programmes, slippage surveys, and baseline auditing of compliance	Collecting and reviewing data to assess the performance of the system as a whole	Adjustments to systems and programmes to improve compliance and system performance	High – only the people who operate within the system get the benefits of improved system performance	Low – one participant in the system benefiting from improved system performance does not preclude another	Club good	Taxpayer, audited clubs, risk exacerbator	Clubs who participate in the audited system	Clubs who participate in the audited system	Levy directed at industry groups (<i>in some circumstances it may be possible to also incorporate into fixed portion of other charges</i>)

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
	Risk assessment, intelligence and surveillance activities	Profiling through observations and data analysis to improve the effectiveness and efficiency of issue identification	Data that informs the system improvements, allocation of resources, or instigates intervention	High – Only individuals or members of the group subject to the activities	Low – on member of the group benefiting does not preclude another from benefiting	Club good	Taxpayer, clubs that benefit from specific programmes	Clubs who have an interest in ensuring risks are identified and managed	The club who gives rise to the need for risk management	A levy paid by industry participants

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
Monitoring and Compliance	Investigations	Gathering evidence to determine whether non-compliance is occurring (offence detection) and support enforcement action if appropriate	Confirmation of compliance or non-compliance	<p>Depends on whether parties are found to be compliant or non-compliant.</p> <p>Compliance: excludability is high. This confers benefits to the individual by enabling them (and only them) to continue to operate.</p> <p>Non-compliance: excludability is low. It's not possible to exclude industry or the public from the benefits of improving compliance</p>	<p>Depends on whether parties are found to be compliant or non-compliant.</p> <p>Compliance: rivalry is high as benefits are specific to the individual that continues to operate</p> <p>Non-compliance: rivalry is low as one parties benefit does not preclude another</p>	<p>Private good for compliant parties</p> <p>Public good when non – compliance is identified</p>	Taxpayer, individuals who provide cause for investigations (risk exacerbator), clubs who receive reputational benefits from a compliant industry	<p>Parties investigated but found to be compliant</p> <p>The industry, and the public may receive reputational benefits from high levels of compliance</p>	<p>Parties investigated</p> <p>All members of the industry who present risks of non-compliance</p>	<p>Direct charges to the risk exacerbator.</p> <p>However, there may be natural justice issues associated with charging individuals for the costs of an investigation.</p> <p>Therefore, a levy on clubs of risk exacerbators is likely the most equitable and efficient approach.</p>

Services	Activities	Description	Output	Administrative efficiency considerations				Equity and allocative efficiency considerations		Funding recommendation
				Excludability from output benefits	Rivalry for output benefits	Economic character	Likely efficient options for charging	Who benefits from the output?	Who creates risks/is the risk exacerbator?	
	Prosecutions	Building a case and taking a prosecution through the courts	Prosecution	Low – it is not possible to exclude industry or the public from the benefits of improving compliance	Low - one parties benefit does not preclude another	Public good	Taxpayers, clubs who receive reputational benefits, individuals who provide cause for enforcement (risk exacerbator)	The industry, and the public may receive reputational benefits from high levels of compliance	The individual subject to the prosecution All members of the industry who present risks of non-compliance	Taxpayer. There is a case to direct charges to the risk exacerbator. However, there may be natural justice issues associated with charging individuals for the costs of prosecution and there are mechanisms for recovery of costs through the courts.

2016 comparison of cost recovery in other countries

In response to feedback received during 2016 consultation on the proposed cost recovery framework, MPI undertook a high level comparison of cost recovery for primary industries in a number of jurisdictions. Countries selected for comparison were Australia, Canada, the United Kingdom (UK) and the United States of America (USA). The selection was based on factors such as comparable regulatory environments, comparable systems of democratic government to New Zealand, and similar interests in the success of primary industries and the safety of food production.

Australia, Canada, the UK and the USA all engage in cost recovery. General points to note are:

- The type of services targeted for cost recovery are broadly comparable between these countries;
- Given the size and governance arrangements of the selected countries, there is usually a wider allocation of cost recovery responsibilities between different authorities on the federal, state, regional and local level, resulting in a more variable cost recovery system than compared to New Zealand; and
- Of the selected countries, Australia is the most similar to New Zealand, in particular with respect to biosecurity legislations and services.

Meaningful comparisons of services and their underlying cost recovery regimes are difficult because of the differences between the countries compared in terms of legal frameworks, government structures, relative importance of industry sectors and trade focus. We have tried to provide comparisons where services are broadly similar.

This comparison only provides a snapshot of existing cost recovery efforts, based on publically available information. It is not intended to be comprehensive.

Cost recovery frameworks

Australia, Canada, the UK and the USA all use a principle-based cost recovery approach set out in guidance. On the whole, principles and guidelines are in line with and have similar rationale to MPI's cost recovery policy. It is worth noting that recovering full costs (including indirect costs) is a common starting point for all countries.

Australia

The Australian government issued the [Australian Government Cost Recovery Guidelines](http://www.finance.gov.au/sites/default/files/australian-government-cost-recovery-guidelines_0.pdf) in 2014, which came into force on 1 July 2015.³ The guidelines highlight cost recovery as a means to promote equity (i.e. the service beneficiary bears the cost instead of the general public), influence demand for government activities, improve government activities in terms of efficiency, productivity, responsiveness and accountability, as well as raising an awareness of the costs for providing government activities among stakeholders. The Australian government's overarching cost recovery policy sets out "consistent, transparent and accountable charging for government activities ... [that] supports the proper use of public resources."

Key criteria for assessing cost recovery include the nature of the government activity, whether or not there is an identifiable beneficiary or risk exacerbator who creates the need for the service, the impact of charges on those who have to bear them, whether or not it is efficient to cost recover costs, and potential effects on other government policies. Australia's cost recovery framework is underpinned by the principles of (a) efficiency and effectiveness, (b) transparency and accountability, and (c) stakeholder engagement. Accountability in a cost recovery context is understood as "ensuring that entities, their staff and the responsible Ministers are answerable for their actions and decisions". A well-documented costing model is considered fundamental to both transparency and accountability. The importance of stakeholder engagement, on the other hand, is based on the fact that cost recovery will have direct impacts on those who pay for charges, which makes consultation important.

The guidelines suggest that the "Australian government entities should generally set charges to recover the full costs of providing specific activities." However, partial cost recovery can be considered under certain circumstances, such as when charges are being phased in, where full cost recovery

³ Australian Government Cost Recovery Guidelines: Resource Management Guide No. 304, 3rd edition, July 2014, http://www.finance.gov.au/sites/default/files/australian-government-cost-recovery-guidelines_0.pdf

would be inconsistent with other government policy, or an explicit government decision was made to only charge for parts of the costs.

Canada

The Canadian Food Inspection Agency (CFIA) is responsible for safeguarding food, animals, and plants; and enhancing the health and well-being of Canada's people, environment and economy. CFIA charges fees for some of the services it provides for certain industry stakeholders.⁴ Service standards and user fees are based on the [CFIA Cost Recovery Policy and Framework](#), which states that fees are charged “for services that provide service recipients direct benefits beyond those received by the general public”.⁵

The CFIA is currently in the process of reviewing its cost recovery regime and updating its fees with the intent to move towards fees that are more reflective of the cost of CFIA activities and also incorporate indirect costs (e.g. equipment, rents and salary) to “ensure a fair distribution of costs between taxpayers and regulated parties”.⁶

United Kingdom

HM Treasury released a document [Managing Public Money](#) in January 2015, which sets out the main principles for dealing with resources in UK public sector organisations, including recovering costs through fees, charges and levies.⁷ Cost recovery is described as “a rational way to allocate resources because it signals to consumers that public services have real economic costs”. The document notes that the standard approach for cost recovery is to recover the full costs of the service, which includes overheads, depreciation and the cost of the capital.

Basic principles for cost recovery are identified. The government should be “honest” about its policy objectives and be “transparent”. Governmental organisations providing public services should ensure that public money is used efficiently and effectively by controlling their costs.

United States of America

In the USA, cost recovery for government services is included in the Independent Offices Appropriation Act of 1952 (IOAA), which states that every service should be “self-sustaining to the extent possible” and charges be fair while based on (a) actual costs, (b) the value of the service to the recipient, (c) the interest of the public and (d) relevant facts.⁸

Federal guidelines for government service user fees are provided in the Office of Management and Budget (OMB) [Circular No. A-25](#).⁹ As a general policy it is stated that a user charge is to “be assessed against each identifiable recipient for special benefits derived from Federal activities beyond those received by the general public” and that where such a special benefit to identifiable recipients are present, costs should be fully recovered. In addition, the US Government Accountability Office (GAO) published a series of reports on Federal user fees.¹⁰

⁴ See CFIA's Service Standards and User Fees, <http://www.inspection.gc.ca/about-the-cfia/accountability/other-activities/sound-agency-management/service-standards-and-user-fees/eng/1326916769016/1326916873715>

⁵ See Policy Statement, Part 1, Cost Recovery Policy and Framework, http://www.inspection.gc.ca/about-the-cfia/accountability/other-activities/sound-agency-management/service-standards-and-user-fees/cost-recovery-policy/eng/1378073377319/1378073471053#p1_2

⁶ See CFIA approach to cost recovery (Chapter 7), Cost Recovery Initiative: Consultation Document, <http://www.inspection.gc.ca/about-the-cfia/accountability/consultations-and-engagement/cost-recovery-initiative/consultation-document/eng/1484240043102/1484240189214?chap=7>

⁷ See Chapter 6 (Fees, charges and levies) of the HM Treasury document, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf

⁸ IOAA can be found under the 31 U.S. Code § 9701 - Fees and charges for Government services and things of value, <http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title31-section9701&num=0&edition=prelim>

⁹ OMB's website is currently under construction. Historic information from the Obama Administration are still available through this link: https://obamawhitehouse.archives.gov/omb/circulars_a025/

¹⁰ Three reports have been published by the GAO to date, including [Federal User Fees: A Design Guide](#) (2008), addressing principles for setting, collecting, using, and reviewing federal user fees; [Federal User Fees: Fee Design Options and Implications for Managing Revenue Instability](#) (2013), which is about key fee design decisions; and [Federal User Fees: Key Considerations for Designing and Implementing Regulatory Fees](#) (2015), which includes the key elements for decision-makers to consider in regulatory user fees.

Cost recovered services

This section provides some information about cost recovery in Australia, Canada, the UK and the USA related to food safety, biosecurity and fisheries. These examples are not intended to be exhaustive, but provide an indication of the types of services that are cost recovered in similar countries. Information has been collected based on *publicly available data* and is not comprehensive.

Food safety

In **Australia**, the Department of Agriculture and Water Resources administers the [Imported Food Control Act 1992](#) which allows for charging for services, such as certifications, inspections and compliance services. The Department collects, administers and disburses levies and charges on behalf of Australian agricultural industries, which are used to fund research and development (R&D), marketing, biosecurity and residue testing programs.

In **Canada**, food safety is regulated under the [Safe Food for Canadians Act 2012](#), which is administered by the Canadian Food Inspection Agency. There are charges for a range of services, including labelling, registrations and approvals (including permits, licensing and certifications), compliance services, inspections and monitoring as well as services related to imports and exports.

In the **UK**, primary responsibility for food safety and food hygiene is with the Food Standards Agency. The Agency is supported by local authorities to enforce food safety regulations. EU regulations (such as Regulation [882/2004](#)) include controls related to food, animal health and animal welfare. Cost recoverable services in the regulations include verification. The Food Standards Agency may also apply charges for services such as export certifications.

In the **USA**, the food system is regulated by numerous federal, state and local officials. The [Food Safety Modernization Act 2011](#), the key instrument for food safety at the federal level, is administered by the Food and Drug Administration, a federal agency of the Department of Health and Human Services. The agency charges for services it provides, including inspections, recalls and export certificates.

Biosecurity

In **Australia** the biosecurity system is regulated by the [Biosecurity Act 2015](#) and administered by Department of Agriculture and Water Resources. The Department's [Charging Guidelines](#) provide lists of services that are provided in the context of imports and exports (e.g. permits, certifications, inspections and audits or post-quarantine), and charges for these services.

Biosecurity within the **UK** is dealt with by the Department for Environment Food & Rural Affairs and supporting agencies (e.g. Animal and Plant Health Agency) and other public bodies (e.g. Forestry Commission). There are fees that apply if the import of pets requires quarantine, which are charged by authorised premises and carriers.

In the **USA**, the Animal and Plant Health Inspection Service of the Department of Agriculture provides and charges for services that aim at the prevention and management of plant and animal pests and diseases and include import and export permits, veterinary diagnostics and quarantine inspections.

Fisheries

In **Australia**, the commercial fishing industry pays for activities such as registrations, permits and licensing, and fisheries management, but not enforcement and compliance activities. The Australian Fisheries Management Authority (AFMA) collects levies via regulations under the Fishing Levy Act 1991, in accordance with the Fisheries Management Act 1991 (FMA), Fisheries Administration Act 1991 (FAA), and the Australian Government cost recovery policy.

In **Canada**, there are recreational and commercial licensing fees and charges authorised by the Fisheries Act 1985. Fisheries and Oceans Canada (also known as the DFO) also charges fees under various Acts for other services including: icebreaking, hydrography, marine navigation services, marine communications and traffic services and coastguard radio traffic communications.

In the **UK**, the Marine Management Organisation (MMO), licenses, regulates and plans marine activities in the seas around England so that they're carried out in a sustainable way. There are some charges for marine licenses.

In the **USA**, the Magnuson-Stevens Fishery Conservation and Management Act (MSA) governs fisheries management in the U.S. Exclusive Economic Zone. The MSA also authorizes and requires

the collection fees and charges for a range of fisheries services including registrations of vessels, observer services, the Community Development Quota (CDQ) Program and limited access privilege programs. Limited access privilege programs are those that allocate a percentage of the total allowable catch of a fishery for exclusive use by a person. Cost recovery fees recover the actual costs directly related to the management, data collection, and enforcement of the programs. Fees are limited to 3% of the annual ex-vessel value of fish harvested by a program.

Comparisons of charges with New Zealand

This section provides some comparisons of charging in other jurisdictions with New Zealand. Table 4 provides a comparison of passenger charges (which may or may not be cost recovered charges in some jurisdictions) and Table 5 provides comparison of other types of charges. Table 5 has been colour coded to show where comparisons are most meaningful.

There are three ways in which we have compared countries:

- whether there is cost recovery (Green: Full cost recovery; Amber: Partial cost recovery; Red: Not cost recovered);
- the relative comparability of the services in that country to the service provided in New Zealand (Green: Services are comparable; Amber: Services are broadly comparable but differences are evident; Red: Services provided differ significantly); and
- the relative level of New Zealand's fees compared to the fee in that country (Green: New Zealand's fee is lower; Amber: New Zealand has similar rates; Red: New Zealand's fee is higher).

All figures are presented in New Zealand dollars. Charges are intended to be indicative of similar or related services in other countries for contextualising New Zealand's fees.

Comparison of passenger charges

Passenger charges are usually built into airline or cruise tickets which cover the costs associated with clearing a person to enter a country. These costs typically cover checking for contraband, biosecurity clearance, and can include security charges. New Zealand's passenger charges are similar to the USA and Canada, and are significantly lower than Australia and the UK's long haul rates.

Table 4: Comparison of passenger clearance charges in other countries (charges for other countries are shown in NZD with the original rate in the local currency in brackets)

		Short haul (NZD)	Long haul (NZD)
New Zealand	Border Clearance Levy (arrival)	\$18.76	\$18.76
	Border Clearance Levy (departure)	\$3.37	\$3.37
	Avsec International Passenger Security Charge (departure)	\$11.98	\$11.98
	CAA Levy (departure)	\$1.50	\$1.50
	Total	\$35.61	\$35.61
USA	U.S. International Transportation Tax (arrival and departure) ¹¹	~\$25 (US\$17.80)	~\$25 (US\$17.80)
	US Customs User Fee (arrival and departure) ¹²	~\$7.50 (US\$5.50)	~\$7.50 (US\$5.50)
	Total	\$32.50	\$32.50

¹¹ See information on the Airlines for America website: <http://airlines.org/data/international-departurearrival-tax/>

¹² See information on the US Customs and Border Protection website: <https://www.cbp.gov/border-security/ports-entry/cargo-security/carriers/air-sea-passenger-user-fees/facthead>

Australia	Passenger Movement Charge (PMC) (departure) ¹³	~\$58 (AU\$55)	~\$58 (AU\$55)
United Kingdom	Air Passenger Duty (APD) (departure) ¹⁴	~\$23-139 (£13-78)	~\$133-800 (£75-450 ¹⁵)
Canada	Air Travellers Security Charge ¹⁶	~\$28 (CA\$25.91)	~\$28 (CA\$25.91)
Germany	Air Passenger Tax (departure) ¹⁷	~\$12 (€7.50)	~\$36-65 (€23.43-42.18)
Austria	Air Passenger Tax (departure) ¹⁸	~\$11 (€7)	~\$23-54 (€15-35)

¹³ See information on the Australian Department of Immigration and Border Protection website:

[https://www.border.gov.au/Trav/Ente/Goin/Departing/Passenger-Movement-Charge-\(PMC\)](https://www.border.gov.au/Trav/Ente/Goin/Departing/Passenger-Movement-Charge-(PMC))

¹⁴ Rates vary depending on class of travel; see information in the UK's HR Revenue and Customs website:

<https://www.gov.uk/government/publications/rates-and-allowances-excise-duty-air-passenger-duty/rates-and-allowances-excise-duty-air-passenger-duty>

¹⁵ This higher rate applies to passengers travelling over 2,000 miles in aircraft of 20 tonnes or more equipped to carry fewer than 19 passengers.

¹⁶ Rate refers to destinations outside Canada, the United States (except Hawaii) and the Islands of St. Pierre and Miquelon; see information on the Canada Revenue Agency website: <http://www.cra-arc.gc.ca/E/pub/et/atscrates/atscrates-e.html>

¹⁷ Rates vary depending on destination and are regulated under §11 of the Luftverkehrsteuergesetz (LuftVStG), http://www.gesetze-im-internet.de/luftvstg/_11.html

¹⁸ Rates vary depending on destination and are regulated under §5 of the Flugabgabegesetz (FlugAbgG), https://www.jusline.at/5_Tarif_FlugAbgG.html

Table 5: Selection of specific service charges in comparison

	New Zealand	Australia	Canada	United Kingdom	United States of America
ACVM Registrations	\$540 registration cost \$155 per hour for research and analysis of active ingredients \$540 entry on to the register	Cost recovered	Cost recovered	Cost recovered	Cost recovered at a state level
		Comparable Services	Comparable Services	Comparable Services	Comparable Services
		Rates are more expensive than New Zealand's – there is a \$945 registration fee which is comparable but levies based on product sales above \$5,300 as well as re-registration costs are cumulative.	Rates are more expensive than New Zealand's – An equivalent cost to a New Zealand ACVM registration would be \$16,779 for efficacy and safety data production relating to a drug used on an animal for food, or \$10,164 for a registration relating to a drug used on non-food animals.	Rates are more expensive than New Zealand's – for a single active ingredient agricultural compound, a registration would be \$36,951. Veterinary medicines are recovered separately.	Rates are more expensive than New Zealand's – annual fees for licences are between \$140 and \$840 with further costs for inspection rates and science related rates which are dependent on state countries.
Biosecurity – Border entry for goods	Biosecurity System Entry Levy of \$17.37	Cost recovered in some circumstances	No information found	No information found	No information found
		Comparable Services			
		No charges for goods up to \$1063 (\$1000AUD). Import entry charges apply on goods exceeding this between \$53 and \$159 (AUD \$50-\$150).			
Biosecurity inspections and audits	\$102.27 per hour for each inspector or biosecurity adviser involved	Cost recovered	Cost recovered	No information found	No information found
		Comparable Services	Comparable Services		
		Rates are more expensive than New Zealand's – inspection rates range from \$169.60 to \$212 per hour, though audit and inspection costs vary based on who is performing the inspections and what is being inspected.	Rates are comparable to New Zealand's - inspection and certification is \$106. Fees are charged for export certification and inspection fees for aquatic animals, fish and seafood products.		
Commercial Fishing Permits	\$114.49, plus annual levies for the QMS dependent on stocks owned	Cost recovered	Cost recovered	Cost recovered	Cost recovered
		Comparable Services	Comparable Services	Comparable Services	Comparable Services
		Rates are comparable to New Zealand's – Permits range from \$91.46 to \$265.13 depending on State.	New Zealand is more expensive – Permits are \$62.29. No information on levies was available.	Rates are more expensive than New Zealand's – Permits range from \$197.58 up depending on species approvals caught. A licence entitlement is also required which is obtained by taking over an existing entitlement.	Rates are more expensive than New Zealand's – permits are different dependent on State but California is \$187.30 and Florida is \$205.04. Levies or other costs are dependent on local countries and some species.

	New Zealand	Australia	Canada	United Kingdom	United States of America
<i>Export costs for live animals</i>	\$32 for official assurance \$186.30 an hour for time spent on live animals or germplasm Issue of an Animal Welfare Export Certificate is \$21.33, plus assessment charge on hourly basis after the first 15 minutes	Cost recovered	Cost recovered	Cost recovered	Cost recovered
		Comparable Services	Comparable Services	Broadly comparable Services	Comparable Services
		Rates are more expensive than New Zealand's – A levy of \$636 is charged for all new applications, and variations to these cost \$318. Levies for exporters that do not hold an approved arrangement are \$26,500 annually in addition to the \$636 per application fee. Annual levies for approved arrangements range from \$5,300 for a small operator to \$26,500 for an export livestock licence. There are per head charges for livestock basis irrespective of their target market ranging from \$0.328 to \$1.282/head.	Rates are comparable to New Zealand's – inspections vary by country being sent to but range from \$44.52 for animal inspections to the US to \$15.90 for animal certifications. However Canada also requires a veterinary certificate which is charged separately by third parties.	Rates are cheaper than New Zealand's - Export Health certificates (EHCs) are required for export of animals from the UK. These are country and species dependent. If animals travel through the EU on the way to a non-EU country, you may need both an Intra Trade Animal Health Certificate (ITAHC) and an EHC. Certification undertaken by official veterinarians is not cost recovered.	Rates are more expensive than New Zealand's - certifications are \$53.20 and examinations of animals range from \$67.20 to \$78.40 species dependent. Additional fees apply for tests or vaccinations, overtime, and other services that may be required.
<i>Export for germplasm</i>	\$32 for official assurance \$186.30 an hour for time spent on live animals or germplasm Travel costs and costs per second to use the certification system	No information found	Cost recovered	No information found	Cost recovered
			Comparable Services		Comparable Services
			Rates are comparable to New Zealand's – costs for certification are around \$37.10 and testing costs are around \$79.50. Different rates apply for different species.		Rates are more expensive than New Zealand's – certificates for germplasm are \$113.40 and ovum are certified at \$184.80. Rates are country and laboratory dependent.
<i>Phyto-sanitary certificates</i>	Certificates and forms (up to 4) requiring wet signatures including courier: \$51.11	Cost recovered	Cost recovered	Cost recovered	Cost recovered
		Comparable Services	Comparable Services	Comparable Services	Comparable Services
		Rates are comparable to New Zealand's – four certificates would be \$50.88, though there are also annual levies of \$40.28.	Rates are comparable to New Zealand's – rates are levied on the value of shipments, with shipments up for \$1,696 costing \$7.42 with certificates being \$7.42 each.	Rates are more expensive than New Zealand's – Certificates are \$26.70 and inspections are \$65.86	Rates are more expensive than New Zealand's – Certificates are \$16.80 each, and shipments are charged at \$148.40 when worth more than \$1,750.
<i>Transitional Facilities</i>	\$887.70 for each application, plus \$102.27 for each hour spent after the first 8 \$298.05 annually for assessment costs	Cost recovered	Cost recovered	Cost recovered	Cost recovered
		Not comparable services – Border facilities are Government run and licenced quarantine facilities focus on imported pets.	Not comparable services – Sufferance warehouses are managed by the Canadian government.	Not comparable services – Customs warehouses manage tax and duty and are not biosecurity focussed.	Not comparable services – Bonded warehouses are about private storage of goods for import or export and are not biosecurity focussed.
		Not applicable	Not applicable	Not applicable	Not applicable

Examples of cost sharing for MPI services

Although full cost recovery is generally appropriate for MPI services, the First Principles Review identified a number of areas where cost sharing occurs. Examples are set out below.

Cost-shared services	Description	Why is cost sharing appropriate?
GIA for biosecurity readiness and response	The GIA is a partnership between the Crown and specific sectors where they agree to minimum commitments for each party to undertake for biosecurity readiness and response activities, and to share costs of agreed biosecurity response activities.	Service delivery and resourcing is determined through operational agreements between the Crown and sectors that are specifically provided for in the Biosecurity Act. Both parties participate in decision making and delivery of services, so it is appropriate that costs are shared. It is also possible that if government did not contribute funding, there would be underinvestment. This is particularly the case where pests and disease impact small or emerging industries who may not have the capability to fund and/or participate in readiness and/or response programmes. The potential impact of underinvestment on government policy objectives suggests some taxpayer funding is warranted.
Long-term pest and disease management	MPI oversees a range of programmes in this area; along with various service partners (e.g. industry organisations, private entities, local government, etc.). The Crown contributes approximately \$36m annually to pest and disease management programmes along with financial and in-kind contributions from partners.	Leaving long-term pest management activities to industry to fund and run may see underinvestment (as above). In addition, there are a range of direct beneficiaries who it is not cost-effective to charge. Therefore, taxpayer funding is the most feasible option to recognise their benefits and the costs they impose.
Market Access	MPI's market access services span a broad spectrum, including: a) The development and maintenance of government-to-government relationships to support the identification and progression of primary industries trade opportunities. b) The negotiation of specific trade requirements to support market access for primary industries generally. c) The development of overseas market access requirements, reflected in export standards for specific industries. d) Providing in-market support to exporters to assist in the clearance of specific consignments of goods and to resolve industry specific trade barriers.	Activities (a) and (b) are also provided by other government agencies, including the Ministries of Foreign Affairs and Trade, Ministry for the Environment, the Ministry of Business, Innovation and Employment and New Zealand Trade and Enterprise. These activities are not recovered by these agencies, nor are they recovered by MPI. In 2015/16 MPI spent approximately \$12m on market access activities of which around \$10m was taxpayer funded. Funding recognises that it is not possible to cost-effectively and equitably apportion costs to direct beneficiaries of these services. Funding also recognises that if left to industry alone, many emerging and/or smaller industries may not have the capability to undertake these activities and government policy objectives relating to economic growth may not be fully achieved. It is possible to cost-effectively and equitably attribute costs to identifiable direct beneficiaries in respect of activities (c) and (d), either at a club or individual level.
Science and research	MPI provides science and research activities in a range of areas, and this is generally fully cost recovered or fully Crown funded depending on the circumstances. There are some explicit cost sharing arrangements in relation to fisheries research.	In some instances where MPI delivers science and research, there is more than one direct beneficiary of the output (e.g. where fisheries stock assessment research informs management decisions in shared fisheries, or research relates to protected species where risk exacerbators other than commercial fishing are known). In relation to these services, it is possible to identify other direct beneficiaries or risk exacerbators, but it is not feasible or efficient to equitably charge them under the current regulatory framework, so the taxpayer funds on their behalf.

Selected references

Australian Department of Agriculture and Water Resources Charging Guidelines, available at <http://www.agriculture.gov.au/SiteCollectionDocuments/biosecurity/australia/cost-recovery-arrangements/charging-guidelines-2015-16.pdf>

Australian Government (2014) Australian Government Charging Framework and Cost Recovery guidelines, available at: <https://finance.gov.au/resource-management/charging-framework/>

Canadian Food Inspection Agency (CFIA) Cost Recovery Policy and Framework, available at http://www.inspection.gc.ca/about-the-cfia/accountability/other-activities/sound-agency-management/service-standards-and-user-fees/cost-recovery-policy/eng/1378073377319/1378073471053#p1_2

CFIA Cost Recovery Initiative: Consultation Document (Chapter 7: CFIA approach to cost recovery), available at <http://www.inspection.gc.ca/about-the-cfia/accountability/consultations-and-engagement/cost-recovery-initiative/consultation-document/eng/1484240043102/1484240189214?chap=7>

HM Treasury: Managing public money, July 2013, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf

New Zealand Controller and Auditor-General (2008) Good Practice Guide: Charging Fees for Public Sector Goods and Services, available at <http://oag.govt.nz/2008/charging-fees/docs/charging-fees.pdf>

New Zealand Productivity Commission (2014) Productivity Commission report on Regulatory institutions and practices, available at <http://www.productivity.govt.nz/sites/default/files/regulatory-institutions-and-practices-final-report.pdf>

New Zealand Treasury (2002) Guidelines for Setting Charges in the Public Sector, available at: <http://www.treasury.govt.nz/publications/guidance/planning/charges/charges-dec02.pdf>

New Zealand Treasury (2017) Guidelines for Setting Charges in the Public Sector, available at: <http://www.treasury.govt.nz/publications/guidance/planning/charges>

OECD (1998) User Charging for Government Services: Best Practice Guidelines and Case Studies, available at: <http://www.oecd.org/gov/budgeting/41213602.pdf>

The Blue Book (collection of UK and EU laws), available at <https://www.gov.uk/government/publications/fishing-regulations-the-blue-book>

The US Government Accountability Office (GAO) reports on *Federal User Fees*

- Federal User Fees: A Design Guide (2008), available at <http://www.gao.gov/products/GAO-08-386SP>
- Federal User Fees: Fee Design Options and Implications for Managing Revenue Instability (2013), available at <http://www.gao.gov/products/GAO-13-820>
- Federal User Fees: Key Considerations for Designing and Implementing Regulatory Fees (2015), available at <https://www.gao.gov/assets/680/672572.pdf>

The US Independent Offices Appropriation Act of 1952 (IOAA) [to be found under the 31 U.S. Code § 9701], available at <http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title31-section9701&num=0&edition=prelim>