



Proposals to improve cost recovery in MPI's food system

MPI Discussion Paper No: 2018/15

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1 OVERVIEW

Cost recovery plays an important role in making sure that the Ministry for Primary Industries has sufficient funding to ensure the food New Zealand produces is suitable and safe for consumption and export. Cost recovery funds a wide range of services in the food system¹, such as verifying that businesses across the whole supply chain are following their food safety measures, providing official assurances that New Zealand's exporters meet overseas market requirements, and undertaking research, audits and food testing.

MPI is consulting on 11 proposals to improve cost recovery arrangements in the food system. Seven of the proposals are fee updates to ensure the amount we recover continues to reflect the costs of providing the services. Three proposals are for changes to simplify current cost recovery arrangements, improve transparency and ensure equitable distribution of costs. There is also a proposal for several minor and technical changes to current cost recovery arrangements. Four proposals of the 11 have no or very little impact on charges.

These proposals were identified by industry input and through our recently completed First Principles Review of cost recovery.

The proposals are summarised in Table 1 below. We are seeking your views on all those that interest you. Section 2 explains how to provide feedback on the proposals.

The deadline for feedback is **5pm, 20 December 2018 (or 16 January 2019 with prior agreement)**.

¹ The food system includes the Food Act 2014, Animal Products Act 1999, Agricultural Compounds and Veterinary Medicines Act 1997 and Wine Act 2003. The Animal Welfare Act 1999 is not part of the food system but uses the same base hourly rates. Therefore this document also includes proposals to update cost recovery arrangements under the Animal Welfare Act.

Table 1: Summary of proposals for implementation from 1 July 2019

Page	Proposal	Rationale	Current rates	Proposed rates	Impact on MPI (annually)	Impact on fee payers
Proposals Changing How Much MPI Recovers						
13	Proposal 1: Update base hourly rates across the food system	Amend 127 rates to avoid future over-recovery and provide greater certainty	\$155 per hour	\$135 per hour Replace 51 variable charges with fixed fees	-\$1.4 million (-19%)	-\$20 per hour; minor to large reduction depending on assessment time
18	Proposal 2: Update trade name product (TNP) registration fees under the Agricultural Compounds and Veterinary Medicines Act 1997	The existing fixed charges (\$540) do not reflect current practice (waivers used) for two stages of the process	\$540 for pre-screening (waived for minor amendments and renewals) \$540 for registering TNPs (partially waived for minor variations and registration renewals)	Minimum charge for pre-screening of \$67.50 for the first 30 minutes Plus an assessment charge of \$135 per hour after the first 30 minutes \$405 for registering TNPs	-\$0.3 million (-18%)	Variable; generally minor reduction (2,600 applications processed pa)
25	Proposal 3: Cost recovery for approvals of manufacturers or suppliers of Official Devices under the Animal Products Act 1999	Amend regulations to clarify approval of an Official Device also covers applications to be an approved manufacturer or supplier	Nil. Not currently charged	\$135 per application Plus \$135 per hour after the first 60 minutes	Less than +\$1,000	\$135 per hour of assessment
28	Proposal 4: Update Official Assurance (animal materials and non-live animals) fees under the Animal Products Act 1999	Align the fee with the base hourly rate used in the food system	\$32 Plus \$155 per hour after the first 15 minutes	\$33.75 Plus \$135 per hour after the first 15 minutes	+\$0.2 million (+5%)	\$1.75; Minor increase (127,000 issued pa)
33	Proposal 5: Align charges for Animal Welfare Export Certificate under the Animal Welfare Act 1999 and Official Assurances for live animals or germplasm under the Animal Products Act 1999	Update fees to ensure exporters pay the correct amount for the services they receive	Official Assurance: \$32 Plus \$186.30 per hour after the first 15 minutes AWEC: \$21.33 Plus \$186.30 per hour after the first 15 minutes	\$46.58 Plus \$186.30 per hour after the first 15 minutes for both fees	Official Assurance: +\$70,000	\$15 and \$26; Small increase (2,900 Official Assurances issued pa; 1,200 AWECs issues pa)
38	Proposal 6: Update unit charges for export of live animals and animal germplasm under the Animal Products Act 1999	Update rates to reflect the costs of providing the services to support the export of live animals and animal germplasm	A range of rates exist	A range of rate changes are required	+\$0.5 million (+59%)	Variable ranging from small reductions to moderate increases

Page	Proposal	Rationale	Current rates	Proposed rates	Impact on MPI (annually)	Impact on fee payers
43	Proposal 7: Update circuit verification charges under the Animal Products Act 1999	Amend rates to avoid future under-recovery	\$165 per hour	\$176 per hour	+\$1.1 million (+11%)	Variable depending on size and type of business
Proposals to Simplify, Improve Transparency, and Make Charges More Equitable						
49	Proposal 8: Simplify the process for amending levy rates under the Agricultural Compounds and Veterinary Medicines Act 1997 and the Wine Act 2003	Amend the Regulations to specify a formula to calculate the levy rate and a process for the Director-General of MPI to change the levy rate by Gazette notice	No rate change proposed	N/A	Faster process requiring less people resource	N/A
52	Proposal 9: Clarify the provisions governing the levy under the Agricultural Compounds and Veterinary Medicines Act 1997	Clarify that the levy is payable for each Trade Name Product registration and to more accurately reflect the services that are funded by the levy	No rate change proposed	N/A	N/A	N/A
54	Proposal 10: Modify dairy levies for small processors and exporters under the Animal Products Act 1999	Amend the amounts and thresholds for small processors and exporters levies, and to eliminate the medium processor levy to simplify and more fairly distribute costs	Small processors: \$465 per year Medium processors: \$930 per year Small exporters: \$310 per year	Small processors: \$400 per year Medium processors: category disestablished; will pay \$0.000432 per kg milk solids processed Small exporters: \$200 per year	-\$20,000 (-14% from small processors to -57%)	Small decrease for most small processors and exporters (< 200 processors)
59	Proposal 11: Minor updates to cost recovery provisions under the Animal Products Act 1999	Four small changes that will have no or minor financial impact			+\$20,000	Variable

The cumulative impact of these proposals would be an increase in cost recovery by MPI of approximately \$0.2 million per annum.

2 ABOUT THIS DOCUMENT

NAVIGATING THIS DOCUMENT

This document is organised into three parts:

- **Overview of cost recovery and the food system**
This part includes general information about MPI's approach to cost recovery and an overview of the food system.
- **Proposals changing how much MPI recovers**
This part focuses on proposals that change the overall amount that is charged for certain MPI services.
- **Proposals to simplify, improve transparency, and make charges more equitable**
Proposals in this part do not generally change the amount MPI recovers for services but are intended to improve transparency of charges, simplify current cost recovery processes and ensure equitable distribution of costs.

SUBMISSIONS

We welcome submissions on the proposals contained in this document. We are seeking your views on all those proposals that interest you. All submissions must be received no later than 5pm on 20 December 2018 (or 16 January 2019 with prior agreement).

You can return your submission by:

Email: **costrecovery@mpi.govt.nz**

Mail: **Consultation: Cost Recovery Proposals targeting 1 July 2019**

Cost Recovery Directorate

Ministry for Primary Industries

PO Box 2526

Wellington 6140

We encourage you to make your submissions using the template available on the MPI website at <https://www.mpi.govt.nz/news-and-resources/consultations/proposals-to-improve-cost-recovery-in-mpis-food-system>. Please include the following information:

- the title of this discussion document
- your name and title
- your organisation's name (if you are submitting on behalf of an organisation) and whether your submission represents the whole organisation or a section of it
- your contact details (such as phone number, address, and/or email).

Providing a submission is optional and not a legal requirement. Additionally, you do not need to respond to all proposals – only those you have an interest in or view on.

OFFICIAL INFORMATION ACT 1982

Submissions are official information and may be the subject of requests for information under the Official Information Act 1982 (OIA). The OIA specifies that information is to be made available to requesters unless there is a good reason for withholding it.

Submitters may wish to indicate grounds for withholding specific information contained in their submissions, such as where they consider information is commercially sensitive or they wish personal information be withheld. We will consider these requests in accordance with the provisions of the OIA. Should we decide to withhold information on request, any such decision is reviewable by the Ombudsman.

NEXT STEPS

All submissions received within the timeframes will be considered and used to inform final policy decisions in relation to these proposals. We aim to implement policy decisions from 1 July 2019.

We will undertake stakeholder engagement during the consultation period. If you would like to meet with us to discuss the contents of this document, or other matters related to cost recovery, please contact us by emailing costrecovery@mpi.govt.nz.

3 OVERVIEW OF COST RECOVERY

BACKGROUND

Cost recovery is important to MPI

MPI works to ensure the food we produce is suitable and safe, improve the sustainability of resource use, protect New Zealand from biological risk, improve sector productivity and maximise export opportunities for our primary industries.

Cost recovery plays an important role in achieving our priorities by ensuring that we are sufficiently funded to provide a wide range of services, such as verifying that businesses across the whole supply chain are following their food safety measures, providing Official Assurances that New Zealand's exporters meet overseas market requirements, and undertaking research, audits and food testing.

We receive approximately 40% of our departmental funding from cost recovered activities. Given the scope and significance of cost recovery, we have undertaken a programme of work to ensure the systems and processes that support cost recovery are fit for purpose.

We have completed a First Principles Review of our cost recovery arrangements

In 2018 we published the findings of the First Principles Review (the review) of cost recovery arrangements. This review was undertaken to ensure we take a principled, consistent and transparent approach to cost recovery and that arrangements align with best practice guidance from the Treasury² and the Controller and Auditor-General³.

The review involved developing a policy framework (the Policy Guidance⁴) to support decision-making around cost recovery, and a more detailed review of existing cost recovery settings against the Policy Guidance to identify areas that could be improved. Overall, we found that settings are broadly appropriate, as well as some areas where the design of charges could be improved. We also identified some instances where the rates we charge for services are out of line with the costs of providing them.⁵

The first package of high priority changes to fees and levies were updated from 1 July 2018 in the biosecurity and food systems.

This consultation document includes proposals that address some findings from the First Principles Review

In this consultation document we propose additional changes in the food system which were identified through the First Principles Review. These include further rate adjustments, as well as improvements to policy settings, in particular, to simplify processes and the design of charges. Subject to the outcome of consultation, these changes are intended to take effect from 1 July 2019.

The remaining issues from the review will be addressed through the ongoing cost recovery work programme. We intend undertaking 'rolling reviews' across all of our cost-recovered systems, with each regime generally reviewed once every three years to ensure settings remain appropriate and to prevent significant deficits or surpluses accumulating.

² *Guidelines for Setting Charges in the Public Sector 2017*, <https://treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector>

³ *Charging Fees for Public Sector Goods and Services 2008*, http://www.oag.govt.nz/2008/charging-fees/docs/charging-fees.pdf/at_download/file

⁴ *Ministry for Primary Industries Cost Recovery Policy Guidance*, <https://www.mpi.govt.nz/dmsdocument/30855>

⁵ *Cost Recovery at MPI: Findings from the First Principles Review of MPI's Cost Recovery Arrangements*, <https://www.mpi.govt.nz/dmsdocument/30852>

MPI'S APPROACH TO COST RECOVERY

Why MPI recovers costs

Cost recovery is an important part of MPI's funding arrangements. It involves charges (usually in the form of fees or levies) to recoup the costs of providing services to individuals, businesses or other entities. Cost recovery is only undertaken where there is a lawful authority provided for in legislation or in some cases on a contractual basis.

MPI recovers costs associated with activities and services that deliver outputs. Our charges do not generally seek to recover costs or reflect benefits associated with the wider outcomes a service may contribute to.

Guiding principles

Four key principles guide our approach to cost recovery – equity, efficiency, justifiability and transparency. These four principles are the criteria that have been used to assess options in the proposals set out in this discussion document and are common features in most legislation that authorises us to recover costs. The principles, described below, are found in the four Acts within the food system:

- *equity* – services should be funded from users that benefit from the service or users that create risks that the service is designed to manage ('risk exacerbators')
- *efficiency* – costs should be charged to ensure that maximum benefits are delivered at minimum cost
- *justifiability* – charges should only recover the reasonable costs (including indirect costs) of providing the service
- *transparency* – costs should be identified and allocated to the service for the recovery period in which the service is provided.

Cost recovery guidance from the Treasury and the Controller and Auditor-General

In addition to the four principles that we apply in cost recovery decision-making, we also apply the general guidance on cost recovery for public entities published by the Treasury and Controller and Auditor-General (CAG). That guidance requires consideration of:

- *authority* – does the public entity have legal authority to charge a fee for the goods and services provided?
- *effectiveness* – are resources allocated in a way that contributes to the outcomes being sought by the activity? Is the level of funding fit for purpose?
- *simplicity* – is the cost recovery regime straightforward and understandable to relevant stakeholders?
- *accountability* – public entities are accountable to Parliament and to the public. To be accountable, entities need to ensure that their processes for identifying costs and setting fees are transparent
- *consultation* – has the entity engaged in meaningful consultation with stakeholders and is there opportunity for stakeholders to contribute to the policy and design of the cost recovery activity?

Treasury's guidance encourages agencies to adopt an open-book approach throughout the different stages of the cost recovery process. This consultation document includes information about the costs of each proposal, thereby addressing Treasury's guidance to provide this information.⁶ The cost information includes the drivers of costs and planned investments, the different types of cost which make up charges; service volumes; and information on service efficiency and effectiveness.

⁶ This cost information is included in the additional information section in the proposals.

Goods and Services Tax (GST)

All of the proposals in this document describe fees, charges and levies on a GST-exclusive basis. We have taken this approach to ensure consistency and comparability within and between cost recovery regimes. This approach also means that regulated charges will still be valid in the event of any GST variations.

MONITORING AND REVIEW

Ongoing performance reporting

We have identified opportunities to improve our performance reporting. We recognise that performance reporting is a critical component of providing transparency to industry and other interested parties, as well as ensuring ongoing system efficiency.

To improve transparency, we have worked with industry to create a framework for reporting on the performance of cost recovered services. We are targeting the end of 2018 to publish the first two reports based on the framework, for the Red Meat and Dairy sectors. Further reports covering cost recovery for other sectors will be released progressively as they are developed over the coming year. We will continue to work closely with industry to ensure that the performance information produced in the reports is meaningful.

Ongoing programme of review

We intend to undertake an ongoing programme of 'rolling reviews' across all of our cost recovered systems, through which each cost recovery regime will generally be reviewed once every three years. This will ensure that cost recovery regulatory settings remain appropriate, including preventing any significant deficits or surpluses from accumulating. Reviews will consider both the policy setting and fee and levy rates.

Fees and levies may also be updated outside the review cycle if a material surplus or deficit accumulates in a memorandum account.⁷ However, we aim to set fees and levies at levels that ensure memorandum accounts trend towards zero over a three-year period.

⁷ Memorandum accounts record expenditure, revenue and the accumulated balance of surpluses and deficits from MPI's charges.

4 OVERVIEW OF THE FOOD SYSTEM

MPI'S SERVICES SUPPORT THE FOOD SYSTEM

The food system encompasses all food and beverages consumed, imported and exported across the whole supply chain, including pet and animal feed.

There are almost 100,000 business premises that predominantly serve food across New Zealand. Our food retail and service industry had a turnover of \$30.9 billion and food manufacturing had a turnover of \$45.5 billion for the year to June 2017. In addition, food imports totalled \$4.7 billion and food exports (including beverages) totalled \$29.1 billion for the year to June 2017.

New Zealand's food system is world leading and is based on international best practice science and risk assessment. In general terms, the current legislative framework requires businesses to take responsibility for the safety and suitability of food, wine and related products and MPI is responsible for ensuring that this happens.

The food system is critical for protecting and supporting the health of New Zealanders and to support New Zealand's food, wine and related exports. Around 80% of food products produced in New Zealand are exported. Consumers and trading partners expect these products are safe to consume.

LEGISLATIVE SETTINGS

The legislative framework to ensure effective management of the food system comprises the Acts in Table 2 below:

Table 2: Description of legislation that comprises the food system

Legislation	Description
Food Act 2014	The Food Act 2014 came into force on 1 March 2016, replacing the Food Act 1981. The central feature of the Food Act is that food businesses are regulated according to the level of risk that their food presents to consumers, and assigned applicable measures for high, medium and low levels of risk.
Agricultural Compounds and Veterinary Medicines (ACVM) Act 1997	The purpose of the ACVM Act 1997 is to prevent or manage risks associated with the use of agricultural compounds. Products regulated by the ACVM Act include veterinary medicines (such as antibiotics for animals), agricultural chemicals (such as herbicides), petfoods and animal feeds, fertilisers, and toxic vertebrate agents (such as those used to control possums or rabbits).
Animal Products Act 1999 (APA)	The APA applies to the production and processing of all animal material and products and applies to a wide range of businesses – meat processing, fish and shellfish, dairy products and a diverse group of other processors – for domestic and export markets. MPI provides a range of regulatory services under the APA that aim to minimise and manage risks to human or animal health arising from the production and processing of animal material and products and also to facilitate the entry of animal material and products into overseas markets by providing the controls and mechanisms needed to provide Official Assurances for entry into those markets.
Wine Act 2003	The Wine Act 2003 protects consumers of New Zealand wine by developing standards ensuring correct labelling and the safety of the product. The Wine Act also provides for compliance activities to ensure that producers of New Zealand wine comply with these standards. It does this to support New Zealand's reputation of high quality wine, which underpins trade and economic growth outcomes.

All four Acts require or empower MPI to recover the costs of providing services to industry and the public that are not otherwise funded by the Crown. Each Act provides a wide range of flexibility in the types of fees, charges and levies that can be applied. We recover the costs of our services in the food system through levies and direct charge fees.

All of the Acts require cost recovery is aligned with the principles of equity, efficiency, justifiability and transparency.

We recover more than 60% of costs in the food system from third party charging. The services provided include:

- **Standards development (domestic and export), market access services, and system and assurance monitoring:** to ensure compliance of the system as a whole
- **Approvals, listings, recognitions, registrations and exemptions:** these are services provided to applicants to regulate whether and how businesses operate in relevant markets (including approval of their premises, systems and supply chains)
- **Verification services:** these include verification staff permanently on-site at establishments or undertaking mobile circuit verification services, to verify that businesses are operating in accordance with legal requirements
- **Official Assurances and certifications** to provide assurance that exports have met the relevant standards
- **Compliance monitoring:** including inspection, audit and enforcement actions related to individual parties (rather than system-level compliance activities as part of MPI's standards monitoring services).

The level of service provided in the food system is primarily driven by the level of assurance required to ensure that the system is operating effectively and that operators are managing their risks appropriately. This assurance relates directly to domestic food safety and ensuring that products meet the overseas market access requirements of our trade partners.

5 PROPOSALS CHANGING HOW MUCH MPI RECOVERS

MEMORANDUM ACCOUNT TRENDS

MPI operates five memorandum accounts for the food system. Table 3 outlines the current position and forecast for 2018/19 for each food system memorandum account and indicates which proposals in this document relate to each account.

The proposals in this section will, in part, address the surpluses and deficits in the relevant memorandum accounts. In conjunction with investment to maintain the integrity of the food system and ensure that MPI continues to provide necessary services, the fee change proposals in this document set rates that will ensure memorandum account balances trend towards zero over a three-year period from 1 July 2019. Further information on impacts is included within each proposal.

Table 3: Food system memorandum accounts – closing balances 2017/18 - 2018/19 based on current rates

Memorandum account (\$000)	2017/18 Actual	2018/19 Forecast	Related proposal(s)
Approvals, Accreditations and Registrations	2,810	3,991	Proposal 1 and 2
Food Standards Assurance – Food Act 2014	(43)	28	N/A
Standards Setting for the Food Industry	395	1,074	Proposals 4, 5 and 6
Verification of the Food Regulatory Programme	(1,283)	(1,271)	Proposal 7
Wine Standards Management	2,336	3,359	Proposal 1

PROPOSAL 1: UPDATE BASE HOURLY RATES ACROSS THE FOOD SYSTEM

Who will this proposal affect?

This proposal affects people who pay MPI for services mainly related to approvals⁸ under the:

- *Agricultural Compound and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015*
- *Animal Products (Fees, Charges, and Levies) Regulations 2007*
- *Animal Products (Dairy Industry Fees, Charges and Levies) Regulations 2015*
- *Wine Regulations 2006*
- *Food (Fees and Charges) Regulations 2015.*

We propose

- *Reducing the rates of 127 of these charges from a base rate of \$155 per hour to a base rate of \$135 per hour*
- *For 51 of these charges, replacing variable rates with a fixed charge, which reflects that the time taken to perform these services is highly standardised.*

Adjusting the base hourly rate will ensure that charges reflect actual costs and prevent ongoing over-recovery of costs.

Changing some variable charges to fixed charges where there is low-variability of costs will simplify charges and improve certainty, allowing fee payers to know up front how much they will be charged for the service.

Linkages

The following proposals apply the same base hourly rate

- *Proposal 2: Update ACVM Trade Name Product Registration Fees*
- *Proposal 3: Cost recovery for approvals of manufacturers or suppliers of Official Devices*
- *Proposal 4: Update fee for Official Assurances – Animal Products and Animal Material*
- *Proposal 11: Minor updates to cost recovery provisions under the Animal Products Act*

What are the services being provided?

Cost recovery in the food system

The services being provided are unchanged. The food system refers to services provided under the Animal Products Act 1999 (APA), Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act), Food Act 2014 (Food Act) and Wine Act 2003 (Wine Act).⁹ These Acts regulate products for human or animal consumption and are all administered by MPI.

MPI helps ensure domestic food safety and that products meet the overseas market access requirements of our trade partners. The level of service MPI provides is primarily driven by the level of assurance required to ensure risks are appropriately managed.

Each Act provides a wide range of flexibility in the types of fees, charges and levies that can be applied, including fixed charges, variable charges, levies and combinations of these. The proposals discussed here relate to either fixed or variable rate charges that have been set based on the amount of time it takes to perform the service and the hourly cost associated with the person performing it. For many services this hourly cost is the same, reflecting that the tasks involved in performing the service are generally similar, as are the skills required of the individuals performing them.

⁸ Other services affected include some audits, monitoring and verification.

⁹ There is also one item for miscellaneous services (cost recovery for any service that is not specifically identified in the cost recovery regulations) in the Animal Welfare (Cost Recovery) Regulations 2015 that is being updated under this proposal.

A fee for service is the appropriate charging mechanism

The majority of services with fees prescribed in regulations within the food system are types of approvals (including registrations, recognitions and listings).¹⁰ The common feature of most of these services is that they involve the assessment and granting of an ability to undertake an activity in a regulated market. The services are provided at the request of the applicant, who receives private benefits from the service.

A full list of services and fees this proposal applies to is set out in Appendix 1.

What's the problem and why?

Over-recovery of fees based on a \$155 hourly rate

Many MPI services involve similar tasks and staff with similar skills, with correspondingly similar hourly costs of providing the services. A number of charges are therefore based on the same rate of \$155 per hour,¹¹ which was last updated in 2015. A surplus is accumulating in the memorandum account and a recent review has confirmed that costs are lower than the \$155 rate.

Costs should only be recovered to meet the reasonable costs of providing services. If the fees are not updated, fee payers will be paying more than necessary. Legislation and best practice guidance prevents MPI from over-recovering, so accumulated surpluses must ultimately be returned to fee payers.

Additionally, the longer surpluses are allowed to accumulate the more administratively difficult it becomes to fairly return them. Over time, returning surpluses may become inequitable, those who were over-charged may not be the same as those who surpluses are returned to.

Expressing charges as a variable rate when costs are known creates unnecessary uncertainty

For many services that have a \$155 per hour variable component, the time taken to perform the service is generally uniform. In the few cases where there is variation in time taken, the difference is typically very small. Structuring these fees with a time variable component:

- creates an impression that the actual charges are variable when they are not
- creates unnecessary uncertainty for fee payers about how much they will pay for the service
- expresses the charge in an unnecessarily complex way
- provides less incentive for MPI to perform the service efficiently and within the standard timeframe.

What is MPI proposing to change?

We propose:

1. Reducing the rates of 127 charges under the APA, Wine Act, Food Act and ACVM Act that are based on a common hourly rate. These charges are currently based on a \$155 hourly rate, the new charges will be based on a \$135 hourly rate.
2. For 51 of these charges, we also propose replacing variable rates with a fixed charge, which reflects that the time taken to perform these services is highly standardised.

A table of fees affected by this change are set out in Appendix 1.

¹⁰ A small number of other services with the same hourly rate are also included, including some fees for monitoring compliance, auditing, administering recalls, inspecting registers and miscellaneous services.

¹¹ Typically these involve either: (i) a fixed rate based on the average number of hours it takes to perform the service; (ii) a fixed rate based on how long it usually takes, with an additional variable charge for time taken above those; or (iii) a pure time-based rate.

What is MPI trying to achieve through this proposal?

The objectives of these proposals are to address equity, efficiency, certainty and simplicity by:

- ensuring charges for services reflect the costs of providing them (equity and efficiency)
- preventing ongoing over-recovery for services and the accumulation of surpluses (equity)
- promoting consistency by using a common approach to fees for services of a similar nature and cost structures (efficiency)
- improve simplicity of charges, by introducing fixed charges where appropriate.

What alternatives did MPI consider?

Leaving these charges unchanged is an option. However, this would mean that charges continue to exceed the costs of service delivery, which is inconsistent with the principles of equity and efficiency. Surpluses would continue to accumulate and certainty and simplicity will not be promoted.

What impact will this have on people who pay these fees and on MPI?

For these services (predominantly approvals), MPI is forecast to recover around \$6.9 million from fee payers in 2019/20 at current rates. Under the proposal this would reduce by 19% to \$5.6 million, because of the reduction in hourly rates from \$155 to \$135.

Fee payers will receive a small benefit from lower fees. However, this will not have a material impact on industry or business-level profitability, drive behavioural change by those affected or have an influence on industry dynamics.

How and when will the changes take place?

Changes to give effect to the above proposals will be through amendments to the ACVM (Fees, Charges and Levies) Regulations 2015, Animal Products (Fees, Charges, and Levies) Regulations 2017, Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015, and the Wine Regulations 2006, with effect from 1 July 2019.

Additional information on cost and drivers

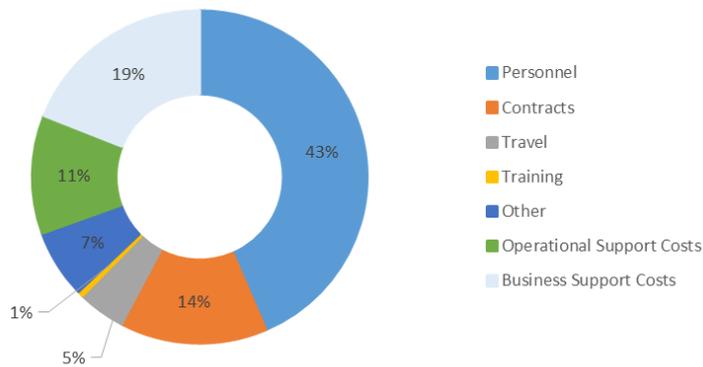
What does it cost MPI to deliver services in the food system subject to fees?

These services are forecast to cost approximately \$6.3 million annually in 2019/20. It is currently forecast that memorandum account balances associated with these services will have a surplus of \$2.5 million in July 2019. These hourly rate reductions and planned investments to improve services are expected to prevent this from rising and for the balance to gradually trend towards zero.

What's driving MPI's costs?

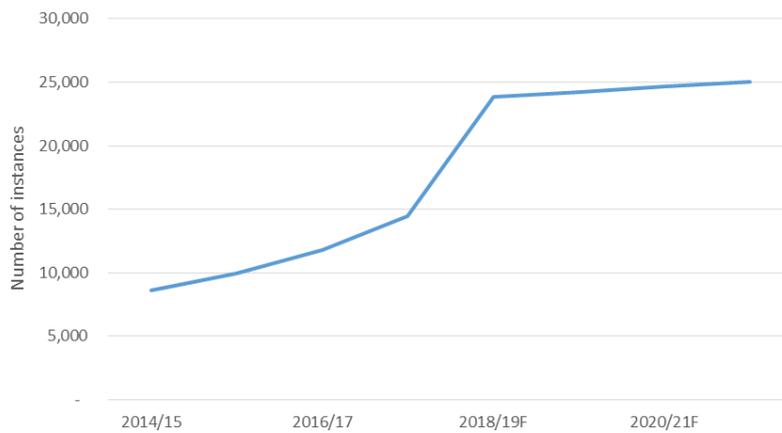
The main cost drivers for approvals in the areas covered in this proposal are personnel and business support costs (below).

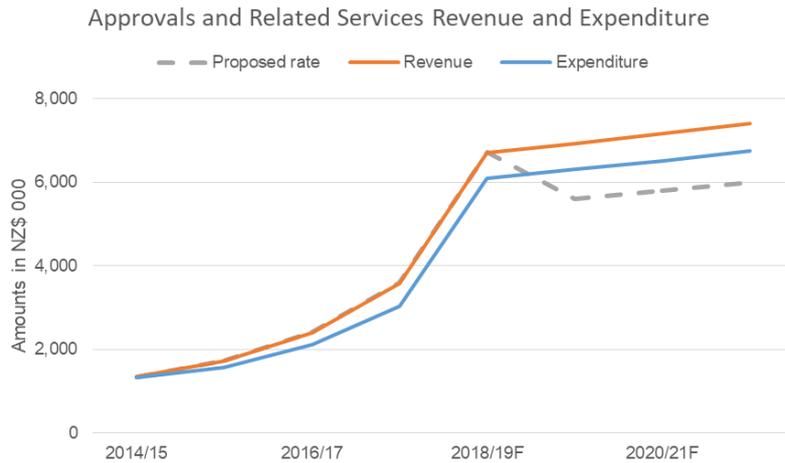
Approvals and Related Services Cost Components



Based on historic growth, we anticipate a slight increase in the volume of applications in the next three years, with personnel and business support costs relatively static over the forecast period. Consistent with this, we also expect revenue and expenditure to grow, which under the status quo will result in ongoing accumulating surpluses (see graphs below).

Approvals and Related Services Volume





Questions

1 Do you agree with the proposal to decrease approval fees across the food system?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 What impact will the proposed reductions in approval and related fees have on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

4 Please describe any impact and quantify this if possible.

5 Do you agree with the proposal to convert the majority of approval and related fees to fixed charges?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

6 If not, why?

7 Are there any other issues with approval and related fees that you think MPI should be aware of?

PROPOSAL 2: UPDATE TRADE NAME PRODUCT (TNP) REGISTRATION FEES UNDER THE AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES ACT 1997 (ACVM ACT)

Who will this proposal affect?

This proposal affects people who pay fixed fees to apply for and register TNPs of:

- \$540 for pre-screening TNP applications (waived for minor amendments and renewals)
- \$540 for registering TNPs (partially waived for minor variations and registration renewals).

MPI proposes to change these fixed fees to:

- a minimum charge for pre-screening TNP applications of \$67.50 for the first 30 minutes plus an assessment charge of \$135 per hour after the first 30 minutes
- a fixed charge of \$405 for registering TNPs.

This will improve equity by more accurately setting charges for the services provided to fee payers and ensuring they only pay for the services they receive.

MPI estimates this will reduce the charges for these two stages of the TNP process for the majority of TNP application types and remove the need to waive fees.

Linkages

The proposed fixed charge and hourly rate in this proposal are being updated based on the rate in Proposal 1: Updating base hourly rates across the food system.

You may also be interested in:

- *Proposal 8: Simplify the process for amending levy rates under the ACVM Act and Wine Act 2003*
- *Proposal 9: Clarify the provisions governing the levy under the ACVM Act.*

The ACVM regime

The services being funded are unchanged. The Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act) prevents and manages specified risks associated with the use of agricultural compounds, such as insecticides, herbicides, anaesthetics, sedatives, antibiotics and anti-inflammatory drugs for animals, fertilisers and animal feeds.

Regulatory control of these products focuses on avoiding or minimising the possible adverse effects that may result from their use. Adverse effects could be risks to public health, trade in primary produce, animal welfare or agricultural security. Consequently, these products are subject to strict regulatory controls on their importation, manufacture, sale and use.

What are the services being provided?

Registration of TNPs

The ACVM system is based on regulating ACVM products by two mechanisms, registration and authorisation by exemption from registration. Higher-risk products must be registered as Trade Name Products (TNPs) to ensure all risks are managed according to their intended use. Risks are managed by imposing conditions on registration. Variations to the details of product registrations can also be made.

Registrations normally last for five years, after which TNPs are renewed or removed from the register. Certain products may be exempted from the requirement to register, so long as any specified conditions are met.

Registration of a TNP (including variations to existing TNP registrations) is a three-stage process (pre-screen, assessment and registration). The time required to complete each of these stages varies depending on the particular type of TNP that requires processing.

Each of the three stages of processing TNP applications have separate charges under the ACVM fee regulations (see Table 4). The first and third stages (pre-screening and registration) each have \$540 fixed fees that are the subject of this proposal. The second stage of the process (technical assessment) has a \$155 fixed fee plus an hourly charge after the first hour (\$155 per hour – updated through Proposal 1).

Table 4: Stages of TNP Registration

Stage of registration	Service associated with fee	Regulated fee	ACVM fee Item
1. Pre-screening Pre-screening an application to determine whether the specified information has been provided to MPI and it meets the specified form requirements	Administrative – assessing whether an application to register a trade name product complies with section 10 of the Act – (including documentation completeness) Technical – ensure application is adequate to support registration If adequate – initiates 40-day timeframe for completion	\$540 (being reviewed)	5
2. Assessment Full assessment of the application against the Acts' requirements, including the development of any conditions of registration	Application under section 9 of the Act to register a trade name product or to vary 1 or more conditions on a registered trade name product <ul style="list-style-type: none"> • Technical assessment of application • Development of any conditions of registration 	\$155 per application plus assessment on an hourly basis after the first hour (\$155) (Updated through Proposal 1)	3
3. Registration Registration of the TNP on the ACVM TNP Register	Entering in the register of trade name products, in accordance with section 21(1)(d) of the Act, a trade name product or a variation of 1 or more conditions on a registered trade name product	\$540 (being reviewed)	7

Current practice

MPI processes an average of 2,600 TNP registrations or amendments to registrations on the TNP register per year. Applications for new product registrations, new uses and two or more major variations of a TNP, are charged the \$540 pre-screen fee. The pre-screen fee is waived for minor variations (ie, variation requiring < 1.5 hours of assessment time) and renewals of TNPs.

Applications for pre-screening generally require 30 minutes to one hour processing time. For approximately half of the applications (mainly administrative variations and renewals) received in 2017 this was the only time spent on this stage of the process and the pre-screen fee was generally waived. The remaining half of applications also required variable amounts of technical assessment time in the pre-screen stage and were either charged the regulated fee or waived the fee if they required <1.5 hours of assessment time.

The majority of applications result in a new registration or an amendment to an existing registration on the TNP register. Registration generally comprises providing a set of approval documents (electronically), including:

- Approved Product Data Sheet
- Approved Label content
- Certificate of registration – with the registration number, expiry date and the conditions of registration.

On average it generally takes two to three hours to complete the registration stage of the process, depending on the type and complexity of the application. This includes the delegated decision-making on the registration plus administration and support costs for this stage of the process.

What's the problem and why?

The existing \$540 fixed fees for pre-screening and registration of a TNP are no longer appropriate. For administrative variations and registration renewals, which generally comprise half of registration applications processed, the actual cost to MPI of providing these services is often lower.

Consequently, these fixed charges may not be consistent with the principles of cost recovery set out under the ACVM Act, specifically:

- Equity – funding sourced from the users or beneficiaries should generally be at a level commensurate with their use or benefit from the function, power or service
- Efficiency – costs allocated and recovered to ensure maximum benefits delivered at minimum cost
- Justifiability – costs collected only to meet the reasonable costs (including indirect cost) for the provision of the function, power or service.

To help mitigate these issues, MPI's current practice is to use full or partial waivers.¹²

A new registration process

In August 2017 MPI introduced a change to the registration process, which places more emphasis on the initial pre-screening. This increases MPI's scrutiny of information initially provided and improves efficiency by ensuring that applicants provide sufficient information for the subsequent assessment. This reduces the risk of delays caused by acceptance of applications with incomplete information. However, the current fixed fee structure does not incentivise the applicant to provide high-quality information up front and may undermine the intended efficiency gains anticipated from the new process.

This process change and the operational practice of granting waivers mitigates some of the problems identified and incentivises greater efficiency. However, they are not reflected in the cost recovery regulations, which reduces transparency and dilutes the efficiency incentives that the changes to the registration process seek to achieve, owing to the extra work required to administer waivers.

What is MPI proposing to change?

We propose amending the fixed charge of \$540 for:

- pre-screening to a minimum charge of \$67.50 for the first 30 minutes plus an assessment charge of \$135 per hour after the first 30 minutes to account for variability of applications
- registration and reregistration of a TNP to a fixed charge of \$405.

These changes will align practice with the other fees in the ACVM fee regulations. This proposal does not address the assessment of an application to register a TNP (the assessment stage of the process). This service currently attracts a \$155 per application charge, with additional charges on an hourly basis after the first hour. The time taken for this stage is highly variable, depending on the type of application and the current fee, based on one hour, with an hourly rate after the first hour. Proposal 1 recommends decreasing the food system base hourly rate to \$135. The assessment stage of the process is included within that proposal.

¹² These waivers are set out in the *Waiver of Fees, Charges and Levies for Agricultural Compounds and Veterinary Medicines*, available at <http://www.mpi.govt.nz/dmsdocument/11983-acvm-requirement-waiver-of-fees-charges-and-levies-for-agricultural-compounds-and-veterinary-medicines>. A waiver is not applied if the application does not comply with Section 10 of the Act.

Table 5: Current fees and proposed changes

Service	ACVM fee	Matter for which fee or charge is payable	Fee or charge	Current practice	Proposal
Pre-screening	Item 5	Assessing whether an application to register a trade name product complies with section 10 of the Act	\$540 per application	Waived for minor variations (< 1.5 hrs assessment time) under s 81H of the ACVM Act (including renewals and administrative changes to a TNP)	\$67.50 per application, plus assessment charge of \$135/hr on hourly basis after the first 30 minutes, specified in Part 2
Assessment / Appraisal (Technical) of an application (once it has passed Pre-screening)	Item 3	Application under section 9 of the Act to register a trade name product or to vary 1 or more conditions on a trade name product	\$155 per application. Plus assessment charge of \$155/hr on hourly basis after the first hour	Charged as per Schedule 1	\$135 per application. Plus assessment charge of \$135/hr on hourly basis after the first hour (Part of Proposal 1)
Registration and reregistration of a TNP on the AVCM TNP register	Item 7	Registering in the register of trade name products, in accordance with section 21(1)(d) of the Act, a trade name product or a variation of 1 or more conditions on a registered trade name product	\$540 per registration or variation	Registration and reregistration charged at \$540	\$405 per registration or variation
Registration of minor amendments				Minor amendments partially waived. Charged at \$385	

What is MPI trying to achieve through this proposal?

We want to improve equity by more accurately setting charges for the services provided to fee payers. MPI considers introducing a fixed fee with a time-based component is the fairest mechanism to charge for pre-applications. It is more equitable than a fixed fee because it better matches the charge for each application with the cost of processing it, avoiding cross-subsidisation. It also provides an incentive for applicants to submit high-quality applications, as this reduces MPI's processing costs and the charge that the applicant pays. A reduced fixed fee for registrations based on three hours is considered appropriate as it better reflects the average time. It will also remove the current practice of MPI waiving or partially waiving the existing fixed fees.

What alternatives did MPI consider?

We also considered:

- Retaining the existing fixed fee structure. Although MPI has introduced operational changes to place more emphasis on the initial pre-screening, existing fees for minor amendments and renewals are likely to continue to over-recover and need to be fully or partially waived in most cases. This is administratively inefficient, inequitable, creates uncertainty for applicants and lacks transparency
- Resetting fixed fees based on the average time for each stage of the process. This does not incentivise the provision of adequate information up front to ensure a smooth assessment and registration process. It also does not account for variations of the quality, type or size of applications and the time taken to assess them. This is inequitable and although it creates certainty for applicants, it lacks transparency as it doesn't reflect the actual costs.

What impact will this have on people who pay these fees and on MPI?

We expect the majority of applications will attract a lower total charge for the two stages of the process under this proposal.

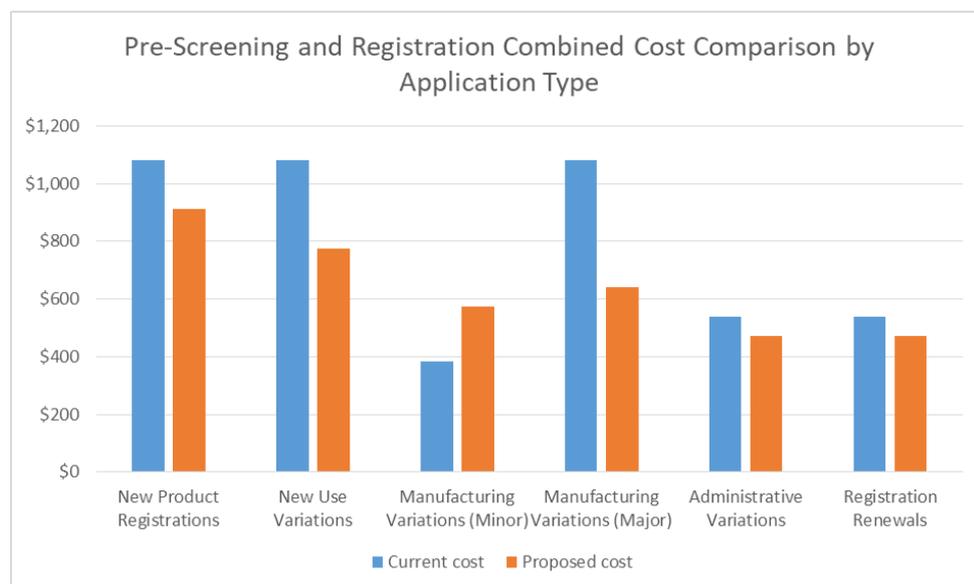
For these two stages (Pre-screening and Registration), MPI is forecast to recover around \$1.7 million from fee payers in 2019/20 at current rates. Under the proposal this would reduce by 18% to \$1.4 million. As the second stage (Assessment) is the main driver for the cost of applications, the impact on memorandum account balances will be driven primarily by the change to the base hourly rate (see Proposal 1).

Case Study: Cost comparison for 'typical' pre-screen application and registration

There are multiple types of application for TNPs.¹³ Based on historical volumes, the graphs below represent the costs per application for six common application types. The costs are not definitive and are designed to indicate the typical costs for each common application type.

This case study does not include the costs associated with the Technical Assessment (second) stage of the process (note this stage represents the largest cost in the TNP processes and the time taken is highly variable).

Figure 1: Pre-screening and Registration Combined Cost Comparison for typical application types



The graph above shows that for the majority of typical application types the charges will reduce for the combined pre-screen and registration stages of the TNP process.

The exception to this is applications requiring minor manufacturing variations. These will typically attract a slightly higher total combined charge (\$189). This is because the pre-screen stage will be fully charged rather than waived (see Figure 2 below) and the registration stage will generally pay slightly more as this will now be based on the new fixed fee rather than a partially waived fee (see Figure 3 below). However, it will be clearer to applicants how much they will be charged and will align regulatory settings with practice. These changes are relatively small in the context of the full cost of the process that includes the assessment (technical) stage of the process. This assessment stage attracts the highest charges owing to the time taken and highly variable nature of the applications.

There may be some applications that will attract a higher charge for the pre-screen stage of the process. We anticipate that this may occur for poor quality or large, complex applications.

¹³ There are 16 common application types for Trade Name Products.

Figure 2: Pre-screen stage for typical application types

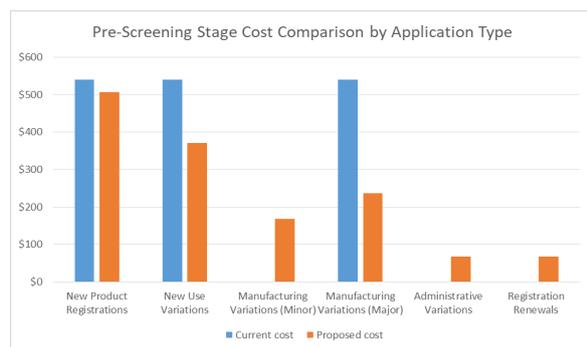
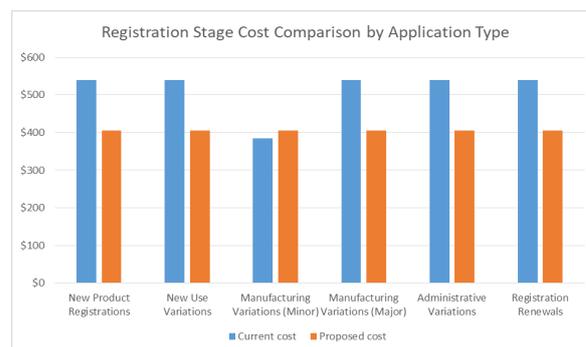


Figure 3: Registration stage for typical application types



The proposal will have a minimal effect on the memorandum account as the majority of the costs fall at the assessment stage of the process, which is based on the hourly rate addressed in Proposal 1.

How and when will the changes take place?

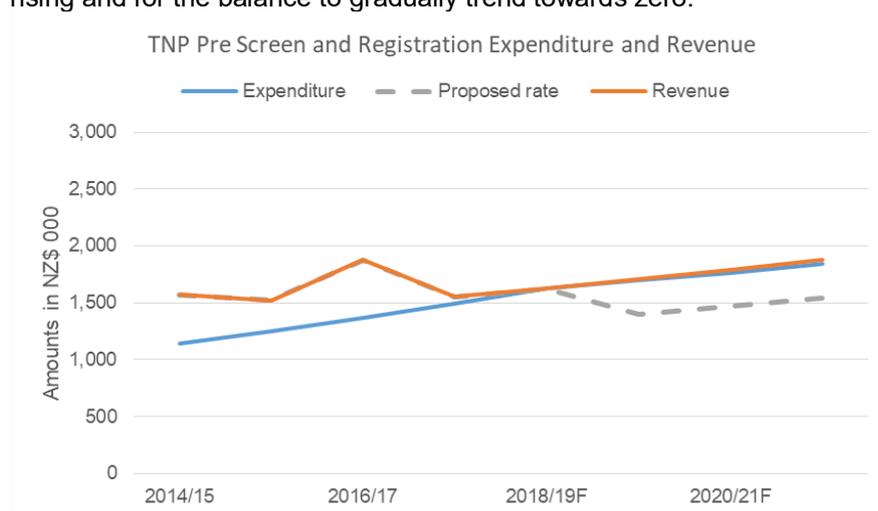
The Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015 will be amended so that the new fees will come into effect from 1 July 2019.

Additional information on costs and cost drivers

What does it cost MPI to process applications (and associated services) to register TNPs (including variations)

On average, 2,600 applications were received per year over the period 2010 to 2017. In 2017, 3,148 applications were received – with the increase primarily owing to an expired product project, where an additional 540 TNPs were renewed. The trend is that the number of applications has been slowly increasing year on year.

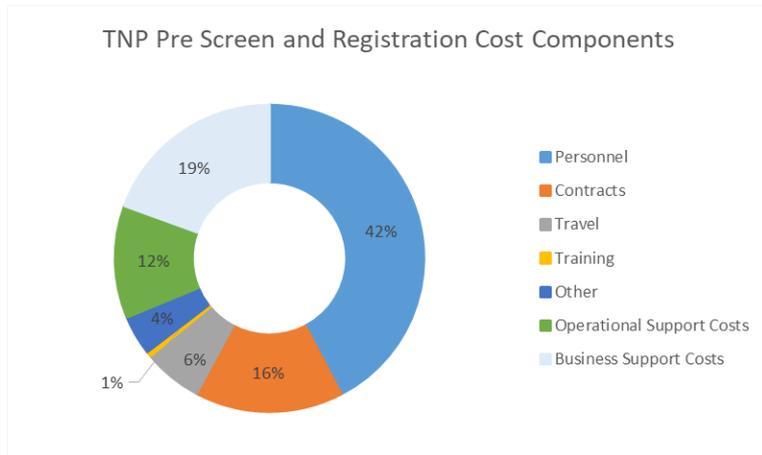
It is currently forecast that memorandum account balances associated with these services will have a surplus of \$0.8 million in July 2019. These proposed rate reductions are expected to prevent this from rising and for the balance to gradually trend towards zero.



What's driving MPI's costs?

The largest cost component of the TNP registration process is personnel costs.

The other main cost driver is the volume and complexity of applications to register TNPs. Application numbers are forecast to continue growing through to 2020/21.



How do we know MPI is providing the right application services?

MPI must provide a robust approval and registration process for the registration of TNPs.

In 2017, MPI reviewed its TNP registration process and introduced changes to the process. These changes place more emphasis on the initial pre-screening stage to incentivise the provision of high-quality applications to make the subsequent assessment and registration process more efficient. The proposed fee structure supports this new process.

The new pre-screening process has made a significant positive impact on processing times for minor variation applications. New product registrations and new use applications require far more technical assessment, so there has been little impact in processing times for these categories.¹⁴

Questions

1 Do you agree with the proposed changes to Trade Name Product registration fees?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 What impact will the proposed changes in Trade Name Product registration fees have on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

4 Please describe any impact and quantify this if possible.

5 Are there any other issues with Trade Name Product registration fees that you think MPI should be aware of?

¹⁴ <https://www.mpi.govt.nz/dmsdocument/28083/loggedIn>.

PROPOSAL 3: COST RECOVERY FOR APPROVALS OF MANUFACTURERS OR SUPPLIERS OF OFFICIAL DEVICES UNDER THE ANIMAL PRODUCTS ACT 1999

Who will this proposal affect?

This proposal affects people who apply to be approved manufacturers or suppliers of Official Devices¹⁵ under the Animal Products Act 1999 (the APA).

MPI proposes creating a power to recover the cost of assessing applications to be approved manufacturers or suppliers of Official Devices.

This change will make it more transparent what costs are recoverable under the regulations.

Linkages

The proposed fixed charge and hourly rate in this proposal are based on the rate used for Proposal 1: Update base hourly rates across the food system.

What's the current situation?

Under the APA there is a delegated authority for the Director-General (DG) of MPI to set requirements for the export of animal products through Notices, including requirements aimed at facilitating overseas market access and to ensure exports meet importing country requirements.

For a number of animal product exports and export destinations, these Notices include requirements for the use of Official Devices. Official Devices provide assurance as to the origin of the product (eg, brands) and security of the product (eg, seals on containers).

To ensure that Official Devices comply with requirements, the Notices require that no device can be used unless it has first been approved by MPI and that no device can be manufactured or supplied unless the manufacturer or supplier has been approved to do so by MPI.

There are currently fewer than ten approved Official Devices under the APA, with correspondingly low numbers of applications to either approve a device or to be an approved manufacturer or supplier (1-2 per year on average over the last 15 years). MPI is currently reviewing the approval requirements relating to Official Devices and how it processes applications but any changes are unlikely to result in more than five or so applications, on average, per year.

What's the problem and why?

Currently, the Animal Products (Fees, Charges, and Levies) Regulations 2007 allow MPI to recover the cost of assessing an application to approve a device, but not applications to be an approved manufacturer or supplier. This is inconsistent with:

- MPI's cost recovery policy. Where a service has private good characteristics,¹⁶ the costs should generally be recovered from the beneficiary of the service (ie, the applicant to be an approved manufacturer/supplier)
- funding for other MPI approvals. MPI processes a large number of approvals under various Acts (see Proposal 1) that are cost recovered from applicants.

¹⁵ Official Devices are brands, seals, and other security devices that are approved by MPI and which indicate that the product meets importing country requirements.

¹⁶ That is, the benefits are both excludable and rival. See *Ministry for Primary Industries Cost Recovery Policy Guidance*, available at <https://www.mpi.govt.nz/dmsdocument/30855-ministry-for-primary-industries-cost-recovery-policy-guidance> for further discussion of these concepts.

What is MPI trying to achieve through this proposal?

We want to ensure that the costs of assessing applications to be approved manufacturers or suppliers of Official Devices are funded:

- in line with MPI's cost recovery policy
- consistently with the way MPI's costs of assessing similar applications are funded
- transparently, so that fee payers are clear what the authority for charging is.

What is MPI proposing to change?

We propose amending an existing item in the Animal Products (Fees, Charges, and Levies) Regulations 2007 to include a fee that clearly provides for cost recovery for assessing applications to be approved manufacturers or suppliers of Official Devices (see Table 6 below).

Table 6: Proposed amendment of cost recovery provisions relating to Official Devices

Current description	Proposed description	Rate ¹⁷
Application for approval of MPI Devices (brands/seals) made under the Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2012 or any replacement notice	Application for approval of MPI Devices (brands/seals) or as a manufacturer of MPI Devices (brands/seals) under the Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2012 or any replacement notice	\$135 per application plus assessment charge of \$135 per hour charged on hourly basis after the first hour

What alternatives did MPI consider?

We considered using a residual power under APA cost recovery Regulations that allows cost recovery for services not covered by a specific item in the Regulations. This would ensure that applicants pay assessment costs, consistent with MPI cost recovery policy and the way that MPI funds other approval applications. However, this approach lacks transparency and is out of line with the way other application costs are recovered under the APA, which each have specific charges specified in Regulations.

We also considered changing the charge for Official Device approval applications (including approving manufacturers/suppliers under the proposal) to a flat fixed charge. However, as MPI is currently reviewing Official Device approvals (which may have implications for how long assessments take), we chose to keep the variable component of the charge at this stage.

What impact will this have on people who pay these fees and MPI?

Applicants to become approved manufacturers or suppliers of Official Devices will need to pay the cost of this service. It is expected that these assessments will typically take one hour at a cost of \$135 (see Proposal 1), though more complex applications may take longer.

As discussed above, applications are expected to be relatively infrequent and we do not anticipate this proposal will have a significant effect on applicants. It will have no or very minor financial impacts for MPI owing to the small number of approvals.

How and when will the changes take place?

MPI proposes amending the Animal Products (Fees, Charges, and Levies) Regulations 2007 to implement this proposal from 1 July 2019.

¹⁷ Note that this rate is subject to a proposed rate change in Proposal 1, which recommends decreasing the food system base hourly rate charge from \$155 per hour to \$135 per hour.

Additional information on costs and cost drivers

What does it cost MPI to process applications?

MPI assesses a large number of applications for approvals under the APA. These typically take 1-2 hours to process, with each hour spent costing \$135 (see Proposal 1). There have not been any applications for approvals relating to Official Devices in recent years but we anticipate that these will also generally require 1-2 hours of processing time.

What's driving MPI's costs?

As with other approvals across the food system, the main cost driver in performing this service is personnel costs and costs of business support (see Proposal 1 for a break down of cost components).

Questions

- 1 Do you agree that the cost of assessing applications to be approved manufacturers or suppliers of Official Devices should be recovered from applicants?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- 2 What are the reasons for your opinion?
- 3 What impact will the proposed charge have on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

- 4 Please describe any impact and quantify this if possible.
- 5 Are there any other issues associated with the proposal to clarify this charge that you think MPI should be aware of?

PROPOSAL 4: UPDATE OFFICIAL ASSURANCE (ANIMAL MATERIAL AND NON-LIVE ANIMALS) FEES UNDER THE ANIMAL PRODUCTS ACT 1999

Who will this proposal affect?

This proposal affects people who pay MPI for Official Assurances when exporting animal products and animal material (\$32 plus \$155 per hour after the first 15 minutes).

MPI proposes aligning the fee with the food system base hourly rate, updating this fee to \$33.75 per Official Assurance plus \$135 per hour after the first 15 minutes.

This will increase equity and transparency through updating the fee charged to reflect the appropriate hourly cost of the person carrying out the service.

Linkages

The hourly rate which underpins the fixed charge and hourly rate in this proposal is being updated through Proposal 1: Update base hourly rates across the food system.

There is also a proposal to align charges for Export Certificates and Official Assurances (Proposal 5).

What services are being funded?

The services being funded are unchanged. Exporters of certain animal products or animal material under the Animal Products Act 1999 (APA) must obtain an Official Assurance from MPI to export to some countries.

Official Assurances demonstrate that the product or material meets the requirements of the importing country. MPI also issues Official Assurances for the export of live animals. This is a separate process and is addressed in *Proposal 5: Align charges for Export Certificates and Official Assurances*.

Under the APA most animal products and animal material exports must be checked by an MPI certifier (in some cases a veterinarian) to ensure they meet all the import requirements of the destination country. Commodities certified include meat, dairy, honey, seafood, eggs and inedible products. The MPI certifier checks the production and processing of the product against the specific country's import requirements. In most cases the importing country requires the issuance of a paper certificate, stamped with the MPI seal, and signed by an MPI certifier.

The charges for issuing Official Assurances are set out in the Animal Products (Fees, Charges, and Levies) Regulations 2007 (APA Fee Regulations). There is currently a fee of \$32 plus an assessment charge on an hourly basis after the first 15 minutes (\$155 per hour). This charge is mirrored in the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 (APA Dairy fee regulations) for the issuance of Official Assurances for dairy products.

What's the problem and why?

The \$32 fixed fee component of the charge is based on an historic hourly rate (the first 15 minutes) that is not consistent with the current food system base hourly rate (\$155). Proposal 1 recommends decreasing the food system base hourly rate to \$135 and therefore the fixed fee (first 15 minutes) to \$33.75. The rates and impacts information below is based on the proposed rate of \$135.

What is MPI proposing to change?

We propose basing the minimum rate on the appropriate hourly rate applied across the rest of the food system. The minimum rate will continue to be based on 15 minutes as this is the minimum time required to provide the service.

The issuing of Official Assurances across all commodity types and transport modes means the service costs are highly variable so a time-based fee is considered appropriate (ie, a fixed charge for the first 15 minutes, and hourly rate, which can be charged for any additional time).

Table 7: Current fees and proposed charges

Regulation	Description	Current charges	Proposal
Animal Products (Fees, Charges, and Levies) Regulations 2007 Part 1, item 16 Part 2 (a) and (b)	Issue of official assurance under section 61 of the APA	\$32 per official assurance Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (a) For each hour (excluding final part-hour) spent by a person employed by MPI (not relating to live animals or germplasm) \$155 (b) For each 15-minute block in final part-hour spent under paragraph (a) \$38.75	\$33.75 per official assurance Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (a) For each hour (excluding final part-hour) spent by a person employed by MPI (not relating to live animals or germplasm) \$135 (b) For each 15-minute block in final part-hour spent under paragraph (a) \$33.75
Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 Part 1 Part 2 (a) and (b)	Issue of official assurance under section 61 of the APA	\$32 per application Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (a) For each hour (excluding final part-hour) spent by an officer or employee of MPI, or a person engaged by MPI who is not an officer or employee, \$155 (b) For each 15-minute block in final part-hour spent under paragraph (a) \$38.75	\$33.75 per application Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (a) For each hour (excluding final part-hour) spent by an officer or employee of MPI, or a person engaged by MPI who is not an officer or employee, \$135 (b) For each 15-minute block in final part-hour spent under paragraph (a) \$33.75

What is MPI trying to achieve through this proposal?

We want to increase equity through ensuring fees reflect the appropriate hourly cost of the person carrying out the service.

What alternatives did MPI consider?

We considered retaining the existing fee. This would mean that the fixed portion of the charge does not reflect the costs of providing the service based on the hourly rate used across the food system. This would not achieve the objective of increased equity.

Other options considered were to apply an hourly rate only to the service or to apply a fixed fee only. Neither of these options were considered appropriate as the service has a minimum time associated with it but there is variability in time taken to issue an Official Assurance, depending on the type of commodity, size of consignment and the destination country's requirements.

What impact will this have on people who pay these fees and MPI?

In general, MPI only charges the fixed fee for the first 15 minutes. On that basis, this proposal will result in a 5% increase in fees for exporters of these products. The Certification Services Team issues approximately 127,000 Official Assurances per year for animal products and animal material.¹⁸

If MPI were to charge for time after the first 15 minutes, the hourly rate is proposed to decrease by 13% in Proposal 1 from \$155 per hour to \$135 per hour.

¹⁸ Costs for Official Assurances issued by Circuit and Establishment certifiers are not included here, as the \$32 fee is included with the hourly charges to customers and not charged as a separate service to avoid double charging.

Increasing the fixed component of the charge will result in a \$0.2 million increase in MPI's revenue, owing to the increase in the fixed charge for the first 15 minutes.

Table 8: Current and proposed charges for Official Assurances (non-live animals)

	Volume pa carried out by certifications	Fixed Charge		Percentage change	Financial impact pa
		Current rate	Proposed rate		
Official Assurance – fixed charge	127,000	32.00	\$33.75	5%	\$200,000
Official Assurance – charge after first 15 mins		155.00	135.00	-13%	Nil as not currently charged

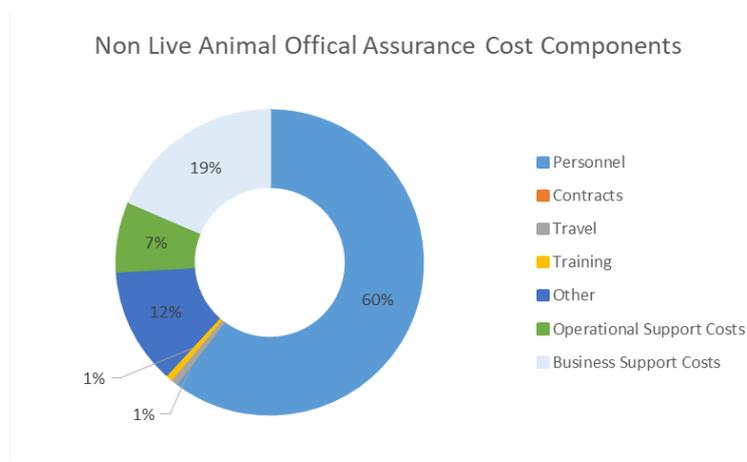
How and when will the changes take place?

The Animal Products (Fees, Charges and Levies) Regulations 2007 and the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 will be amended so that new fees would come into effect from 1 July 2019.

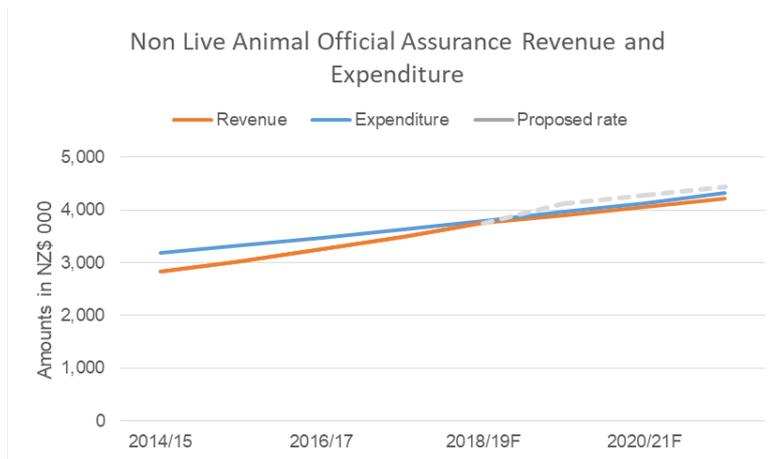
Additional information on costs and cost drivers

What does it cost MPI to issue Official Assurances?

These services are forecast to cost approximately \$4.0 million annually in 2019/20. The majority of costs for the Official Assurances are for personnel (60%). Personnel costs are high, owing to the specialist type of work being carried out.

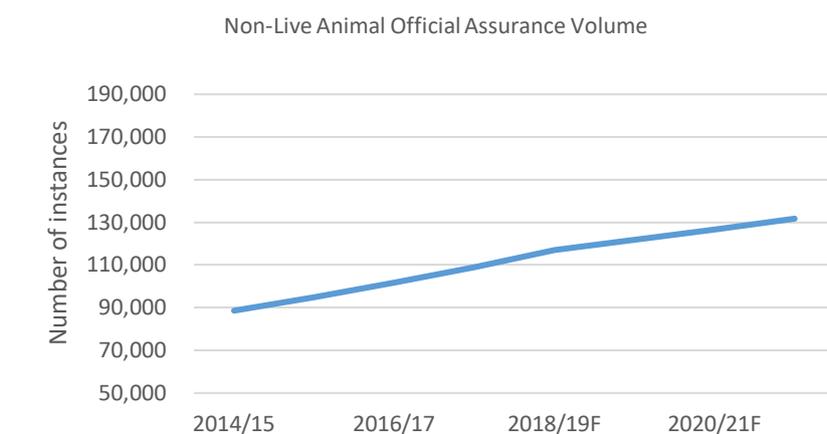
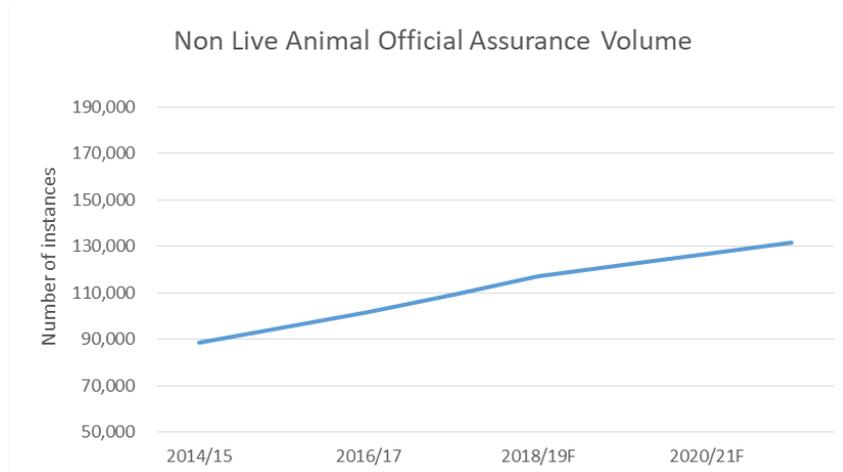


Expenditure has been tracking in line with revenue. Expenditure is forecast to continue to track broadly in line with revenue.



What's driving MPI's costs?

Volumes¹⁹ of Official Assurances are expected to increase by 4% per annum. We expect cost to increase at a similar rate owing to the labour-intensive and often specialist nature of the assurances and limited opportunities for economies of scale.



¹⁹ Volumes are only for Official Assurances issued by Certifications and not those issued via Circuit and Establishment verifiers.

Questions

- 1 Do you agree with the proposal to align the minimum charge for Official Assurances with the food system base hourly rate?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- 2 What are the reasons for your opinion?

- 3 Will the proposed charges for Official Assurance fees have a significant impact on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

- 4 Please describe any impact and quantify this if possible.

- 5 Are there any other issues with Official Assurance fees that you think MPI should be aware of?

PROPOSAL 5: ALIGN CHARGES FOR ANIMAL WELFARE EXPORT CERTIFICATES UNDER THE ANIMAL WELFARE ACT 1999 AND OFFICIAL ASSURANCES FOR LIVE ANIMALS OR GERMPLOSM UNDER THE ANIMAL PRODUCTS ACT 1999

Who will this proposal affect?

This proposal affects people who pay MPI for an:

- *Official Assurance for live animals or germplasm (currently \$32 plus \$186.30 per hour after the first 15 minutes) and/or*
- *Animal Welfare Export Certificate (currently \$21.33 plus \$186.30 per hour after the first 15 minutes) when exporting live animals.*

MPI proposes changing both these fees to:

- *\$46.58 plus \$186.30 per hour after the first 15 minutes.*

Applying the appropriate hourly rate for the person carrying out the service will ensure that exporters pay the correct amount for the services they receive.

Linkages

People affected by this proposal will also be affected by Proposal 6: Update unit charges for export of live animals and animal germplasm.

There is a proposal to Update the fee for Official Assurances –animal material and non-live animals (Proposal 4).

What are the services being provided?

The services being provided are unchanged. Some countries require exporters of live animals or germplasm under the Animal Products Act 1999 (APA) to have an Official Assurance.²⁰ Exporters may also be required to apply for and obtain an Animal Welfare Export Certificate (AWEC) under section 42 of the Animal Welfare Act 1999 (AWA).

Official Assurance for live animal or germplasm

The purpose of the Official Assurance under the APA is to provide assurance that live animals and germplasm meet the importing country's requirements. For live animals this may include an assurance that they are in general good health, are free from signs of disease and ectoparasites (eg, fleas; lice) and have had all the required tests and treatments.

To issue an Official Assurance to export live animal(s) under the APA, the MPI veterinarian will often need to inspect the animals and any supporting documentation close to the time of export. Generally, multiple animals are treated as a single consignment that generates a single Official Assurance.

The charges are contained in the Animal Products (Fees, Charges, and Levies) Regulations 2007 (APA Fee Regulations). Item 17 sets a fee of \$32 plus an assessment charge on an hourly basis after the first 15 minutes (\$186.30 per hour).

²⁰ Not all countries require Official Assurance. The USA and Australia currently do not require an Official Assurance for cats and dogs being exported from New Zealand.

Animal Welfare Export Certificates

Live animal exporters must also obtain an AWEC under the Animal Welfare Act, unless exempt.²¹ The purpose of the AWEC is to ensure the welfare of animals being exported and protect New Zealand's reputation as a responsible exporter of animals.

In general, prior to issuing an AWEC, the MPI veterinarian will:

- perform an assessment of the animals' general health
- assess the journey and the export conditions and provisions, including the area where the animal(s) will be contained during the export and any required food and water provisions
- verify that welfare requirements for export will be met.

Charges for AWECs are contained in the Animal Welfare (Cost Recovery) Regulations 2015 (AWA Cost Regulations). Item 1 of Part 1, sets a fee of \$21.33 per application, plus an assessment charge on an hourly basis after the first 15 minutes (\$186.30 per hour).

Providing and charging for these services

Where an Official Assurance and AWEC are both required, this is generally done at the same time by the same MPI veterinarian. However, each process requires different things to be assessed and checked for different purposes. While some efficiencies can be made by doing these at the same time, a minimum charge for each is considered appropriate as they are separate services provided for different purposes.

Exporters are invoiced by MPI Verification Services for (where appropriate): the Official Assurance; the AWEC; any additional time spent processing the Official Assurance based on the hourly rate; any additional time spent processing the AWEC based on the hourly rate; and an export unit charge²² per animal.

What's the problem and why?

Both the APA Official Assurance and the AWEC fixed fee components (ie, the \$32 and \$21.33 charges) are based on historic hourly rates (first 15 minutes). These fixed rates do not reflect the actual costs of providing the services or align with the hourly rate for the staff who carry out the services.

We do not intend to change the \$186.30 hourly rate component of these charges.

What is MPI proposing to change?

We intend to update the fixed component of both services with a fee based on the hourly rate (ie, 15 minutes of \$186.30 per hour). The current assessment charge on an hourly basis will remain.

What is MPI trying to achieve through this proposal?

We want to align the fixed fee component of the services to the actual cost of providing the service. Applying the appropriate hourly rate for the person carrying out the service will ensure that exporters pay the correct amount for the services they receive.

²¹ Some exports are exempt and do not require an AWEC for live animal exports. Cats and dogs travelling to Australia do not require an AWEC. Some species are exempt from requiring an AWEC if the export flight is less than 6 hours flight time (eg, horses flying to the east coast of Australia).

²² MPI charges the fee per live animal and animal germplasm unit exported. These unit charges fund the live animal export system to ensure that the certification issued for the export of live animals is accepted by the importing country.

Table 9: Current and proposed Official Assurance and Animal Welfare Export Certificate Rates

Regulation	Description	Current charges	Proposal
APA Fee Regulations: Part 1, item 17 Part 2 (c) and (d)	Issue of Official Assurances under section 61 for live animals or germplasm	\$32.00 per Official Assurance Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (c) for each hour (excluding final part-hour) spent by a person employed by the Ministry (relating to live animals or germplasm) \$186.30 (d) for each 15-minute block in final part-hour spent under paragraph (c) \$46.58	\$46.58 per Official Assurance Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (c) for each hour (excluding final part-hour) spent by a person employed by the Ministry (relating to live animals or germplasm) \$186.30 (d) for each 15-minute block in final part-hour spent under paragraph (c) \$46.58
AWA Cost Regulations: Part 1, item 1 Part 2 (a) and (b)	Application under section 42 of the Act for an animal welfare export certificate	\$21.33 per application Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (a) for each hour (excluding final part-hour) during working hours spent by a person employed by the Ministry under item 1 in Part 1 of this schedule \$186.30 (b) for each 15-minute block in final part-hour spent under paragraph (a) \$46.58	\$46.58 per application Plus assessment charge on hourly basis after the first 15 minutes as specified in Part 2: (a) for each hour (excluding final part-hour) during working hours spent by a person employed by the Ministry under item 1 in Part 1 of this schedule \$186.30 (b) for each 15-minute block in final part-hour spent under paragraph (a) \$46.58

What alternatives did MPI consider?

We considered retaining the existing fees. This would not address that the fixed portion of both rates do not reflect the actual cost of the staff who provide the services.

Other options considered were to apply an hourly rate only to each service or to apply a fixed fee only to each service. Neither of these options were considered appropriate as both services have a minimum time associated with them but there is variability in time taken depending on the type and condition of the animals, size of consignment and destination country's requirements.

What impact will this have on people who pay these fees and MPI?

We issue approximately 2,100 live animal Official Assurances per year to exporters and 1,200 AWECs.

For exporters this will add an extra \$15 per Official Assurance and \$25.67 per AWEC. All exporters who pay for an AWEC will also pay for the Official Assurance.

For MPI the financial impact will be an increase of \$70,000 in revenue, \$40,000 coming from Official Assurances and \$30,000 from AWECs.

Table 10: Financial impact of proposed Official Assurance and Animal Welfare Export Certificate Rates

Fee category	Volume pa	Fixed charge		Percentage change	Financial impact pa
		Current rate	Proposed rate		
Official Assurance	2,101	32.00	47.00	47%	\$40,000
Animal Welfare Export Certificate	1,200	21.33	47.00	120%	\$30,000
Total	3,301				\$70,000

How and when will the changes take place?

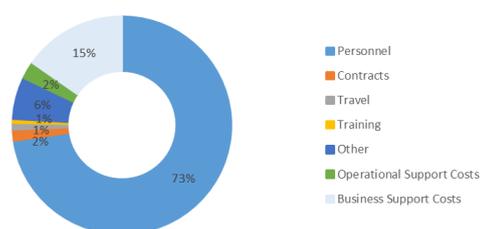
The Animal Products (Fees, Charges, and Levies) Regulations 2007 and the Animal Welfare (Cost Recovery) Regulations 2015 will be amended so that new fees will come into effect from 1 July 2019.

Additional information on costs and cost drivers

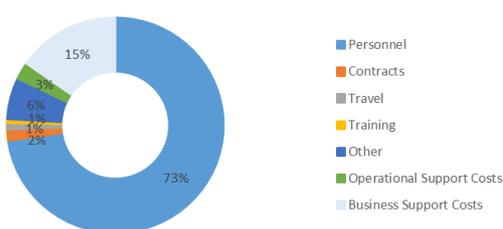
What does it cost MPI to issue Official Assurances and Animal Welfare Export Certificates?

For AWECs the total cost of providing the service for the 2017/18 year was approximately \$60,000. For live animal Official Assurances the total cost of providing the service for the 2017/18 year was approximately \$0.1 million. The majority of costs for both services are for personnel, which is expected owing to the type of work being carried out.

Animal Welfare Export Certificate Cost Components

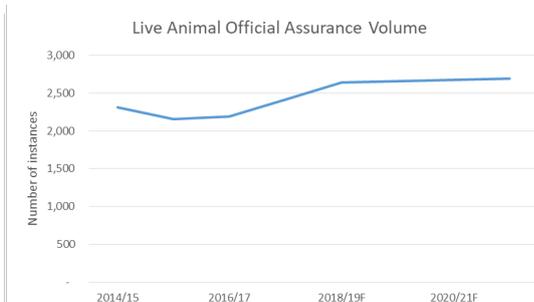
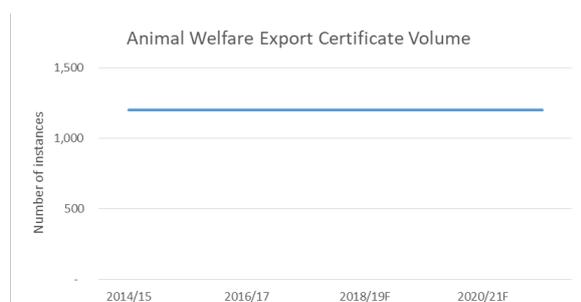


Live Animal Official Assurance Cost Components



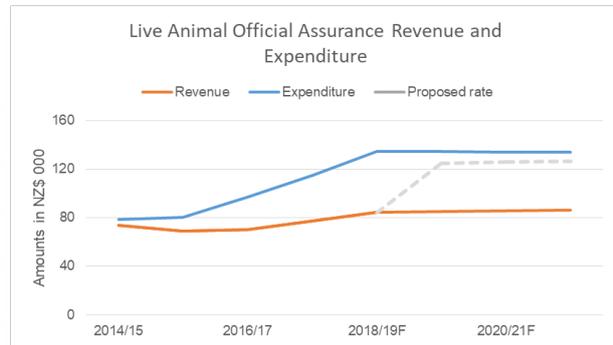
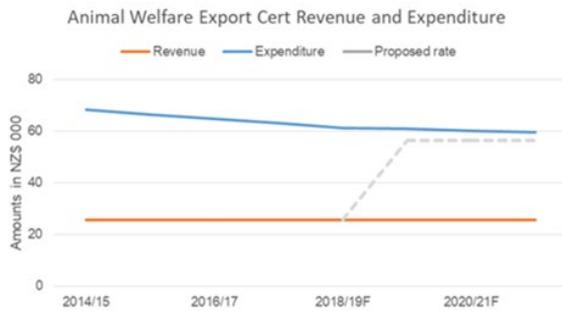
What's driving MPI's costs?

Volumes of live animal Official Assurances are forecast to increase by 1% per annum. Volumes of animal welfare export certificates have remained relatively constant and we forecast this trend to continue.



Our costs of \$60,000 for AWECs and \$0.1 million for Official Assurances are higher than revenue and this trend is forecast to continue unless charges are amended.

Both services currently have expenditure tracking at approximately \$40,000 above revenue. Increasing the fixed fee component of each service will bring revenue closer to expenditure as it reflects the hourly rate and cost of the service.



Questions

1 Do you agree with the proposal to update fees for Official Assurances and Animal Welfare Export Certificates?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 What impact will the proposed increase in charges for Official Assurance and Animal Welfare Export Certificate fees have on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

4 Please describe any impact and quantify this if possible.

5 Are there any other issues with these fees that you think MPI should be aware of?

PROPOSAL 6: UPDATE UNIT CHARGES FOR EXPORT OF LIVE ANIMALS AND ANIMAL GERMLASM UNDER THE ANIMAL PRODUCTS ACT 1999

Who will this proposal affect?

This proposal affects people who pay MPI unit charges for exporting live animals and animal germplasm.

MPI proposes updating unit charges on these exports to recover approximately 60% more than under current charges. Individual impacts would vary across categories, ranging from reductions of over 50% (Queen bees, birds) to increases of over 400% (zoo animals).

This change is necessary because unit charges have not been updated since 2015. Since then:

- service costs have increased, and charges need to be increased to ensure that costs are fully recovered and existing deficits addressed*
- the focus of these services has changed, with the result that the apportionment of costs between different export categories is outdated and is no longer equitable.*

Linkages

People affected by this proposal will also be affected by Proposal 5: Align charges for Animal Welfare Export Certificates and Official Assurance for live animals or germplasm.

What services are being funded?

Exporters of live animals and germplasm under the Animal Products Act 1999 (APA) must obtain an Official Assurance from MPI to export to most countries. The requirements of these Official Assurances are set by agreement with the importing country and require constant review and maintenance, including the following services:

- Market access maintenance, involves maintaining access to existing overseas markets by re-negotiating market access conditions and specifications as overseas authorities' requirements change.
- Export standards and systems, which involves developing, implementing, monitoring and reviewing export standards and systems.

These services are club goods, as the benefits are excludable (only those who export live animals or germplasm benefit) and non-rival (the ability of one person to export does not affect the ability of others).²³ Consistent with MPI policy, the costs of providing these services are cost recovered through a per unit charge on exports of these items under the Animal Products (Fees, Charges, and Levies) Regulations 2007.²⁴ The per unit charge for dogs and cats is unique and includes new market access, which involves developing market access protocols and negotiating requirements for exporting to a particular country or market.

What's the problem and why?

Unit charge rates aim to ensure that charges reflect actual costs and that these are fairly and equitably spread between exporters. They are based on estimates of total service costs, which are apportioned between export categories based on the estimated share of staff time spent on each, with final unit rates determined by expected export volumes.

Unit charges were last set in 2015. Since then total costs, time allocation and export volumes have changed, making current unit rates outdated and costs not being fully recovered.

²³ See MPI (2018), *Ministry for Primary Industries Cost Recovery Policy Guidance*, available at <https://www.mpi.govt.nz/dmsdocument/30855-ministry-for-primary-industries-cost-recovery-policy-guidance> for further discussion.

²⁴ Schedule 1, Part 8.

Costs have increased

To ensure service delivery is maintained MPI has invested further resources in this area. In May 2018 a specific Live Animal Export Assurance Team was established. This team is responsible for export standards and systems, which allows the Animal Trade team to focus on new market access and market maintenance. The current under-recovery of costs is forecast to result in a deficit balance linked to these services of \$0.54 million by 1 July 2019 in the memorandum accounts.

These services directly benefit exporters of live animals and germplasm. It is therefore equitable and efficient that they pay the full costs of them rather than being partially funded by taxpayers. However, unless charges are updated to reflect actual costs, Crown funding of future shortfalls (and past deficits) will be required.

Time apportionment and export volumes have changed

Charges for club goods should, so far as is practically possible, be designed to spread costs in a way that reflects the level of resources used and/or the level of benefit received. However, the 2015 apportionment of time and estimates of export volumes are no longer accurate, with the result that costs are not being apportioned as equitably as they could be. This includes some outdated categories and groupings of exports in the Unit Charge Regulations.

What is MPI proposing to change?

We propose addressing these problems by:

- increasing the total amount recovered to align with actual service costs
- recalculating the time-based allocation of costs and estimates of export volumes to more equitably spread costs between exporters
- adding an additional increase to unit charges to recover deficits from previous under-recovery over the next three years making consequential changes to maximum consignment charges (as a result of the changes discussed above).

We are also proposing some changes to export categories covered by the unit charges, including:

- removing the current category for ferret exports. No exports are taking place and it is understood that none are planned, so active work to enable their export is no longer occurring. Any exports that may occur would be included within the 'other' category (see below)
- introducing a new unit charge for the export of porcine (pig) semen. Active work takes place to maintain export access for this (as well as bovine, caprine, ovine and cervine semen), so its inclusion will more equitably spread the costs of providing this service. It had previously been charged at the 'other' rate of \$104.94 per consignment, which is significantly higher than the share of time spent in this area and is out of line with similar export charges (ie, bovine, caprine and cervine semen)
- establishing a separate category for bumble bee exports to reduce cost subsidisation from honey bee exports and clarifying the description of these services

Current and proposed new rates are summarised in Table 11 below.

What is MPI trying to achieve through this proposal?

The objectives of this proposals are to ensure:

- that charges for these services reflect the costs of providing them (including the recovery of past under-recovery), consistent with the cost recovery principles of equity and efficiency
- service costs are apportioned in a way that reflects the level of resources used and/or the level of benefit received
- that charges are not manifestly unreasonable and are at rates that service beneficiaries make at least some contribution to costs incurred.

Table 11: Unit charges in respect of export of live animals and animal germplasm

Unit charges payable for each relevant unit to be exported	Current charge (\$)	Proposed charge (\$)
Cats and dogs (including semen) (per animal or semen consignment)	104.94	114.44
Equine (horse) animals (per animal)	29.63	41.22
Equine (horse) semen (per straw)	1.02	3.09
Livestock (only bovine, caprine, cervine, ovine, and porcine) (per animal)	3.85, with a maximum charge of \$19,260 per consignment	10.83, with a maximum charge of \$54,150 per consignment
Bovine (cattle) semen (per straw)	0.06, with a maximum charge of \$2,400 per consignment	0.17, with a maximum charge of \$6,800 per consignment
Caprine (goat) and ovine (sheep) semen (per straw)	0.06, with a maximum charge of \$2,400 per consignment	0.17, with a maximum charge of \$6,800 per consignment
Cervine (deer) semen (per straw)	0.06, with a maximum charge of \$2,400 per consignment	0.17, with a maximum charge of \$6,800 per consignment
Porcine (pig) semen (per straw) – proposed new category	N/A ²⁵	0.17, with a maximum charge of \$6,800 per consignment
Embryos and ova (only bovine, caprine, cervine, and ovine) (per embryo or ovum)	0.06	0.17
Day-old chicks and hatching eggs (only poultry and ducklings) (per chick or egg)	0.01, with a maximum charge of \$300 per consignment	0.02, with a maximum charge of \$600 per consignment
Bee packages (excluding bumble bees but including a queen bee if applicable) (per kilogram)	0.04	N/A
Queen bee (including a small number of attendant bees) or bumble bees (per queen or bumble bee)	0.31	N/A
Either per kg of honey bees (including a queen bee if applicable) or per queen bee (including a small number of attendant bees).	0.04/0.31	0.32
Bumble bees	0.31	0.32
Ferrets (per animal) – propose removing category	1.32	N/A
Lamoids (per animal)	50.78	257.50
Birds (excluding budgies, lovebirds, cockatiels, finches and rosellas) (per bird)	38.00, with a maximum charge of \$1,140 per consignment	17.89, with a maximum charge of \$536.70 per consignment
Budgies, lovebirds, cockatiels, finches, and rosellas (per bird)	0.27	0.27
Zoo animals (per animal)	104.94	572.63
Other animals and animal germplasm not specified (per consignment)	104.94	114.44

²⁵ As there is no category under current Regulations, exports are charged the 'Other animals and animal germplasm' rate of \$104.94 per consignment.

What alternatives did MPI consider?

Status Quo

Retaining current charges was considered. This would not address the ongoing under-recovery of costs or the accumulated deficits associated with these activities in the memorandum account. Ultimately, the level of accumulated deficits this would lead to would need to be addressed through either a large sharp future increase in charges or through Crown funding.

Each funding approach would create significant issues. Sharp future rate increases would be inequitable as it would effectively mean future exporters substantially fund services provided to exporters in previous years and would not address the outdated apportionment of costs between export types. A large sharp increase in rates would also have a larger financial impact on fee payers.

Crown funding of cost recovery deficits in this area would be both inequitable and inefficient. It would not be equitable because taxpayers receive no direct benefits from the ability to access markets. It would be inefficient, as exporters would not take into account the full cost of exporting live animals or germplasm in making business decisions.

Partial Crown funding for some export categories

The recalculated rates involve substantial increases for some export categories. In particular, the calculated charge for:

- lamoids (llamas and alpacas) increases from the current rate of \$50.78 to \$257.50
- the export of zoo animals increases from \$104.94 to \$572.63.

We considered whether there is a case for these unit charges to continue being under-recovered. This would require that the resulting shortfall be funded either through higher unit charges for the export of other items (ie, cross-subsidisation) or by the Crown. Neither approach is consistent with the cost recovery principles of equity and efficiency, so this option has not been progressed.

The exception is the proposed increase for the category 'Other animals and animal germplasm not specified (per consignment)', which had a calculated rate of over \$9,000. Charging this amount was considered but ultimately not proceeded with and instead the same rate as for cats and dogs (\$114.44) is proposed, with Crown funding to continue partially funding these costs. There are a number of reasons for this:

- a lot of the time spent on this category does not result in an export, for example, where the export conditions do not exist or are not able to be met. This means that the cost recovery rate for the few successful exports would also fund the time spent on unsuccessful exports, inconsistent with the cost recovery principles of equity and efficiency
- some export products covered within this residual grouping can, over time, become significant export industries and become a separate category in their own right (eg, the proposed new category for porcine semen). An excessively high charge would potentially prevent this from happening
- as a residual category covering staff time not otherwise allocated to other export categories, it includes general work, such as administration, responding to public inquiries or work involving other categories but not recorded against them, artificially inflating the time spent in this area²⁶
- many (but not all) exports in this category tend not to be commercial in nature, so charging a similar rate as for the export of other pets (eg, cats and dogs) is considered reasonable and will still result in a contribution to costs from these exporters.

What impact will this have on people who pay these fees and on MPI?

These changes will involve an overall increase in costs payable by exporters of live animals or germplasm. Based upon forecast volumes (and excluding the 'other' category), overall cost recovery will be \$0.5 million higher each year or an approximately 60% increase.

Despite the level of increase, these charges will generally remain a relatively small proportion of the costs of exporting live animals and germplasm and should not have a significant impact on exporters.

²⁶ Work to improve time recording in this area is underway.

The live animal and germplasm component of the Standard Setting for the Food Industry memorandum account has a projected 1 July 2019 closing balance of \$0.5 million. These proposed fee changes should mean that this balance trends towards zero over the following three years.

How and when will the changes take place?

The Animal Products (Fees, Charges and Levies) Regulations 2007 will be amended so that new fees will come into effect from 1 July 2019.

Additional information on costs and cost drivers

What does it cost MPI to provide the service?

The total annual cost of providing the service in 2017/18 was approximately \$1.2 million per annum.

What's driving MPI's costs?

Personnel and overhead costs are the main drivers of these costs.

Questions

- 1 Do you agree with the proposal to increase unit charges for the export of live animals and animal germplasm?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No	Don't know

- 2 What are the reasons for your opinion?

- 3 What impact will the proposed increase in charges have on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

- 4 Please describe any impact and quantify this if possible.
- 5 Are there any other issues with the proposed unit charges that you think MPI should be aware of?

PROPOSAL 7: UPDATE CIRCUIT VERIFICATION CHARGES UNDER THE ANIMAL PRODUCTS ACT 1999

Who will this proposal affect?

This proposal affects companies that use MPI Verification Services to meet verification requirements under the Animal Products Act 1999 (APA) (other than establishments). MPI proposes to increase the circuit verification fee from \$165.00 to \$176.00 per hour. Circuit verification fees recover MPI's costs of providing these services. However, they have been under-recovering costs in recent years, with a projected 2018/19 closing deficit balance of \$2.3 million. This change will increase the total amount recovered annually from these levies by approximately \$1.1 million (11%).

What are the services being provided?

The services being provided are unchanged. MPI provides services to a range of businesses operating under the APA to verify their compliance with legislative and regulatory requirements and the businesses' registered Risk Management Programmes. This verification is necessary for them to operate under the APA, especially if they are supplying export markets.

Provision of verification services is a contestable market (with exceptions for some types of products). MPI verifies about 850 meat, dairy, fish/shellfish and other premises, out of a total of over 1,300 requiring verification under the APA. Circuit verifications are undertaken by MPI staff travelling between premises (ie, on a 'circuit').²⁷

Fees for MPI verification services are set out in the Animal Products (Fees, Charges, and Levies) Regulations 2007 and the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015. Current base hourly rates (on which all charges are based) in effect since 1 July 2015, are set out in Table 12 below:

Table 12: Base hourly rates for circuit verification services

Category	\$ per hour
Verifier	120.10
Programme*	44.90
Total	165.00

(* This covers indirect and support costs and is described as a 'basic' charge in the fee regulations. It only applies for the first 40 hours worked per week.)

In addition to the above fee, coolstores and other storage premises, and processors of fish are charged an additional \$23.60 per hour (for the two years to 30 June 2020). This extra charge is to recoup an under-recovery of the programme charge from those premises during the 2015/16 financial year.

What's the problem and why?

Historic under-recovery of costs

Current costs are approximately \$169 per hour, which is slightly more than the \$165 currently charged. In recent years costs have exceeded revenues, leading to a projected deficit of \$2.3 million by 1 July 2019. This is equivalent to an additional \$7 per hour if the deficit were to be recouped over the three years to 30 June 2022.

²⁷ APA circuit verifications differ from verifications of:

- export meat processors, where there are 'establishment' verifiers located permanently on-site. These are charged under a different fee regime
- premises under the Wine and Food Acts, which are generally not verified by MPI; services are provided by private verifiers (eg, accounting firms for wine verification) and local authorities (under the Food Act 2014).

Fee structure could be simplified

The current verification charge is split between a verifier charge (to cover salary and other direct costs) and programme charge (to cover indirect costs). The latter has separate fee categories for primary and secondary processors but identical hourly rates (for historical reasons).

The main rationale for separating these charges is that the indirect charge is capped at 40 hours per week to avoid over-recovery of overheads. This separation is important for establishment verification services, which are based in export meat processing plants with significant and highly variable amounts of overtime. It is largely irrelevant for circuit verifications, where there is little overtime worked, and is not used for any other hourly charges in MPI's cost recovery regime.

What is MPI proposing to change?

We propose to increase circuit verification rates to fully recoup current costs and the deficit that has accumulated owing to historical under-recovery. Overall, this will result in MPI recovering an additional \$1.1 million per annum for these services.

In addition, we will remove the split between the verifier and programme charges and move to a single inclusive rate. This will result in a rate of \$176 per hour. A full schedule of the proposed rates is attached at the end of this section (Table 14).

What is MPI trying to achieve through this proposal?

As verification provides direct benefits to the operator of the processing facility, it is equitable that they pay the full costs of the services. Moreover, the APA requires that fees and levies be justifiable, in that they should be collected only to meet the reasonable costs (including indirect costs) for the provision or exercise of the relevant functions, power or services.

We want more equitable funding of circuit verification services. To achieve this we need to raise rates to a level that addresses the current under-recovery.

What alternatives did MPI consider?

We considered maintaining the status quo, with verification rates at \$165 per hour, which would cover costs but not recover the historic deficit. This would be unfair because it would mean taxpayers would be funding services that have already been provided to verified businesses. It is fair that industry should meet these costs.

What impact will this have on people who pay these fees and MPI?

A wide range of animal product processors pay circuit verification fees. The impact on 'typical' processors in a range of industries is shown in Table 13 below.

Table 13: Impact of proposed change to circuit verification fees on a range of processors

Processor category	Hours pa	Charges \$ per annum		
		Current	Proposed	Change
Bee Products				
Large	16	2,630	2,805	175
Medium	11	1,836	1,958	122
Small	8	1,248	1,331	83
Eggs				
Large	8	1,361	1,452	91
Medium	5	887	946	59
Small	4	670	715	45
Hides & skins				
Large	11	1,753	1,870	117
Medium	5	743	792	50
Small	3	516	550	34
Poultry				
Large	97	15,964	17,028	1,064
Medium	78	12,870	13,728	858
Small	32	5,280	5,632	352

(1) 'large', 'medium' and 'small' processors are at the 75th percentile, median and 25th percentile of the distribution.

The forecast additional \$1.1 million per annum revenue for these services will ensure that the costs are fully recovered and the historic deficit is recovered over the three years from 1 July 2019, ensuring that the memorandum account trends towards zero.

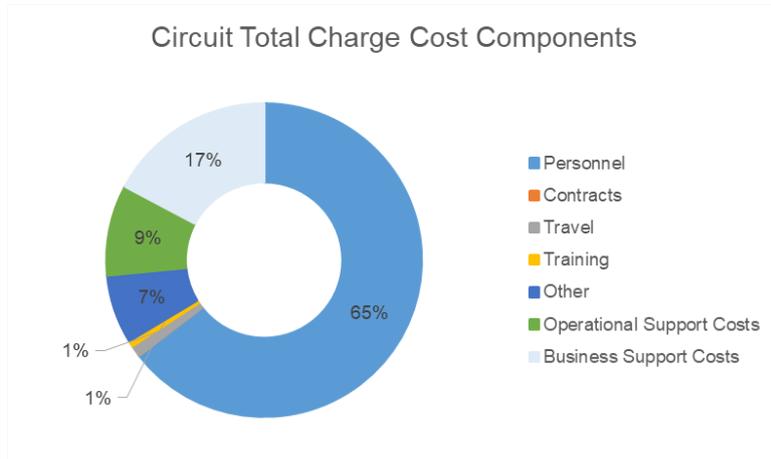
How and when will the changes take place?

The Animal Products (Fees, Charges, and Levies) Regulations 2007 and Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 will be amended so that the new rates come into effect from 1 July 2019.

Additional information on costs and drivers

What does it cost MPI to provide these services?

We spend approximately \$9.1 million each year to provide circuit verification services. The major components of these costs are shown below:



What's driving MPI's costs?

The main driver of costs for circuit verifications is personnel costs and these have been increasing by 2% a year in the recent past. This is expected to continue over the forecast period.

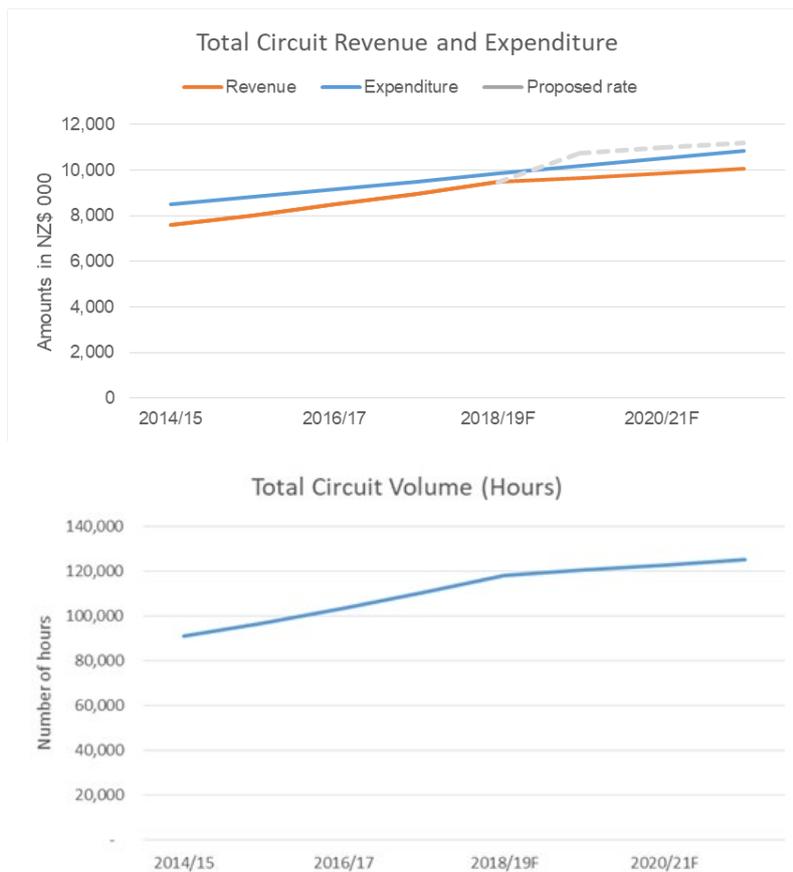


Table 14: Schedule of current and proposed rates for circuit verification charges

Charge	Current	Proposed
2 Circuit charge		
A Basic hourly charge on primary processors ¹		
For each hour spent by a verifier in verification functions	\$44.90	Rates under A and B will no longer apply as they will be combined into the single verifier rate
B Basic hourly charge on secondary processors ¹		
For each hour spent by a verifier in verification functions	\$44.90	
C Hourly charges for verifiers (for all verification activities) Verifier –		
(a) Non-penal rates –		
per hour (excluding seafood and coolstore premises) ¹	\$120.10	\$176.00
per hour for seafood and coolstores premises ¹	\$120.10	combined with above
per hour at 1½ time	\$180.10	\$264.00
per hour at double time	\$240.10	\$352.00
(b) Penal rates –	the relevant rates specified in paragraph (a), plus an additional rate of -	
	(i) \$60.10	\$88.00
	per hour per verifier for penal time worked at penal rate 0.5	
	(ii) \$120.10	\$176.00
	per hour per verifier for penal time worked at penal rate 1.0	
	(iii) \$240.10	\$352.00
	per hour per verifier for penal time worked at penal rate 2.0	
3 After-hours callout charge		
A Minimum charge – circuit verifiers ²		
Minimum charge for any individual after-hours callout, however long	3 hours at the relevant rate under item [A] of section 2	

Notes:

- (1) Categories to be combined.
- (2) This replaces the previous provisions, which had a mixture of the programme charge, different rates for ordinary time, time and a half and double time and a breakfast shift allowance. The proposed minimum charge is consistent with the contractual payments to verifiers.

Questions

- 1 Do you agree with the proposal to increase charges for circuit verifications and combine the charges into a single inclusive rate?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No	Don't know

- 2 What are the reasons for your opinion?

- 3 What impact will the proposed increase in charges for circuit verifications have on you or your business?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Significant negative impact	Negative impact	No impact	Positive impact	Significant positive impact	Don't know

- 4 Please describe any impact and quantify this if possible.

- 5 Are there any other issues with circuit verification charges that you think MPI should be aware of?

6 PROPOSALS TO SIMPLIFY, IMPROVE TRANSPARENCY, AND MAKE CHARGES MORE EQUITABLE

PROPOSAL 8: SIMPLIFY THE PROCESS FOR AMENDING LEVY RATES UNDER THE AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES ACT 1997 AND THE WINE ACT 2003

Who will this proposal affect?

This proposal affects:

- *exporters of New Zealand wine who pay the Wine Export Levy*
- *those with a registered trade name product under the Agricultural Compounds and Veterinary Medicines (ACVM) Act who pay the ACVM levy.*

MPI proposes amending regulations so that moderate future increases or decreases in the rates of these levies will not require amendment to the regulations. Instead, the regulations would set a formula to calculate the levy and a process for the Director-General of MPI to change the rate through Gazette notice, within a prescribed maximum.

This proposal will reduce the time and administrative costs of updating these levies. Consultation requirements and regulated limits on increases will ensure effective government oversight and accountability continues.

There are no financial impacts from this proposal. Increases in these levies are not expected in the foreseeable future and decreases may be possible.

Linkages

You may also be interested in:

- *Proposal 2: Update ACVM Trade Name Product Registration Fees*
- *Proposal 9: Clarify the provisions governing the Agricultural Compounds and Veterinary Medicines levy.*

What are the services being provided?

This proposal will not have an impact on the services provided through these levies. MPI recovers the costs of many of the services it provides through levies. Typically, levies are used to recover the cost of services that have club good characteristics – where benefits are excludable (eg, only apply to one industry) but non-rivalrous (the level of benefit to one industry member does not affect the level of benefit of others).

What's the problem and why?

Many of the levies that MPI collects have the levy rate set out in regulations, with any changes MPI proposes requiring Cabinet's agreement. The Cabinet process (see Figure 4 below) ensures that any rate changes proposed by MPI are subject to full public consultation and are scrutinised by Cabinet, which safeguards fee payers' interests.

However, resetting rates through Regulations can take six to nine months. This process can require considerable resources, including policy and administrative work from MPI, drafting by the Parliamentary Counsel Office and consideration and approval by Cabinet on three occasions (see Figure 4 below).

In contrast, some levies that MPI collects have more straightforward processes for changing rates, including the Biosecurity System Entry Levy (BSEL) and Border Clearance Levy²⁸ (BCL) under the

²⁸ Also referred to as the Border Processing Levy.

Biosecurity Act 1993. The Regulations that provide for cost recovery of the BSEL and BCL set out a formula for apportioning the total annual cost of levy-funded services, with the total cost able to be specified by the Director-General (DG) of MPI by notice in the New Zealand Gazette. This process typically takes two to three months.

What is MPI proposing to change?

MPI proposes simplifying the process to change the rate of the Wine Export levy and ACVM levy to be quicker, simpler and more administratively efficient. At this stage we do not propose any changes to processes in relation to cost recovered services under the Food Act 2014 and Animal Products Act 1999, as these will be subject to full reviews commencing within 12 months and any changes are best considered as part of those processes.²⁹

We propose that the Wine Regulations 2016 and ACVM (Fees, Charges, and Levies) Regulations 2015 be amended to prescribe a formula that determines the levy rate, with the components of the formula able to be specified by the DG of MPI through notice in the New Zealand Gazette. The process of resetting levy rates would then be similar to the process to reset the rates of BSEL and BCL, which typically only take two to three months and is considered to be working well.³⁰

As with the BSEL and BCL, the ability of the DG to reset rates would continue to be constrained by a requirement to consult on any proposed changes and a regulated upper limit above which any increases would require Cabinet approval. We propose these maximum levy rates be set out in Table 15 (below).

Table 15: Proposed maximum ACVM and Wine Export levy rates

	Current levy rate	Proposed regulated maximum levy rate
Wine Regulations 2016	\$0.01 per litre per exporter (excluding the first 200,000 litres a year)	\$0.011 per litre per exporter (excluding the first 200,000 litres a year)
Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015	\$540 Payable annually by each – (a) registrant (b) person who holds an exemption under section 8C of the Act (c) person who has obtained approval of an operating plan (d) recognised person.	\$590 Payable annually by each – (a) registrant (b) person who holds an exemption under section 8C of the Act (c) person who has obtained approval of an operating plan (d) recognised person.

The proposed maximum levy rates are 10% above the current rates, rounded up to the nearest tenth of a cent (wine) or \$10 increment (ACVM).

The regulated formula for calculating the levy would be based on costs and volumes, as for the biosecurity levies. The formula would also allow historic under- or over-recovery to be taken into account.

This change would significantly reduce the time it takes MPI to make changes and the administrative and other costs related to changing rates.

What impact will this have on people who pay these fees?

This proposal will have no impact on those who currently pay these levies. The levy rates would still be set to recover the forecast costs to MPI of providing the services funded through the levies and consultation will still be required before rate changes are made.

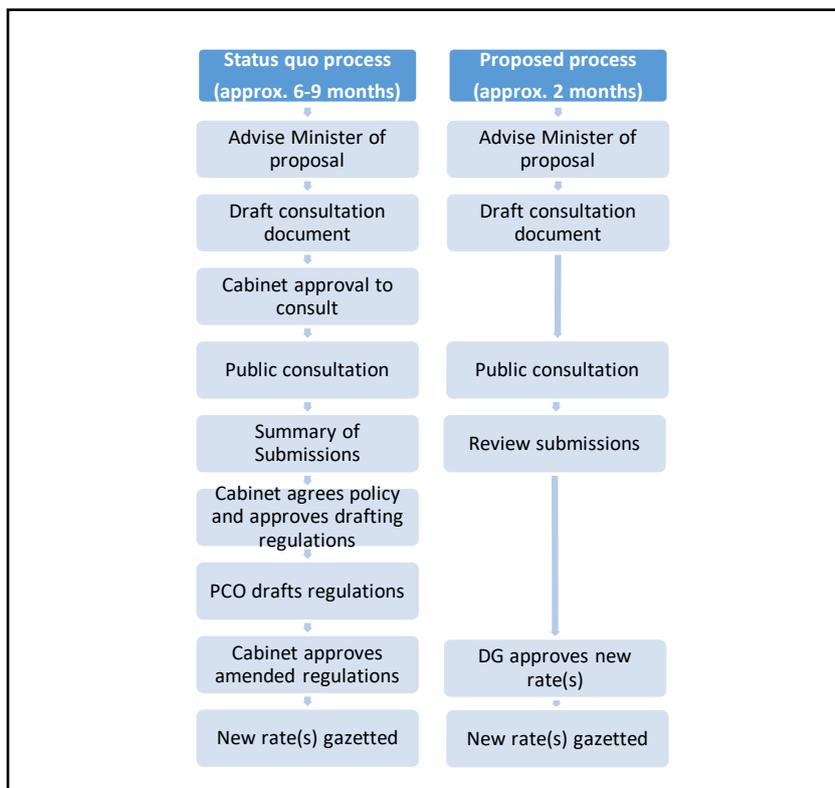
²⁹ There is currently no cost recovery for Food Act services using levies, though this will be considered as part of the review.

³⁰ A similar approach is also used to set the charge for use of MPI’s electronic certification system under the Animal Products Act (see Part 6 of Schedule 1 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 and Part 5 of Schedule 1 of the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015).

How and when will the changes take place?

MPI proposes amending regulations so that the new process to reset rates for the Wine Export levy and ACVM levy will be in place from 1 July 2019.

Figure 4: Steps to reset the levy rate in the current process and proposed new process



Questions

1 Do you (or your members) currently pay the:

a. Wine Export levy?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No	Don't know

b. ACVM levy?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No	Don't know

2 Do you agree with the proposed process for the Director-General of MPI setting the levy rate through notice in the Gazette?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No	Don't know

3 What are the reasons for your opinion?

4 Are there any other issues associated with the proposal for the Director-General to set the levy rate that you think MPI should be aware of?

PROPOSAL 9: CLARIFY THE PROVISIONS GOVERNING THE LEVY UNDER THE AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES ACT 1997

Who will this proposal affect?

This proposal affects people who pay the Agricultural Compounds and Veterinary Medicines (ACVM) levy to MPI annually for registered Trade Name Products (TNP).

MPI proposes to clarify that the levy is payable for each TNP registration and to more accurately reflect the services that are funded by the levy.

This will provide greater certainty of which services the levy funds and the basis of the levy (who pays).

There are no financial impacts from this proposal.

Linkages

You may also be interested in:

- *Proposal 2: Update ACVM Trade Name Product Registration Fees*
- *Proposal 8: Simplify the process for amending levy rates under the ACVM Act and the Wine Act 2003*

The ACVM Act 1997 and regime

The Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act) manages risks associated with the use of agricultural compounds and veterinary medicines. Cost recovery for ACVM services have been in place since 2002 and are currently charged through the ACVM (Fees, Charges, and Levies) Regulations 2015 (ACVM fee regulations).

What are the services being provided?

The services provided and rate of the levy will not change as a result of this proposal.

The levy funds the development of standards, administration and maintenance of the TNP regime, providing advice about TNPs, and ongoing monitoring and review activities to ensure the overall effectiveness of the system.

The ACVM levy is set out in Schedule 2 of the fee regulations. This Schedule outlines the matters for which the ACVM levy is payable and who it is payable by. Schedule 2 also sets out who has to pay the annual levy. MPI currently charges an annual levy of \$540 on all TNP holders for each TNP registration they hold.³¹

What's the problem and why?

We have identified two problems with the ACVM levy. First, the levy-funded services required to support a well-functioning ACVM system are broader than described in Schedule 2 of the ACVM fee regulations. This could create uncertainty for industry over what services are funded by the levy.

Second, the levy could be clearer that it is payable by the registrant for each TNP registration. In practice the levy is invoiced and paid by registrants for each of their registered TNPs, as the costs of the services required to support the system increase with the volume of registrations.

What is MPI proposing to change?

MPI proposes amending Schedule 2 to align the regulated description of levy-funded services with the services needed to support a well-functioning ACVM system by specifying that the levy funds:

- standards, conditions, requirements and guidance development (development and redevelopment of generic and class-based standards, conditions, requirements and guidelines in respect of assessing applications for TNPs and in respect of registered TNPs)

³¹ As of September 2018, 3,340 TNPs were registered on the TNP register by 303 registrants.

- administration of the TNP regime: for example, development, maintenance and continuous improvement of ACVM systems and processes relating to the administration of the Act and the maintenance of registers, development and review of the manner in which declarations under section 7 of the Act must be made
- providing advice about TNPs
- monitoring and review activities (including audit functions and management and reporting of adverse events) relating to the importation, manufacture, sale and use of agricultural compounds.

Amending Schedule 2 to clarify that the levy applies to the “*registrant, in respect of each trade name product they hold*”, will improve the transparency and understanding of the regulations.

The three other classes of persons required to pay the levy remain unchanged.³²

What is MPI trying to achieve through this proposal?

The proposed changes are intended to improve transparency and certainty by removing potential ambiguity regarding which services the levy funds and to clarify who pays the levy.

What alternatives did MPI consider?

The only viable option that would create transparency and certainty is to amend the regulations. Retaining the status quo would not achieve these objectives.

What impact will this have on people who pay the levy and MPI?

This proposal will provide greater transparency through helping registrants to understand what services are funded through the levy and when the levy is payable. There are no financial impacts and the levies payable by any individual TNP registrant will not be affected.

As this proposal aligns the regulations with current practice there will be no impact on registrants or MPI.

How and when will the changes take place?

Changes to wording to give effect to the above proposals would be included in the ACVM (Fees, Charges, and Levies) Regulations 2015, with effect from 1 July 2019.

Questions

- 1 Do you agree with the proposal to clarify the basis of the ACVM levy (an annual charge for each registered Trade Name Product)?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- 2 What are the reasons for your opinion?
- 3 Do you agree with the proposal to clarify the services funded by the ACVM levy?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- 4 What are the reasons for your opinion?
- 5 Are there any other aspects of the levy that you think MPI should be aware of?

³² The ACVM levy, in addition to the registrant, is also payable annually by: each person who holds an exemption under section 8C of the Act; each person who has obtained approval of an operating plan; and each recognised person.

PROPOSAL 10: MODIFY DAIRY LEVIES FOR SMALL PROCESSORS AND EXPORTERS UNDER THE ANIMAL PRODUCTS ACT 1999

Who will these proposals affect?

These proposals affect dairy companies that are subject to the Animal Products Act 1999 (APA) and pay levies to MPI for standards-related services under that Act.

We propose to change the amounts and thresholds for the small processors and exporters levies, and to eliminate the medium processor levy. While the overall basis for these levies is considered appropriate, MPI has examined the flat annual levies for small/medium processors and exporters, and the thresholds at which these apply. This would result in a reduction in the total amount recovered from these levies, of approximately \$23,000 annually.

What are the services being provided?

The services being provided are unchanged. MPI provides services for food and other animal products under the Animal Products Act 1999 (APA). These include the development of domestic and export standards, negotiation and support for access to foreign markets and monitoring industry-wide compliance with the standards.

For the dairy industry, these services are funded by levies under the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015. Small and medium operators pay fixed annual levies if they fall within production or export volumes specified in the regulations (Table 16 below).

Table 16: Annual levies for small and medium operators

Category	Range	Annual levy	Number of levy payers
Small processors	Under 16,500 kg milksolids collected	\$465	45
Medium processors	16,500 – 491,000 kg milksolids collected	\$930	7
Small exporters	Under 636,000 kg dairy export mass	\$310	185

What's the problem and why?

The model for funding standards-related services under the APA is seen as fair because:

- these services are a ‘club good’ – they are provided to a group of identifiable firms registered with MPI (excludable) but no one firm’s access to, or use of, the standards reduces availability to other firms (non-rivalrous)
- setting separate levies for processing and exporting is appropriate as different businesses may be involved in the two activities and MPI’s costs can generally be allocated between processing and exporting
- volume-based levy rates effectively allocate costs according to each levy payer’s share of total industry production, so they are a reasonable proxy for shares of total benefits
- flat annual charges are appropriate for parts of the industry where benefits that can be attributed are relatively modest (eg, small processors and exporters)
- flat annual charges avoid the need to calculate and invoice small amounts so are more administratively efficient.

The current flat rates and thresholds were set in 2015 based on:

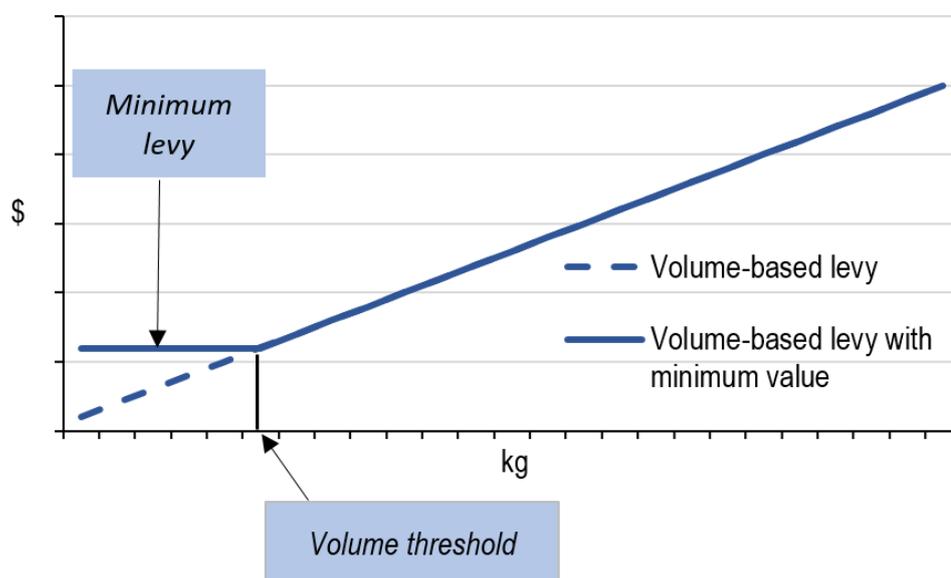
- setting minimum fees based on notional minimum levels of service for small and medium processors and exporters³³

³³ Annual levy calculated as 3, 6 and 2 hours of service at the general MPI charge of \$155 per hour for small processors, medium processors and small exporters respectively.

- thresholds for classifying processors and exporters as small and medium, by estimating volumes that would result in levies at these levels if calculated on the same basis as large processors and exporters.

Figure 5 below illustrates the approach to charging levies.

Figure 5: Illustrative model for volume-based approach to setting levies with minimum charges



There are a number of problems with the current thresholds:

- the processor and exporter volume thresholds have become outdated as a result of changes in total milk production and MPI's expenditure on standards-related services
- the small processor levy and threshold have become disconnected, with no relationship between the levy amount and equivalent milk volumes
- the small exporter levy appears too high relative to the risks posed by these businesses.

What is MPI proposing to change?

Small processors and exporters

We propose moving away from the model of setting the levy based on notional hours of service and will focus on the level of risk presented by smaller companies. Small processors generate disproportionate risks (and costs to MPI) relative to the volumes of milk they collect and process, so we propose an annual levy of \$400 (reduction of \$65) for this category. Small exporters do not present risks to the same extent, so we propose a lower levy that makes a reasonable contribution to MPI's costs of \$200 (reduction of \$110).

The logic behind the levy thresholds that define small processors and exporters is sound – they are based on the equivalent volumes of milk at which they would pay the same levy as larger businesses. We propose to continue this approach but revise the thresholds in light of more recent milk volumes.

Table 17 (below) illustrates how the proposed new thresholds for small processors and exporters were calculated, using current levy totals (2018/19) and averaging total volumes over the past three years (2014/15 - 2016/17). This gives a levy threshold of 152,000 kg of milk solids for small processors and 465,000 kg milk solids for small exporters.

Table 17: Estimated per kg levy for large processors and exporters

	Large processors	Large exporters
Total levy	\$4,935,867	\$1,355,100
Total volumes (kg)	(milksolids)	(dairy mass exported)
2014/15	1,893,719,315	3,033,961,139
2015/16	1,864,726,136	3,184,752,137
2016/17	1,856,710,143	3,194,490,867
Average	1,871,718,531	3,137,734,714
Levy \$/kg (total levy divided by average milksolid volumes)	\$0.002637	\$0.000432
Calculated threshold (small processor or exporter annual levy, divided by large processor levy \$/kg)	152,000 kg milksolids	465,000 kg milksolids

Medium processors

There is no obvious reason for a medium processor rate and we propose this should be disestablished. The impacts of the proposed changes on processors and exporters operating at different volumes is shown in Table 18 below.

What is MPI trying to achieve through this proposal?

We want more equitable funding of these activities. To achieve this we need to ensure that the amounts and thresholds for small/medium processor and exporter levies are logical and appropriate.

What alternatives did MPI consider?

We considered maintaining the status quo for the small processor and exporter levies. However, this would continue the current misalignment between the small processor levy and threshold and would result in small exporters paying too much relative to the risks they pose.

What impact will this have on people who pay these fees and MPI?

For small/medium processors and exporters, their annual levies will change as set out in Table 18 below.

Table 18: Proposed annual levies for current small and medium processors and exporters

Small processors			
Volumes collected (kg/year)	Current	Proposed	Change
0 - 16,500	\$465	\$400	-14%
16,500 - 152,000	\$930	\$400	-57%
152,000 - 353,000 ⁽¹⁾	\$930	Varies depending on volume but would be less than the current flat levy	
353,000 ⁽¹⁾ - 491,000	\$930	Varies depending on volume, and would exceed the current flat levy, to a maximum of \$1,295 at the top of the range.	

(1) 353,000 kg is the 'break even' level at which a processor would pay the same levy (\$930) on a volume basis as it does now through the flat medium processor levy.

Small exporters			
Volumes exported (kg/year)	Current	Proposed	Change
0 - 463,000	\$310	\$200	-35%
463,000 - 636,000	\$310	Varies depending on volume but would be less than the current flat levy	
550,000 (1)	\$310	\$238	-23%

(1) This is the approximate midpoint of the 463,000-636,000 kg range.

The total impact on MPI finances is a reduction of approximately \$20,000 per annum. As the changes in total levies are minimal, no information on costs and cost drivers is provided.

How and when will the changes take place?

The Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 will be amended so that the new levy rates will come into effect from 1 July 2019.

Questions

1 Do you agree with the proposed rates and thresholds for the small processor levy?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 Do you agree with the proposal to eliminate the medium processor levy?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

4 What are the reasons for your opinion?

5 Do you agree with the proposed rates and thresholds for the small exporter levy?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

6 What are the reasons for your opinion?

7 Are there any other aspects of the dairy levies that you think MPI should be aware of?

PROPOSAL 11: MINOR UPDATES TO COST RECOVERY PROVISIONS UNDER THE ANIMAL PRODUCTS ACT 1999

The following minor amendments are proposed to fees and levies under the two sets of APA cost recovery regulations under animal products act 1999 (APA).

What is MPI proposing to change and why?

Extend current levy categories

We propose to extend current levy categories to include two types of businesses that benefit from standards-related activities but do not currently pay levies.

Standalone dairy storage premises

The Animal Products (Fees, Charges, and Levies) Regulations 2007 (the Non-Dairy APA Regulations) include an annual levy of \$207.30 for operators of coolstores or other storage premises. This levy funds the development and maintenance of standards that these facilities are subject to, including standalone dairy storage facilities.

These Regulations expressly preclude the recovery of levies on dairy processing operations or premises,³⁴ because those are recovered separately through the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 (the Dairy APA Regulations). The problem is that the Dairy APA Regulations do not have a corresponding charge for coolstores or other storage premises, meaning that the dairy industry is not contributing to the cost of these standards.

We propose addressing this by amending the dairy cost recovery regulations to include a similar provision to what already exists in the Non-Dairy APA Regulations.

Export Approved Premises (EAPs)

The Non-Dairy APA Regulations include a levy of \$136 per annum on processors of hides and skins to recover the cost of developing and maintaining standards for animal products that are not for human consumption. However, a number of other processors (including processors of animal fibres, feathers, marine shells, game trophies) are subject to these standards but do not pay the levy owing to the description only covering 'hides and skins'.

We propose extending the description of which facilities are subject to this levy to cover all animal products not for human or animal consumption.

Impacts of extending levy categories

We estimate that expanding the coverage of these levies will result in:

- approximately 30 standalone dairy coolstores being required to pay the \$207.30 annual levy on operators of coolstores or other storage premises
- approximately 100 additional businesses being required to pay the \$136 per annum levy on processors of animal products not for human or animal consumption.
-

We consider that these proposed annual charges will not have a significant effect on business profitability or investment decisions.

It is estimated that with current rates the standalone coolstore levy will result in annual under-recovery of \$75,000 in 2018/19 and under-recovery from EAPs of \$20,000. It is estimated that the proposed changes would result in additional annual cost recovery of \$6,000 and \$14,000 respectively, which would not have a substantial impact on this. In the second half of 2019 MPI will be reviewing all APA levy rates as part of a wider review of APA charges, and these deficits will be addressed through that process.

³⁴ Regulation 3.

Charge for services relating to market access

The provisions enabling MPI to charge an individual business for services relating to market access (eg, for advice on interpretation of an Overseas Market Access Requirement) are inconsistent between the two sets of regulations; those in the dairy regulations clearly enable MPI to charge for such services, while those in the non-dairy regulations are not as clear. The relevant provisions in the non-dairy regulations should be worded in line with those in the current dairy regulations.

The rate for both would be \$135 per hour (based on proposed hourly rates in Proposal 1, above). This change is not expected to have a significant effect on fee payers or cost recovery by MPI but it will simplify and align rates and make charges more transparent.

Change the fee for infant formula export declarations

Infant formula export declarations are the equivalent of Official Assurances for markets where government certification for infant formula is required.

The declarations are currently funded by a charge based on the previous year's approval costs, divided by the previous year's number of declarations. The charge calculated in this way for 2018/19 is \$23 per declaration.

This approach is similar to what is used for dairy levies but is not appropriate in this case. The dairy levies are calculated to determine different companies' contributions to industry-wide services in a 'fair' way. In contrast, the charge for infant formula export declarations is intended to recover the costs of MPI providing a service directly supplied to the exporter.

This service is provided using the same people and processes as for Official Assurances for exports of animal products and materials. Therefore it is appropriate that it be charged in the same way, \$33 per declaration plus \$135 per hour for any time over 15 minutes per declaration (based on proposed new hourly rates in Proposal 1).

Update reporting requirements

Under section 10A of the Non-Dairy APA Regulations, businesses that are subject to volume-based levies are required to provide information to MPI about volumes processed, either monthly (large processors) or annually (small processors).

Two changes are proposed to bring the regulations up to date with current MPI and industry practices:

- The requirement for large fish and shellfish processors to provide annual estimates (which must subsequently be reconciled against actual volumes) is time-consuming and inefficient; calculating levies against actual monthly or annual volumes, as is done for other volume-based levies, is preferable and would enable other system improvements to be implemented. It would reduce the compliance burden on these processors.
- Some species of animals and birds other than those listed in the regulations are being processed (eg, farmed rabbits, llamas, alpacas). They fall under the levy categories of 'Other species (other than fish)' but because they are not listed in the reporting requirements, do not attract the appropriate levy. It is therefore proposed to extend the current provisions to require processors to include them in the relevant totals.

The proposed changes are set out in Table 19 below.

Table 19: Proposed changes to reporting requirements

Commodity	Information that may be required to be provided to the Director-General
Fish and bivalve molluscan shellfish	Actual tonnage processed in the previous month or year, in individual commodity categories listed
Lambs, bobby calves, goats, sheep, pigs, cattle, horses, deer and other animal species	Actual numbers of animals processed in the previous month or year, in individual commodity categories listed
Ostriches, emus, poultry and other bird species	Actual numbers of birds processed in the previous month or year, in individual commodity categories listed

Questions

Which proposal(s) do you wish to comment on?

- Proposal 11-1: expand APA levy categories to include dairy coolstores
- Proposal 11-2: expand APA levy categories to include all Export Approved Premises
- Proposal 11-3: provide for an hourly charge for market access services in the Non-Dairy APA Regulations
- Proposal 11-4: change fees for infant formula declarations to a fixed charge
- Proposal 11-5: change reporting requirements

Proposal 11-1: expand APA levy categories to include dairy coolstores

1 Do you agree with the proposal to expand this levy category to include dairy coolstores?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 Are there any other aspects of the levy that you think MPI should be aware of?

Proposal 11-2: expand APA levy categories to include all Export Approved Premises

1 Do you agree with the proposal to expand this levy category to include all Export Approved Premises?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 Are there any other aspects of the levy that you think MPI should be aware of?

Proposal 11-3: provide for an hourly charge for market access services in the Non-Dairy APA Regulations

1 Do you agree with the proposal for an hourly charge for market access services in the Non-dairy Fee Regulations?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

2 What are the reasons for your opinion?

3 Are there any other aspects of this fee that you think MPI should be aware of?

Proposal 11-4: change fees for infant formula declarations to a fixed charge

- 1 Do you agree with the proposal to change the fee for infant formula declarations to a fixed charge (similar to Official Assurance fees)?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- 2 What are the reasons for your opinion?
- 3 Are there any other aspects of this fee that you think MPI should be aware of?

Proposal 11-5: change reporting requirements

- 1 Do you agree with the proposal to change the requirements for reporting volumes of certain species to the Director-General of MPI, for the purposes of calculating levies?

- actual monthly or annual volumes for large fish and shellfish processors

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- some species of animals and birds (other than those currently listed in the regulations)

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

- 2 What are the reasons for your opinion?
- 3 Are there any other aspects of the reporting requirements that you think MPI should be aware of?

7 APPENDIX 1: \$155 HOURLY RATE FEES AND CHARGES AFFECTED BY PROPOSAL 1

Agricultural Compound and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015

Schedule 1 Part 1 Fees and charges		
Service	Current fee or charge	Proposed fee or charge
Application under section 8C of the Act for approval of the importation, manufacture, sale, or use of an agricultural compound without registration	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application under section 9 of the Act to register a trade name product or to vary 1 or more conditions on a registered trade name product	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Responding to inquiries about the form and content of applications under section 10 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Assessing whether an application to register a trade name product complies with section 10 of the Act	\$540 per application	\$67.50 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Considering waiver of notice under section 15 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Registering in the register of trade name products, in accordance with section 21(1)(d) of the Act, a trade name product or a variation of 1 or more conditions on a registered trade name product	\$540 per registration or variation	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Inspecting the register of registered trade names in accordance with section 24(5) of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application to provisionally register a trade name product of an agricultural compound under section 26 of the Act	\$155 per application	\$135 per application

	Plus assessment charge on hourly basis after the first hour, as specified in Part 2	Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application for approval of an operating plan under section 28 of the Act, or Director-General giving notice of an amendment to, or revocation of, an approval of an operating plan	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Monitoring compliance with conditions imposed (whether on the registrant, importer, manufacturer, seller, purchaser or user) under the Act or regulations made under the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Suspension under section 30A of the Act of the registration of a trade name product registered under section 21 or 27 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application under section 35C of the Act for the Director-General to issue a certificate of compliance under section 35A of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Recall of an agricultural compound under section 35G of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application for recognition under section 44C, 44E or 44G of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Recognition of a person under section 44F of the Act without an application	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application for renewal of recognition under section 44Q of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application under section 44S of the Act for a new notice of recognition in substitution for an existing notice of recognition	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
For each year for which an agency or a person is recognised in accordance with section 44T of the Act	\$155 per application	\$135 per application

	Plus assessment charge on hourly basis after the first hour, as specified in Part 2	Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Inspection in accordance with section 64 of the Act for the purpose of enforcing provisions of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Performance or exercise of a function, duty or power that is – (a) Required to be undertaken under the Act, including under any regulations or notices; and (b) Not prescribed elsewhere in these regulations	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Schedule 1 Part 2 Assessment and inspection charges on hourly basis		
Service	Current fee or charge	Proposed fee or charge
(a) for each hour (excluding final part-hour) spent by a person (whether or not employed by MPI)	\$155	\$135
(b) for each 15-minute block in final part-hour spent under paragraph (a)	\$38.75	\$33.75

Animal Products (Fees, Charges, and Levies) Regulations 2007

Schedule Part 1 Schedule of fees		
Service	Current Fee or Charge	Proposed Fee or Charge
Application under section 20 for registration of risk management programme	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 25 for agreement to amendment of risk management programme	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Fee in relation to update of risk management programme under section 26	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application

Application under section 34 for registration of food control plan as risk management programme ³⁵	\$102.27 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2
Application under section 54 for registration as exporter	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for approval of premises for export of products where required under export requirements	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual exporter registration fee under section 57	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 65G for listing as a game estate	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual listing fee under section 65L	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 75 for listing as homekill or recreational catch service provider	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual listing fee under section 77	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 107 for recognition	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 112D for renewal of recognition	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application

³⁵ The \$102.27 rate for this service was erroneous when promulgated and should have been at the \$155 rate. No applications for registration under section 34 have been received and no charges have been made to date under this item. This change aligns the rate should there be any future charges for this service.

Annual recognition fee under section 112F	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 112E for substituted notice of recognition	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Reissue of Official Assurance under section 64(2) if replacement assurance demanded by importing country	\$465.00 per Official Assurance Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2	\$405.00 per Official Assurance Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2
Reissue of Official assurance under section 64(2) for live animals or germplasm if replacement assurance demanded by importing country ³⁶	\$465.00 per Official Assurance Plus assessment charge on hourly basis after the first 2 hours and 30 minutes as specified in Part 2	\$465.00 per Official Assurance Plus assessment charge on hourly basis after the first two hours and 30 minutes as specified in Part 2
Registration of transport operator, vehicle docking facility operator or wharf operator under a notice issued under section 40	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to list animal material depot as required under notice issued under section 167 and renewal of listing	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for issue or revocation of relay permit for bivalve molluscan shellfish issued under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for registration as bivalve molluscan shellfish harvest operator under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual bivalve molluscan shellfish harvest operator fee under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to list or renew listing as transport operators, sorting shed operators or depot operators required by notice made under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application

³⁶ This rate is not being changed as it is based upon the higher vet rate of \$184.30.

Application to register a limited processing vessel under the Animal Products (Regulated Control Scheme—Limited Processing Fishing Vessels) Regulations 2001	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual limited processing vessel registering fee under the Animal Products (Regulated Control Scheme—Limited Processing Fishing Vessels) Regulations 2001	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for approval of MPI Devices (brands/seals) made under the Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2012 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to be certified as either a certified supplier (wild animals) or a certified game estate supplier under the Animal Products (Specifications for Products Intended for Human Consumption) Notice 2013 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Applications for recertification as either a certified supplier (wild animals) or a certified game estate supplier under the Animal Products (Specifications for Products Intended for Human Consumption) Notice 2013 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for listing as further (pet food) processor under the Animal Products (Specifications for Products Intended for Animal Consumption) Notice 2014 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Applications to relist as a further pet food processor under the Animal Products (Specifications for Product Intended for Animal Consumption) Notice 2014 or any replacement notice	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$64 per application
Notification of change of a recognised agency on a risk management programme under sections 16(2) and 19(g)	\$77.50 per notification Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$64 per application
Application to list as an approved halal premises under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to list as an approved halal organisation under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Audit of approved halal organisations under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application

Application for approving, renewing or revoking an issuing officer's approval under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Listing of halal assessment and approval personnel and a competent halal slaughter person under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per listing Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Inspection and audit under the Animal Products Act 1999	Assessment charge on hourly basis as specified in Part 2	Assessment charge on hourly basis as specified in Part 2
Performance of a function, power, or duty that is: <ul style="list-style-type: none"> required to be undertaken under the Animal Products Act 1999, including under any regulations or notices; and not prescribed elsewhere in these regulations 	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2
Application for approval of any maintenance compounds that is required to be undertaken under the Animal Products Act 1999, including under any regulations or notices	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Schedule 1 Part 2 Assessment and inspection charges on hourly basis		
Service	Current fee or charge	Proposed fee or charge
(a) For each hour (excluding final part-hour) spent by a person (whether or not employed by the Ministry)	\$155	\$135
(b) For each 15-minute block in final part-hour spent under paragraph (a)	\$38.75	\$33.75
(e) For each hour (excluding final part-hour) spent by a person employed by the Ministry under item 4 in Part 1 of this schedule	\$102.27	\$135
(f) For each 15-minute block in final part-hour spent under paragraph (e)	\$25.27	\$33.75
g) For each hour (excluding final part-hour) spent by a person who is not employed by MPI	\$155	\$135
(h) For each 15-minute block in final part-hour Spent under paragraph (g)	\$38.75	\$33.75

Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015

Schedule Part 1 Fixed fees, charges, and levies		
Service	Current fee or charge	Proposed fee or charge
Application for, assessment of, and approval or renewal of registration of person as a registered farm dairy operator or registered depot operator under the regulated control scheme imposed by the Raw Milk for Sale to Consumers Regulations 2015	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and approval or variation of risk management programmes and quota compliance programmes	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and approval or variation of approval of laboratories	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and approval or variation of codes of practice	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and recognition, variation or renewal of agency or person as recognised agency or recognised person under Part 8 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for agreement to minor amendments of risk management programme	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$135 per application
Application for market access functions	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2
Verification inspection and audits	\$155 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 Plus assessment charge on hourly basis after the first hour as specified in Part 2
Application for product disposition	\$155 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Reissue of Official Assurance under section 64(2) of the Act if replacement assurance demanded by importing country	\$465 per replacement certificate Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2	\$384 per application Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2

Application for registration or renewal of registration	\$155 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Performance or exercise of a function, power, or duty that: <ul style="list-style-type: none"> is required to be undertaken under the Act, including under any regulations or notices; and is not prescribed elsewhere in these regulations 	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2
Application for approval of any maintenance compounds that is required to be undertaken under the Act, including under any regulations or notices	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Schedule 1 Part 2 Assessment charges on an hourly basis		
Service	Current fee or charge	Proposed fee or charge
(a) For each hour (excluding final part-hour) spent by an officer or employee of the Ministry, or a person engaged by the Ministry who is not an officer or employee	\$155	\$67.50
(b) For each hour (excluding final part-hour) spent by an officer or employee of the Ministry, or a person engaged by the Ministry who is not an officer or employee	\$38.75	\$33.75

Wine Regulations 2006

Schedule 1 Part 1 Fees and charges		
Service	Current fee or charge	Proposed fee or charge
Notification for an exemption under regulation 5A from operating under a registered wine standards management plan	\$155 per notification Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Notification of change in operator's recognised verifying agency under section 13(f) of the Act	\$77.50 per notification	\$67.50 per application

	Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	
Application based solely on template approved by Director-General for registration of wine standards management plan in accordance with section 18 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Application not based solely on template approved by Director-General for registration of wine standards management plan in accordance with section 18 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Application for registration of significant amendment to wine standards management plan under section 22 of the Act	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application
Notification for registration of a minor amendment to wine standards management plan under section 23 of the Act	\$77.50 per notification Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application
Application under section 48 of the Act for registration as exporter	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Inspection and other individual-focused compliance activities carried out by wine officer under Part 3 of the Act	\$155 per inspection or activity Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per inspection or activity Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2
Application for recognition of agency, person, or class of persons, under section 71, 73, or 75 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Verifications and audits by MPI further to its recognition under section 72(1) of the Act as a recognised agency	\$155 per verification or audit Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per verification or audit Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Ongoing recognition fee under section 82F of the Act	\$155 payable annually, Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Performance or exercise of a function, duty, or power that is—	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50

(a) required to be undertaken under the Act, including under any regulations or notices; and (b) not prescribed elsewhere in these regulations		Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2
Schedule 1 Part 2 Assessment and inspection charges on hourly basis		
service	Current fee or charge	Proposed fee or charge
(a) For each hour (excluding final part-hour) spent by a person (whether or not employed by the Ministry)	\$155	\$135
(b) For each 15-minute block in final part-hour spent under paragraph (a)	\$38.75	\$33.75

Animal Welfare (Cost Recovery) Regulations 2015

Schedule Part 1 Fees and charges		
Service	Current fee or charge	Proposed fee or charge
Performance or exercise of a function, duty or power that is: (a) Required to be undertaken under the Act, including under any regulations; and (b) Not prescribed elsewhere in these regulations.	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2
Schedule Part 2 Assessment charges on hourly basis		
Service	Current Fee or Charge	Current Fee
(e) For each hour (excluding final part-hour) during work hours spent by a person (whether employed or not employed by the Ministry) under item 2 in Part 1 of this schedule	\$155	\$67.50
(f) For each 15-minute block in final part-hour spent under paragraph (c)	\$38.75	\$33.75

Food (Fees and Charges) Regulations 2015

Schedule Part 2 Fixed and hourly fees and charges		
Service	Current fee or charge	Proposed fee or charge
Application for, assessment of, and registration of custom food control plan	\$348.50 per application Plus \$155.00 per hour spent processing the application after the first 2 hours and 15 minutes	\$288.00 per application Plus \$135.00 per hour spent processing the application after the first 2 hours and 15 minutes
Application for renewal of registration of custom food control plan	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for registration of an amended custom food control plan owing to a significant amendment	\$310.00 per application Plus \$155.00 per hour spent processing the application after the first 2 hours	\$270 per application Plus \$135.00 per hour spent processing the application after the first 2 hours

Not-significant amendment of custom food control plan	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Amendment to custom food control plan for a significant change in circumstances	\$155.00 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Voluntary suspension of registered custom food control plan	\$77.50 per notification of suspension Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for registration of food control plan based on an approved template or model	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135 per hour spent processing the application after the one hour and 15 minutes
Application for registration of food control plan based on a template or model issued by the Chief Executive	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135 per hour spent processing the application after the first hour and 15 minutes
Application for renewal of registration of food control plan based on an approved template or model	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for renewal of registration of food control plan based on a template or model issued by the Chief Executive	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for registration of an amended food control plan based on an approved template or model owing to a significant amendment	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for registration of an amended food control plan based on a template or model issued by the Chief Executive owing to a significant amendment	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Not-significant amendment of food control plan based on an approved template or model	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes

Not-significant amendment of food control plan based on a template or model issued by the Chief Executive	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Amendment to food control plans based on an approved template for a significant change in circumstances	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Amendment to food control plan based on a template or model issued by the Chief Executive for a significant change in circumstances	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Voluntary suspension of a registered food control plan based on an approved template or model	\$77.50 per notification of suspension Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Voluntary suspension of a registered food control plan based on a template or model issued by the Chief Executive	\$77.50 per notification of suspension Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, assessment of, and registration of a business subject to a national programme	\$116.25 per application Plus \$155.00 per hour spent processing the application after the first 45 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for renewal of registration of a business subject to a national programme	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Amendment to registration of a business subject to a national programme because of a significant change in circumstances	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Voluntary suspension of registration of a business subject to a national programme	\$77.50 per notification of suspension Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, evaluation of, and registration as an importer of food	\$116.25 per application Plus \$155.00 per hour spent processing the application after the first 45 minutes	
Application for renewal of registration as an importer of food	\$77.50 per application	\$67.50 per application

	Plus \$155.00 per hour spent processing the application after the first 30 minutes	Plus \$135 per hour spent processing the application after the first 30 minutes
Amendment to registration of an importer of food because of a significant change in circumstances	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Voluntary suspension of registration as an importer of food	\$77.50 per notification of suspension Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, assessment of, and granting of an exemption	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for approval of laboratories	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135.00 per hour spent processing the application after the first 1 hour and 15 minutes
Application for renewal of a laboratory approval	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application to amend the details of a laboratory approval (between renewals)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, assessment of, and approval of a template or model under section 40 of the Act	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for renewal of approval of a template or model under section 40 of the Act	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for approval of an amended template or model under section 40 of the Act	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$180.00 per hour spent developing and issuing the notice after the first hour
Application for approval under section 291 of the Act to meet a requirement of the Act (except a requirement for a laboratory approval)	\$77.50 per application	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes

	Plus \$155.00 per hour spent processing the application after the first 30 minutes	
Application for renewal of an approval under section 291 of the Act	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application to amend the details of an approval under section 291 of the Act (between renewals)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, assessment of, and recognition of an agency, a person, or a class of persons as a recognised agency, recognised person, or recognised class of persons	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135.00 per hour spent processing the application after the first 1 hour and 15 minutes
Application for renewal of recognition of an agency, a person or a class of persons	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application to amend the details of recognition of an agency, a person or a class of persons (between renewals)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Verification, inspection, and audit	\$155.00 per hour	\$135.00 per hour
Issue of improvement notice, including development of the notice, by a food safety officer	\$155.00 per notice Plus \$155.00 per hour spent developing and issuing the notice after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for review of issue of improvement notice	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for, compilation of, and issue of statement of compliance	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application under section 53(3)(b) of the Act for a waiver of the requirement for a custom food control plan to be evaluated	\$348.75 per application Plus \$155.00 per hour spent processing the application after the first 2 hours and 15 minutes	\$303.75 per application Plus \$135.00 per hour spent processing the application after the first 2 hours and 15 minutes