

In Confidence  
Office of the Minister of Food Safety  
Cabinet Legislation Committee

## **Changes to food system cost recovery regulations**

### **Proposal**

- 1 I seek authorisation to submit three sets of food system amendment regulations to the Executive Council.

### **Executive Summary**

- 2 On 09 August 2021, Cabinet agreed a range of policy changes to cost recovery regulations in the food system [CAB-21-MIN-0298 refers]. These changes included:
  - 2.1 reconfiguring sixteen fixed fees for animal product and wine approvals to address a deficit and to introduce variable charging for complex applications;
  - 2.2 resetting charges for livestock germplasm (semen, embryos and ova) exports to address a deficit and to more fairly allocate the costs of different germplasm categories;
  - 2.3 increasing the poultry levy to address a deficit; and
  - 2.4 decreasing two dairy levies to address surpluses.
- 3 Overall, the changes will reduce MPI's cost recovery by about \$0.84 million per annum and are expected to have negligible impacts on industry production and exports.
- 4 I now seek authorisation to submit the attached amendment regulations to the Executive Council to implement these changes as soon as possible to ensure they come into effect by 1 November 2021.

### **The food sector and regulatory system**

- 5 The food system is of vital importance to New Zealand. By ensuring food is safe and suitable to eat, it protects the health and wellbeing of New Zealanders and facilitates access to important export markets. The total value of food exports grew by about eight percent per annum between 2016 to 2019 but fell about five percent over the year from April 2020. Food exports are now growing again.

- 6 MPI has regulatory oversight of the food system and delivers services under four Acts:<sup>1</sup>
- 6.1 Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM);
  - 6.2 Animal Products Act 1999 (APA);
  - 6.3 Wine Act 2003; and
  - 6.4 Food Act 2014.
- 7 Cost recovered services include developing domestic and export standards, verifying that businesses across the food supply chain comply with those standards, and providing official assurances that export products meet importing country requirements.

### Cost recovery changes

- 8 On 9 August 2021, Cabinet agreed to a number of policy changes to cost recovery settings in the food system [CAB-21-MIN-0298 refers]. These changes are summarised in Appendix One. The attached amendment regulations give effect to these approved changes and I am seeking agreement to submit them to the Executive Council.
- 9 The changes are generally small and are expected to have negligible impacts on industry production and exports. The exception is the germplasm changes which rebalance charges from bovine semen to smaller-volume germplasm categories to address cross-subsidisation. These changes are expected to reduce small volume germplasm exports between four and 26 percent depending on the type. However, the associated impacts will be more than outweighed by the gains to bovine semen exporters.

### Implementing the changes

- 10 I seek authorisation to submit the following amendment regulations to the Executive Council so they can come into force by 1 November 2021:
- 10.1 Animal Product (Fees, Charges, and Levies) Amendment Regulations 2021;
  - 10.2 Animal Products (Dairy Industry Fees, Charges, and Levies) Amendment Regulations 2021; and
  - 10.3 Wine Amendment Regulations 2021.

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<sup>1</sup> The Animal Welfare Act 1999 is not part of the food system, though it is related to it and a number of similar services are provided under it. Because the hourly costs of providing some services under it are the same as those provided under the food system, a small number of changes to cost recovery rates for animal welfare services are included within this package of changes.

### **Timing and the 28-day rule**

- 11 These regulatory changes will come into force on 1 November 2021. It is my intention that they be notified in the New Zealand Gazette no later than 1 October 2021 to ensure that there is sufficient time to inform stakeholders and meet the 28-day rule.

### **Compliance**

- 12 These regulations comply with:
- 12.1 the principles of the Treaty of Waitangi;
  - 12.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
  - 12.3 the principles and guidelines set out in the Privacy Act 1993;
  - 12.4 relevant international standards and obligations; and
  - 12.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

### **Regulations Review Committee**

- 13 There are no known grounds for the Regulations Review Committee to draw the regulations to the attention of the House of Representatives under Standing Order 319.

### **Certification by Parliamentary Counsel**

- 14 The draft amendment regulations were certified by the Parliamentary Counsel Office (PCO) as being in order, for submission to Cabinet.

### **Impact Analysis**

- 15 MPI prepared Cost Recovery Impact Statements in accordance with Cabinet Office requirements. These were submitted at the time policy approval for these changes was sought [CAB-21-MIN-0298 refers].

### **Publicity**

- 16 Once these amendment regulations have been approved, MPI will provide details of the changes on its website and notify those it contacted during consultation.

### **Proactive release**

- 17 I propose that MPI proactively release this paper and its corresponding Cabinet minutes in full within 30 days, in line with Cabinet's policy to proactively release Cabinet material and the State Services Commission's guidance on proactive releases of official information.

**Consultation**

- 18 The legislation that the amendment regulations are subject to requires consultation with affected parties or organisations likely to be representative of them before regulatory changes are made. Public consultation on these changes took place between 26 February 2021 and 26 March 2021.
- 19 Treasury was consulted throughout the policy development process. Best practice guidance by the Treasury and the Office of the Controller and Auditor General on cost recovery has guided the development of these amendment regulations.
- 20 The following departments were consulted during the development of the policy: Department of the Prime Minister and Cabinet (Policy Advisory Group), New Zealand Treasury, Ministry of Business, Innovation and Employment, and Te Puni Kōkiri. The Department of the Prime Minister and Cabinet and the Treasury provided feedback which was incorporated into the policy advice.
- 21 I am satisfied that all statutory prerequisites for consultation have been met.

## Recommendations

I recommend that the Committee:

- 1 **Note** that on 09 August 2021, Cabinet gave policy approval to make changes to food system cost recovery settings [CAB-21-MIN-0298 refers].
- 2 **Note** that I am satisfied all statutory prerequisites have been met for making the required regulatory changes to the food system.
- 3 **Note** that the following amendment regulations will give effect to Cabinet decisions to make policy changes to food system cost recovery:
  - 3.1 Animal Products (Fees, Charges, and Levies) Amendment Regulations 2021;
  - 3.2 Animal Products (Dairy Industry Fees, Charges, and Levies) Amendment Regulations 2021; and
  - 3.3 Wine Amendment Regulations 2021.
- 4 **Note** that the amendment regulations giving effect to Cabinet decisions to make changes to food system cost recovery will come into force on 1 November 2021.
- 5 **Authorise** the submission of the amendment regulations giving effect to Cabinet approved changes to food system cost recovery to the Executive Council.

Authorised for lodgement

Hon Dr Ayesha Verrall  
Minister for Food Safety