



Consultation Paper on Proposed Revisions to the Cost Recovery Regimes

Biosecurity, Animal Products, Agricultural Compounds
and Veterinary Medicines, Wine and Animal Welfare

Animal Products proposals and fee
updates

Excerpt from MPI Discussion Paper No: 2015/02

ISBN No: 978-0-477-10530-9 (online)

ISSN No: 2253-3907 (online)

Prepared for Public Consultation

January 2015

Disclaimer

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

Requests for further copies should be directed to:

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

Email: costrecovery@mpi.govt.nz
Telephone: 0800 00 83 33

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

© Crown Copyright - Ministry for Primary Industries

Colour Key for Navigation

<i>Sector</i>	<i>Relevant sections</i>	<i>Colour</i>
Meat, Game, Bee Products, Seafood, Poultry and Eggs, Stores and Secondary Processors	6B, 6C, 6D, 9	
Dairy	6E, 6D, 9	
Seafood	6B, 6C, 6D, 9	
Wine	8, 9	
Importers and biosecurity facility operators	4, 9	
Agricultural compound and veterinary medicine registrants and importers	4, 5, 9	
Live animal exports	6A, 7, 9	

Contents	Page
6 Animal Products Act 1999 cost recovery	55
6.1 Overview	55
6.2 Activities under the Animal Products Act 1999	55
6.3 MPI Verification Services activities	55
6.3.1 Overview	55
6.3.2 Services provided by MPI Verification Services	56
6.3.3 Cost recovery approach for Verification Services	57
6.4 Live animal export services	57
6.5 Dairy industry services	58
6.6 Policy proposals	58
<i>Part 6A – Live animal and germplasm exports</i>	59
6.7 APA#1 – Change the method of charging for negotiating and maintaining market access for the live animal and germplasm sectors	59
6.7.1 Background	59
6.7.2 Problem definition	60
6.7.3 Proposed fee for negotiating and maintaining market access for the live animal and germplasm sectors	60
6.7.4 Questions for consideration	60
6.8 APA#2 – Incorporate the current waivers into the regulations	60
6.8.1 Background	60
6.8.2 Problem definition	61
6.8.3 Proposed maximum number of animals for which a fee is payable per live animal export consignment	61
6.8.4 Questions for consideration	61
6.9 APA#3 – Charge for support staff who assist with issuing export certificates	61
6.9.1 Background	61
6.9.2 Problem definition	61
6.9.3 Proposal to charge for support staff that assist with issuing export certificates	62
6.9.4 Questions for consideration	62
6.10 APA#4 – Align one-hour minimum charge	62
6.10.1 Background	62
6.10.2 Problem definition	62
6.10.3 Proposed one-hour minimum charge, with additional time after one hour chargeable in 15-minute blocks	62
6.10.4 Questions for consideration	62
6.11 APA#5 – Align hourly rates for the live animal and germplasm sectors	62

6.11.1	Background	62
6.11.2	Problem definition	63
6.11.3	Proposed updated hourly rates	63
6.11.4	Questions for consideration	63
<i>Part 6B – Approvals and Certification</i>		64
6.12	APA#6 – Charge for changing the recognised agency on a Risk Management Programme	64
6.12.1	Background	64
6.12.2	Problem definition	64
6.12.3	Proposed fees for changing a recognised agency on a risk management programme	64
6.12.4	Questions for consideration	64
6.13	APA#7 – Recover costs for halal-related services	64
6.13.1	Background	64
6.13.2	Problem definition	65
6.13.3	Proposed fees for halal-related services	65
6.13.4	Questions for consideration	65
6.14	APA#8 – Recover costs for re-certification as a supplier for wild animals or game estates	66
6.14.1	Background	66
6.14.2	Problem definition	66
6.14.3	Proposed fees for re-certification as a supplier for wild animals or game estates	66
6.14.4	Questions for consideration	66
6.15	APA#9 – Recover costs for re-listing of further pet food processors	66
6.15.1	Background	66
6.15.2	Problem definition	66
6.15.3	Proposed fees for re-listing pet food processors	66
6.15.4	Questions for consideration	67
6.16	APA#10 – Charge for additional time spent processing Official Assurances (Non-Dairy)	67
6.16.1	Background	67
6.16.2	Problem definition	67
6.16.3	Options considered	68
6.16.4	Analysis of options	68
6.16.5	Proposed fee for official assurances – Option 2	69
6.16.6	Questions for consideration	69
6.17	APA#11 – Charge for minor amendments to a Risk Management Programme (Non-Dairy)	69

6.17.1	Background	69
6.17.2	Problem definition	70
6.17.3	Proposed charge for minor amendments to a risk management programme	70
6.17.4	Questions for consideration	70
6.18	APA#12 – Recover costs for inspection and audit under the Animal Products Act 1999	70
6.18.1	Background	70
6.18.2	Problem definition	70
6.18.3	Proposed cost recovery for inspection and audit	70
6.18.4	Questions for consideration	71
6.19	APA#13 – Recover costs for the approval of a maintenance compound	71
6.19.1	Background	71
6.19.2	Problem definition	71
6.19.3	Proposed charges for the approval of a maintenance compound	71
6.19.4	Questions for consideration	71
<i>Part 6C – Levies, fees and charges on Animal Products</i>		72
6.20	APA#14 – Charge for homekill and recreational catch service providers	72
6.20.1	Background	72
6.20.2	Problem definition	72
6.20.3	Proposed charge for homekill and recreational catch service provider compliance	72
6.20.4	Questions for consideration	72
6.21	APA#15 – Establish a minimum charge for levies	72
6.21.1	Background	72
6.21.2	Problem definition	73
6.21.3	Proposed minimum charge for levies	73
6.21.4	Questions for consideration	73
6.22	APA#16 – Require information to inform levies	73
6.22.1	Background	73
6.22.2	Problem definition	74
6.22.3	Proposed information requirements	74
6.22.4	Questions for consideration	74
6.23	APA#17 – Increase annual charge for the Meat Industry Initiative Fund	75
6.23.1	Background	75
6.23.2	Problem definition	75
6.23.3	Proposed increase to research levy	75
6.23.4	Questions for consideration	75

<i>Part 6D –Verification Services</i>	76
6.24 APA#18 – Change the way programme charges are calculated and applied	76
6.24.1 Background	76
6.24.2 Problem definition	76
6.24.3 Proposed change to the way the programme charge is calculated	77
6.24.4 Questions for consideration	77
6.25 APA#19 – Remove annual charges for certain sectors	77
6.25.1 Background	77
6.25.2 Problem definition	78
6.25.3 Proposed removal of the annual charge	78
6.25.4 Questions for consideration	78
6.26 APA#20 – Charge for establishing a full-time verification services presence	78
6.26.1 Background	78
6.26.2 Problem definition	78
6.26.3 Proposed charges for establishing a full-time verification services presence	79
6.26.4 Questions for consideration	79
6.27 APA#21 – Charge for non-verification functions	79
6.27.1 Background	79
6.27.2 Problem definition	79
6.27.3 Proposed charges for non-verification functions	80
6.27.4 Questions for consideration	80
6.28 APA#22 – Remove differentiation between veterinarian and non-veterinarian circuit verifiers	80
6.28.1 Background	80
6.28.2 Problem definition	80
6.28.3 Proposed uniform charging basis for veterinarian and non-veterinarian circuit verifiers	80
6.28.4 Questions for consideration	80
6.29 APA#23 – Introduce new penal rates	81
6.29.1 Background	81
6.29.2 Problem definition	81
6.29.3 Proposed penal rates	81
6.29.4 Questions for consideration	81
6.30 APA#24 – Revise definition of penal rates	81
6.30.1 Background	81
6.30.2 Problem definition	81
6.30.3 Revise the definition of penal rate	81
6.30.4 Questions for consideration	82

<i>Part 6E – Dairy industry fees and charges</i>	83
6.31 APA#25 – Enhance charging approach for New Zealand standards, performance monitoring, export standards, market access and residue monitoring	83
6.31.1 Background	83
6.31.2 Problem definition	83
6.31.3 Proposed separation of levy for New Zealand standards development from levy for export standards	84
6.31.4 Proposed levy on all processors for the National Chemical Contaminants Programme	84
6.31.5 Proposed annual levy, on a time-benefit basis, for small processors that collect raw milk solids to recover the cost of New Zealand standards, performance monitoring and dairy residue monitoring	85
6.31.6 Proposed levies to large processors in the regulations for New Zealand standards, performance monitoring and residue monitoring	87
6.31.7 Proposed levy on small exporters, on a time-benefit basis, for market access and export standards development	90
6.31.8 Proposed levy formula for large exporters in the regulations for market access and export standards development	92
6.31.9 Impacts of the proposals	95
6.31.10 Questions for consideration	96
6.32 APA#26 – Introduce a new cost recovery method for infant formula exports	96
6.32.1 Background	96
6.32.2 Problem definition	97
6.32.3 Proposed recovery of the costs of maintaining MPI’s electronic certification systems (E-cert)	98
6.32.4 Proposed recovery of the costs of MPI staff time to process export declarations	98
6.32.5 Questions for consideration	100
6.33 APA#27 – Establish an identical Verification Services charging regime for dairy verification inspection and audit	100
6.33.1 Background	100
6.33.2 Problem definition	100
6.33.3 Proposed charges for dairy verification and audit	100
6.33.4 Questions for consideration	101
6.34 APA#28 – Charge for minor amendments to a Risk Management Programme (Dairy)	101
6.34.1 Background	101
6.34.2 Problem definition	101
6.34.3 Proposed charge for minor amendments to a risk management programme	101
6.34.4 Questions for consideration	101
6.35 APA#29 – Charge for additional time spent processing Official Assurances (Dairy)	102

6.35.1	Background	102
6.35.2	Problem definition	102
6.35.3	Options	102
6.35.4	Analysis of options	102
6.35.5	Proposed fee for official assurances – Option 2	102
6.35.6	Questions for consideration	102
6.36	APA#30 – Add waiver provisions to dairy industry fees and charges regulations	102
6.36.1	Background	102
6.36.2	Problem definition	103
6.36.3	Proposed waiver provisions	103
6.36.4	Questions for consideration	103
6.37	<i>Appendix 1 – MPI Activities under the Animal Products Act</i>	104
6.37.1	New Zealand standards, specifications and guidance	104
6.37.2	Export standards and market access	104
6.37.3	Approvals and registrations	104
6.37.4	Monitoring and audit	104
6.37.5	Operational response and investigations	105
6.37.6	Enforcement	105
6.37.7	Policy advice (including technical input)	105
6.38	<i>Appendix 2 – MPI Verification Services Structure</i>	106
6.39	<i>Appendix 3 – Services to the dairy industry</i>	106
6.39.1	The development and maintenance of New Zealand standards	106
6.39.2	Performance Monitoring	106
6.39.3	The development and maintenance of market access and export standards	107
6.39.4	The dairy residue monitoring programme (National Chemical Contaminants Programme)	107
6.40	<i>Appendix 4 – Existing and proposed dairy fees under Animal Products Act 1999</i>	108
6.41	<i>Appendix 5 – APA Non-dairy – Existing and proposed fees (non-dairy) under Animal Products Act 1999</i>	118
9	Proposals that impact across multiple cost recovery regimes	170
9.1	Background	170
9.2	Policy proposals	170
9.3	Common#1 – Align hourly rate charges	170
9.3.1	Background	170
9.3.2	Regimes affected by this proposal	170
9.3.3	Problem definition	171
9.3.4	Proposed alignment of hourly rate charging approach in keeping with the animal products fees	171

9.3.5	Questions for consideration	171
9.4	Common#2 – Use Inland Revenue Department vehicle mileage rates	172
9.4.1	Background	172
9.4.2	Regimes affected by this proposal	172
9.4.3	Problem definition	172
9.4.4	Proposed change to a common approach for mileage rates and the recovery of any other travel costs	172
9.4.5	Questions for consideration	173
9.5	Common#3 – Recover costs for support staff involved in specialist services	173
9.5.1	Background	173
9.5.2	Regimes affected by this proposal	173
9.5.3	Problem definition	173
9.5.4	Proposed charges for support staff involved in export certification	174
9.5.5	Questions for consideration	174
9.6	Common#4 – Recover other costs incurred by MPI	174
9.6.1	Background	174
9.6.2	Problem definition	174
9.6.3	Proposed charges for support staff involved in export certification	174
9.6.4	Questions for consideration	175
9.7	Common#5 – Charge for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere	175
9.7.1	Background	175
9.7.2	Problem definition	175
9.7.3	Proposed fees for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere	175
9.7.4	Questions for consideration	176
9.8	Common#6 – Correct use of the term ‘levy’	176
9.8.1	Background	176
9.8.2	Regimes affected by this proposal	176
9.8.3	Problem definition	176
9.8.4	Proposed re-categorisation of fixed fees as levies	177
9.8.5	Questions for consideration	177
9.9	Common#7 – Update references to recognised persons and agencies	177
9.9.1	Background	177
9.9.2	Regimes affected by this proposal	177
9.9.3	Problem definition	177
9.9.4	Proposed amendments	177
9.9.5	Questions for consideration	178

9.10	Common#8 – Align veterinary professional rates across biosecurity and food regulations	178
9.10.1	Background	178
9.10.2	Problem definition	178
9.10.3	Proposed charges	178
9.10.4	Questions for consideration	178

6 Animal Products Act 1999 cost recovery

6.1 OVERVIEW

The processing of animal material into products for use, trade and export is a growing industry. Our trading partners need assurances New Zealand's exports of live animals, germplasm and other animal material are fit for use, and we need to ensure that imports meet relevant standards. MPI provides a range of services under the Animal Products Act, including standard setting.

This is the first comprehensive review of fees since 2008, though some fees were updated in 2011.

The current review of the Food Sector (the Agricultural Compounds and Veterinary Medicines, Animal Welfare, Animal Products and Wine Acts) covers approximately 200 fees, with total fees for services related to Animal Products in 2014/15 of around \$10 million.

More significant proposed changes include a move to full recovery for live animal and germplasm exports, which have historically been under-recovered by MPI.

The proposals would result in increased cost recovery of \$7.5 million by MPI from the food sector, from \$55.3 million to \$62.8 million. This takes into account savings from the merger of the New Zealand Food Safety Authority and the Ministries of Fisheries and Agriculture and Forestry of \$23.6 million, of which \$2.8 million is attributable to industry and has been used to offset additional cost increases for industry.

6.2 ACTIVITIES UNDER THE ANIMAL PRODUCTS ACT 1999

In administering the Animal Products Act 1999, MPI carries out activities in the following key areas:

- setting of New Zealand export standards;
- facilitating exports (including official assurances);
- providing approvals and registrations;
- event and emergency response;
- managing compliance, which covers monitoring and audit, investigations and enforcement;
- policy advice (including technical input).

The main activities in each of these areas are described in more detail in section 6.37, Appendix 1.

6.3 MPI VERIFICATION SERVICES ACTIVITIES

6.3.1 Overview

MPI Verification Services is responsible for activities under the following Acts:

- Animal Products Act 1999;
- Animal Welfare Act 1999;
- Biosecurity Act 1993;
- Hazardous Substances and New Organisms Act 1996;
- Food Acts 1981 and 2014.

MPI Verification Services is accountable for providing clearance, verification and official assurance services to over 3,800 businesses operating under the Animal Products Act 1999, Animal Welfare Act 1999, Biosecurity Act 1993, Hazardous Substances and New Organisms

Act 1996 and Food Act 1981, to confirm that New Zealand and overseas market access requirements are met. Most of that service is provided to business exporting animals, animal products and animal materials.

The Ministry employs more than 270 staff for the provision of these services and generates direct and indirect costs of over \$37 million a year. Of the staff providing verification and certification, 200 are registered veterinarians and 30 hold university qualifications in science or agriculture. MPI participates in the New Zealand Veterinary Association veterinary salary benchmarking surveys, to ensure total MPI veterinary remuneration remains relative to market.

Staff work throughout New Zealand providing service to registered exporters, importers, primary and secondary processing business, and biosecurity containment facilities, covering a wide range of product types, including eggs, game, hides and skins, honey, live animals, meat, poultry, pork and processed seafood.

MPI Verification Services is accredited to ISO17020 and is a recognised agency under the Animal Products Act 1999.

6.3.2 Services provided by MPI Verification Services

MPI Verification Services provides a range of food safety and biosecurity verification and certification services to enable market access strategies and support standards setting, including:

- verification and certification services to processing companies (for example, meat, seafood, game and dairy);
- performing imported foods clearance procedures (most of this work occurs in Auckland but all regions are involved to some degree);
- verifying containment and transitional facilities under the Biosecurity Act 1993.

Details of MPI's Verification Services structure are provided in section 6.38, Appendix 2.

The export meat sector accounts for 80 percent of the agency's activities. This sector includes slaughterhouses, meat and fish pack houses, cold storage facilities and other specialised premises processing animal products.

The agency also provides certification with official assurances that enable products to enter overseas markets. Improved market access conditions are negotiated on the back of the strength of Verification Services credibility.

The performance of the agency and its operators is subject to both internal (MPI Systems Audit Team) and external (overseas regulatory authorities) audits, and access to overseas markets is dependent on satisfactory audit outcomes.

Establishment and circuit verifications

Frontline staff work either in physical establishments or in a circuit. In some cases establishment staff perform some circuit verifications. Establishment staff are full-time veterinarians, which is mandated by market access requirements.

Staff working in circuits are a combination of veterinarians and non-veterinarians. Unlike the establishment staff, circuit staff are not located full-time in a single premise. They carry out their work at a number of different premises at frequencies largely determined by the performance of the operator in meeting regulatory requirements. In addition, specific visits are mandated by some markets, known as veterinarian market access visits.

6.3.3 Cost recovery approach for Verification Services

The fees and charges that correspond to Verification Services are prescribed in Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007. Operators pay depending on whether they fall into the circuit or establishment charging regimes.

- Circuit charges refer to charges payable in respect of any place or premises where the verification functions are performed by Authority verifiers who are not permanently or semi-permanently based at the place or premises.
- Establishment charges refer to charges payable in respect of any place or premises where the verification functions are performed by Authority verifiers who are permanently or semi-permanently based at the place or premises.

MPI's Verification Services charges comprise:

- A **basic charge** (also known as a programme charge), which represents MPI's indirect and overhead costs, although some circuit sectors are charged a licence fee in lieu of a basic charge; and
- **Hourly rates** that represent MPI's variable costs. MPI may also charge at higher 'penal' and 'overtime' rates where MPI staff are requested to work outside the usual hours or situations.

Establishment hourly charges

The basic hourly charge (programme charge) is calculated annually based on MPI verifier FTE (2,080 hours a year available full-time) staffing numbers at an establishment. These charges are billed as a bulk amount per invoice period.

The hourly charges are the frontline rate for actual hours on site and contain a component of frontline overhead. The rates for a supervising and meat veterinarian vary but both contain the same amount of overhead.

Overtime and penal time rates are calculated from the frontline hourly charge rate minus the overhead component.

Circuit hourly charges

The frontline circuit rate for both a veterinarian and a travelling technical supervisor are made up of a basic hourly charge (programme) rate, currently \$20.97, along with an hourly rate charge, currently \$93.04.

The industry sectors associated with the processing of fish and operators of cool stores are currently charged a reduced hourly frontline rate and do not pay the basic hourly programme rate in accordance with historical NZFSA cost recovery policy settings. They do, however, pay an annual charge pro rata monthly invoice. These charges are currently:

- stores, \$1,100 a year;
- primary processing of fish, \$549 a year;
- primary processing of bivalve molluscan shellfish, \$1,547 a year.

Overtime and penal time rates apply and are calculated from the frontline rate minus the basic hourly charge. Proposals for Verification Services are discussed in Part 6A.

6.4 LIVE ANIMAL EXPORT SERVICES

MPI's services for the live animal and germplasm sector include the following:

- export standards and systems — developing, implementing, monitoring and reviewing export standards and systems;

- market access maintenance — maintaining access to existing overseas markets by means of negotiations of market access conditions and specifications according to changing overseas authorities' requirements;
- new market access — developing new market access protocols and negotiating requirements for exporting live animals and germplasm to a particular country or market;
- official assurances — providing verification and inspection services and issuing official assurances to governments of importing countries;
- negotiating equivalences — negotiating equivalences and dispensations to importing countries' requirements;
- recognitions and approvals — running official assurance programmes and administering the systems for recognitions and approvals of recognised persons and agencies involved in official assurances to foreign governments, work that also includes approval of germplasm centres under the MPI Official Assurance Programme.

6.5 DAIRY INDUSTRY SERVICES

MPI provides a range of services to the dairy industry, including

- compliance and performance monitoring;
- development and maintenance of New Zealand and export standards;
- development and maintenance of market access;
- processing of Export Declaration forms;
- auditing exporters;
- maintenance of electronic certification;
- verification services;
- monitoring dairy residues.

Further details of MPI's services and activities are provided in section 6.39, Appendix 3.

6.6 POLICY PROPOSALS

6A - Live animal and germplasm exports

APA#1 – Change the method of charging for negotiating and maintaining market access for the live animal and germplasm sectors

APA#2 – Incorporate the current waivers into the regulations

APA#3 – Charge for support staff who assist with issuing export certificates

APA#4 – Align one-hour minimum charge

APA#5 – Align hourly rates for the live animal and germplasm sectors

6B - Policy proposals – Certification Services

APA#6 – Charge for changing the recognised agency on a Risk Management Programme

APA#7 – Recover costs for halal-related services

APA#8 – Recover costs for re-certification as a supplier for wild animals or game estates

APA#9 – Recover costs for re-listing of further pet food processors

APA#10 – Charge for additional time spent processing Official Assurances (Non-Dairy)

APA#11 – Charge for minor amendments to a Risk Management Programme (Non-Dairy)

APA#12 – Recover costs for inspection and audit under the Animal Products Act 1999

APA#13 – Recover costs for the approval of a maintenance compound

6C - Policy proposals – Levies on animal products

APA#14 – Charge for homekill and recreational catch service providers

APA#15 – Establish a minimum charge for levies

APA#16 – Require information to inform levies

APA#17 – Increase annual charge for the Meat Industry Initiative Fund

6D - Policy proposals – Verification Services

APA#18 – Change the way programme charges are calculated and applied

APA#19 – Remove annual charges

APA#20 – Charge for establishing a full-time verification services presence

APA#21 – Charge for non-verification functions

APA#22 – Remove differentiation between veterinarian and non-veterinarian circuit verifiers

APA#23 – Introduce new penal rates

APA#24 – Revise definition of penal rates

6E - Policy proposals – Dairy industry

APA#25 – Enhance charging approach for New Zealand standards, performance monitoring, export standards, market access and residue monitoring

APA#26 – Introduce a new cost recovery method for infant formula exports

APA#27 – Establish an identical Verification Services charging regime for dairy verification inspection and audit

APA#28 – Charge for minor amendments to a Risk Management Programme (Dairy)

APA#29 – Charge for additional time spent processing Official Assurances (Dairy)

APA#30 – Add waiver provisions to dairy industry fees and charges regulations

Part 6A – Live animal and germplasm exports

These proposals cover proposed changes to the cost recovery methods in Part 8 of the Animal Products (Fees, Charges, and Levies) Regulations 2007. Proposed changes to the current rates are set out in the Appendices to this section.

6.7 APA#1 – CHANGE THE METHOD OF CHARGING FOR NEGOTIATING AND MAINTAINING MARKET ACCESS FOR THE LIVE ANIMAL AND GERMLASM SECTORS

6.7.1 Background

MPI currently charges live animal or germplasm exporters using an hourly rate for services associated with negotiating new market access and maintaining market access under Part 8 of the Animal Products (Fees, Charges, and Levies) Regulations 2007.

Using an hourly rate charge for the live animals sector was adopted to encourage more efficient use of MPI's services by exporters. There are currently just under 400 export certificates in the live animal and germplasm sector. Maintenance of these certificates is an onerous task. The hourly rate charge for the live animals sector is intended to encourage the sector to maintain only those protocols that are in regular use.

Negotiating new market access and maintenance are regarded as industry/club goods. MPI's policy for other sectors receiving similar services is to recover the cost of these services through programme charges and levies imposed on all operators in the sector proportionate to output.

MPI's total expenditure for providing regulatory and assurance functions to the live animal and germplasm export sectors was \$1.090 million in 2013/14.

MPI's direct hourly rate charges for negotiating new market access and maintenance generated revenue of \$8,147 for 2013/14. Unit fees generated revenue of \$0.527 million for this period, covering all of the other regulatory and assurance services.

6.7.2 Problem definition

New market access and maintenance services for the live animal and germplasm sectors are being charged differently from the way other exporting sectors are charged for these same services.

6.7.3 Proposed fee for negotiating and maintaining market access for the live animal and germplasm sectors

MPI proposes to recover the costs of negotiating and maintaining market access as part of unit fees rather than hourly rate charges.

The costs of negotiating and maintaining market access would be incorporated into the unit fees in Part 8 of the Animal Products (Fees, Charges, and Levies) Regulations 2007. Hourly rate 3 would be revoked under this approach.

This would make the cost recovery approach for negotiating new market access and maintenance consistent with the treatment of other export sectors. It would also reduce the administrative costs associated with time recording and invoicing systems for hourly rate charging.

This option may, however, be less transparent than the present approach and its adoption may create a risk of cross-subsidisation between export sectors and operators. It could also undermine efficiency as it would not encourage exporters to consider the costs and benefits of requesting MPI assistance for negotiating new market access and maintenance, potentially leading to costs progressively increasing over time because of demand-driven activity.

Prioritisation of market access and maintenance could be a problem and MPI would need to work closely with all sectors to develop an appropriate response.

6.7.4 Questions for consideration

Question 6.7

Do you prefer the current hourly rate charging approach to negotiating and maintaining market access or would you prefer that the fees be incorporated into the relevant unit charges?

6.8 APA#2 – INCORPORATE THE CURRENT WAIVERS INTO THE REGULATIONS

6.8.1 Background

MPI has issued seven individual waivers for unit fees for dog semen, queen bee attendants, fish eggs and larvae, non-commercial rodents for research and scientific purposes, non-commercial rodent embryos for research and scientific purposes, compost worms, birds other than wild-caught finches and wild-caught rosellas, and some consignments of livestock

exports. These waivers were issued in anticipation of their being incorporated into the regulations at the next review.

6.8.2 Problem definition

The waivers will be revoked when Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 are amended.

Options considered include:

- discontinuing the waivers;
- re-issuing the waivers;
- amending the current regulations.

6.8.3 Proposed maximum number of animals for which a fee is payable per live animal export consignment

The proposal is to amend Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 to:

- cap the per animal charge on livestock export consignments to a maximum of 5,000 animals;
- change the cats and dogs unit fee per semen straw to per semen consignment;
- amend the ‘bee packages (excluding queen and bumble bees) (per kilogram)’ category to bee packages (excluding bumble bees and including a queen bee if applicable) (per kilogram)’;
- amend the ‘queen bees and bumbles bees (other than packages) (per bee)’ category to ‘queen bee (including a small number of attendant bees) or bumble bees (per queen or bumble bee)’;
- amend the ‘other animals and animals germplasm not specified (per animal, egg or straw)’ category to ‘other animals and animals germplasm not specified (per consignment)’;
- cap the per bird (other than wild-caught finches and wild-caught rosellas) charge on consignments to a maximum of 30 birds.

6.8.4 Questions for consideration

Question 6.8

Do you agree with incorporating these waivers into the regulations?

6.9 APA#3 – CHARGE FOR SUPPORT STAFF WHO ASSIST WITH ISSUING EXPORT CERTIFICATES

6.9.1 Background

As part of the process for issuing live animal and germplasm export certificates, MPI support staff prepare the paper export certificates that are issued by recognised persons. This is more cost-effective than having this work undertaken by recognised persons, and enables the latter to focus on technical matters instead of administration.

6.9.2 Problem definition

MPI can recover costs only for recognised persons that are involved in export certification and not support staff

Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 does not currently allow MPI to recover the costs of non-recognised persons involved in specialist functions and

activities necessary for the export of live animals or germplasm. Consequently, MPI is under-recovering the cost of these services, which does not support efficiency or equitability.

6.9.3 Proposal to charge for support staff that assist with issuing export certificates

MPI proposes to amend the wording of Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 hourly rate 1 by deleting the words ‘recognised persons’. This would allow MPI to recover for time spent by all staff directly involved in undertaking functions and activities necessary for the export of live animals or germplasm.

6.9.4 Questions for consideration

Question 6.9

Do you agree with the proposed method of charging for support staff that assist in issuing export certificates?

6.10 APA#4 – ALIGN ONE-HOUR MINIMUM CHARGE

6.10.1 Background

The current hourly rate charges in Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 provide for MPI to charge in 15-minute increments.

6.10.2 Problem definition

Current hourly rates do not have a minimum charge

Charging for less than one hour of time is administratively inefficient. The costs of generating an invoice and processing this are disproportionately high compared to the revenue that would be recovered.

6.10.3 Proposed one-hour minimum charge, with additional time after one hour chargeable in 15-minute blocks

MPI proposes that the hourly rate charges in Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 have a one-hour minimum charge, with additional time after one hour chargeable in 15-minute blocks.

This proposal would align the charging approach for live animal export services with the charging approach taken in other cost-recovery areas under the Animal Products Act.

MPI would still be able to issue cost recovery waivers in appropriate cases or classes of cases.

6.10.4 Questions for consideration

Question 6.10

What impact would a one-hour minimum charge for on-demand activities for the export of live animals or germplasm have on you or your business?

6.11 APA#5 – ALIGN HOURLY RATES FOR THE LIVE ANIMAL AND GERMPASM SECTORS

6.11.1 Background

Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 include hourly charges for:

- undertaking specialist functions and activities necessary for the export of live animals or germplasm;
- services on behalf of an exporter to negotiate with the importing country alternative measures for meeting access requirements for overseas markets;
- services on behalf of an exporter to negotiate new access requirements for overseas markets (except for exporters of cats and dogs).

6.11.2 Problem definition

Different rates not efficient

MPI has reviewed the current rates in Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007. The costs recovery calculations for the different services work out to similar rates. Having different rates for the same sector adds complexity and is not administratively efficient.

MPI has considered two options:

- Option 1: maintain status quo (two separate hourly rates);
- Option 2: combine the hourly rates to make them uniform.

6.11.3 Proposed updated hourly rates

MPI proposes aligning all hourly rate charges (1) and (2) in Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 to \$186.30.

6.11.4 Questions for consideration

Question 6.11

Do you agree with the use of uniform rates for hourly charging of on-demand activities for the export of live animals or germplasm?

Part 6B – Approvals and Certification

6.12 APA#6 – CHARGE FOR CHANGING THE RECOGNISED AGENCY ON A RISK MANAGEMENT PROGRAMME

6.12.1 Background

MPI processes applications to change a recognised agency on a risk management programme under the Animal Products Act 1999.

6.12.2 Problem definition

Cost recovery has not yet been implemented for MPI's time spent processing applications to change a recognised agency on a risk management programme under the Animal Products Act 1999.

6.12.3 Proposed fees for changing a recognised agency on a risk management programme

MPI proposes to establish new fixed fee of \$77.50 (based on half an hour) and an hourly rate assessment charge (in 15-minute intervals after first half hour) in Part 1, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007 for applications to change a recognised agency on a risk management programme under the Animal Products Act 1999.

Adoption of this proposal would be consistent with the treatment of other similar services and provide for closer matching of costs and revenues for this service.

6.12.4 Questions for consideration

Question 6.12

Do you agree with the proposed basis of charging for changing the recognised agency on a risk management plan?

6.13 APA#7 – RECOVER COSTS FOR HALAL-RELATED SERVICES

6.13.1 Background

MPI provides a number of services under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013. These services are a private good. Key functions provided include:

- clause 10 (1) –listing of approved halal premises;
- clause 10 (4) – listing of approved halal organisations;
- clause 12 (1) (b) – audit and inspection of approved halal organisations, halal assessment and approval personnel and issuing officers;
- clause 12 (1) (c) and (d) – approving, renewing or revoking an issuing officer's approval;
- clause 13 – issue of halal official assurances or halal attestations on a sanitary official assurance for product to be exported to any one or more of the markets;
- clause 15 (4) – listing of halal assessment and approval personnel and issuing officers;
- clause 21 (3) – listing of competent halal slaughter persons.

MPI also incurs a number of 'industry good' costs in relation to maintaining halal standards, compliance and systems audit and the supporting systems.

6.13.2 Problem definition

Cost recovery is yet to be implemented for the private good functions and services provided under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013. These costs should be recovered on the basis of an equitable approach to all sectors and encouraging users of MPI's halal services to consider MPI's costs when requesting services.

Options

There are three main options:

- Option 1: maintain the status quo;
- Option 2: implement hourly rate charging for private good services;
- Option 3: implement hourly rate charging for private good services and impose a levy on halal output, approved halal premises or approved halal organisations.

For Options 2 and 3, hourly rate charging would be set with a fixed fee (based on one hour) and hourly rate assessment charge (in 15-minute intervals) for time after the first hour. These rates would be consistent with other hourly and part-hour rates.

Analysis

Option 1 is not considered to be equitable, is inconsistent with the treatment of other sectors, and does not support efficiency.

Option 2 would improve equity, is consistent with the treatment of other sectors and would encourage users of MPI's halal services to consider MPI's costs and their demand for services. Under this option, halal service users would not specifically be required to pay a share of industry good costs associated with the regime. Instead, these costs would be met through the levy on meat Schedule 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007.

Option 3 would resolve this issue by imposing a targeted levy. A levy on approved halal premises or approved halal organisations would not be equitable as costs would not be imposed in proportion to benefit in terms of output or sales volume. Ideally, a levy on output or sales could be used, but obtaining and tracking this data would be difficult and impose additional collection and compliance costs that were disproportionately high relative to the costs that would be recovered.

MPI's preference is Option 2.

6.13.3 Proposed fees for halal-related services

MPI proposes to implement a fixed fee of \$155, based on one hour of time, plus hourly rate charges in 15-minute increments after the first hour, in Part 1, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007 for the following services under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013.

MPI also proposes that the cost recovery revenue raised under Schedule 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007 would cover halal official assurances or halal attestations.

6.13.4 Questions for consideration

Question 6.13

What is your preferred method of cost recovery for halal services?

6.14 APA#8 – RECOVER COSTS FOR RE-CERTIFICATION AS A SUPPLIER FOR WILD ANIMALS OR GAME ESTATES

6.14.1 Background

MPI processes applications for re-certification 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. This treatment is inconsistent with other sectors.

6.14.2 Problem definition

Cost recovery is yet to be implemented for processing applications for re-certification as either a certified supplier (wild animals) or a certified game estate supplier under Animal Products (Specifications for Products Intended for Human Consumption) Notice 2013

6.14.3 Proposed fees for re-certification as a supplier for wild animals or game estates

MPI proposes to establish a new fixed fee (based on one hour) of \$155 and hourly rate assessment charge (in 15-minute intervals after the first hour) at \$155 in Part 1, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007. The fee would cover processing applications for re-certification as either a certified supplier (wild animals) or a certified game estate supplier under Animal Products (Specifications for Products Intended for Human Consumption) Notice 2013.

6.14.4 Questions for consideration

Question 6.14

What is your preferred method of cost recovery for re-certification as a supplier for wild animals or game estates?

6.15 APA#9 – RECOVER COSTS FOR RE-LISTING OF FURTHER PET FOOD PROCESSORS

6.15.1 Background

Clause 69E of the Animal Products (Specifications for Product Intended for Animal Consumption) Notice 2014 provides for the listing and re-listing of further pet food processors.

6.15.2 Problem definition

Costs are not recoverable for re-listing of further pet food processors

Cost recovery for re-listing is not specifically provided for in the Animal Products (Fees, Charges and Levies) Regulations 2007. This is not equitable compared with cost recovery in other sectors.

6.15.3 Proposed fees for re-listing pet food processors

MPI proposes to establish a new fixed fee (based on one hour) of \$155 and hourly rate assessment charge (in 15-minute intervals after the first hour) of \$155 for processing applications to re-list as a further pet food processor under clause 69E of the Animal Products (Specifications for Product Intended for Animal Consumption) Notice 2014.

6.15.4 Questions for consideration

Question 6.15

What is your preferred method of cost recovery for applications to re-list as a further pet food processor?

6.16 APA#10 – CHARGE FOR ADDITIONAL TIME SPENT PROCESSING OFFICIAL ASSURANCES (NON-DAIRY)

6.16.1 Background

MPI currently recovers the costs associated with issuing official assurances in accordance with Part 1, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007 (the Regulations) using:

- a fixed fee for official assurances issued under section 61;
- a fixed fee and hourly rate charging after three hours (up to a maximum of \$1,000) for reissue of official assurance under section 64(2) if replacement assurance is demanded by the importing country.

Charges for some official assurances work performed by Verification Services staff based full-time at establishments are charged in accordance with Part 7, Schedule 1, of the Regulations. No separate fee is charged for an export certificate issued concurrently with a billable Verification Services visit to the consigning premises.

For live animals and germplasm, MPI charges live animal exporters at the hourly rate specified in Hourly rate 1, Part 8, Schedule 1, of the Regulations for performance of specialist functions and activities necessary for the export of live animals or germplasm.

The costs of the Animal Products Electronic Export Certification System (AP E-Cert) are recovered under the usage charging formula prescribed in Regulations.

At present a single fixed charge is applied to cover the official assurance process, calculated on the following basis:

$$\text{Fee for issue of official assurance} = \frac{\text{Total estimated direct and indirect costs of export certification}}{\text{Estimated number of requests}}$$

The current minimum fee for the reissue of official assurance under section 64(2) is based on the estimated direct and indirect work required for a simple replacement request that involves no case-specific negotiation or consultation with the importing country. It takes, on average, at least three hours to investigate, verify, and correct a problem that caused a replacement assurance to be demanded by an importing country. The rate is charged at the hourly rate specified in Part 2 of the Regulations.

6.16.2 Problem definition

Fee for processing official assurances does not vary with complexity of application

MPI's experience is that the time needed to process official assurances varies. Some requests can be processed in a very short time (for example, when the market access requirements are straightforward and the documentation provided is complete), while other requests are complex and may require more time. Examples of more complicated requests include:

- when market access requirements are complex, such as for live animals;
- when the data and documentation provided are incomplete;
- when it takes a significant amount of time to review and confirm the accuracy of the submitted information.

This variability should be reflected for equity and efficiency reasons in the charging methodology.

Current approach is inequitable

Applying a single charge to a service that requires varying amounts of time does not support equity. Exporters that prepare complete and correct documentation and export to straightforward markets end up cross-subsidising other exporters who provide incomplete data or export to complex markets.

Current approach does not support efficiency

Applying a single charge to a service that requires varying amounts of time does not support efficient use of MPI's resources and does not incentivise applicants to ensure their submitted information is complete and comprehensive at the time of application. Not charging exporters for the true costs of following up on incomplete or incorrect data, or exporting to complex markets does not encourage exporters to make efficient choices that minimise the need for MPI's services.

6.16.3 Options considered

MPI has considered two options¹⁵:

Option 1: maintain the status quo

- a fixed fee for issue of official assurances;
- a fixed fee and hourly rate charging approach for reissue.

Option 2: fixed and hourly rate charging

- A fixed fee per certificate issued.
- Hourly rate charging would start after the initial 15 minutes, and be charged in 15-minute intervals thereafter. The hourly rate would be charged at:
 - a. the assessment rate specified in Part 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007; or
 - b. for live animal and germplasm exports, Hourly rate 1, Part 8, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007.
- Maintain the current fixed fee and hourly rate charging approach for reissue of official assurances under section 64(2) if replacement assurance is demanded by the importing country.
- Disbursements would be charged at actual and reasonable cost.

6.16.4 Analysis of options

Table 1 provides an analysis of two charging options.

¹⁵ Costs include any accrued deficits or surpluses from the previous four years but exclude any costs allocated to the reissue charge.

Table 1: Charging options for Official Assurances

Option	Analysis
Option 1	This approach does not support equity and does not encourage efficient use of MPI's resources, but provides greater certainty about certification costs for industry and MPI, and is administratively simpler for MPI.
Option 2	<p>This approach would improve equity between exporters and would encourage efficient use of MPI's resources. It also should enable the per certificate fee to be maintained at a lower level given that any more complex certificates are cost recovered via actual time spent on them.</p> <p>This option provides greater operational flexibility than Option 1. MPI could develop business rules for when an hourly charge would be charged, in addition to a fixed fee.</p> <p>Exporters would initially have less certainty about costs, but certainty would increase once their export schedule was better known and a track record of interaction was established.</p>

6.16.5 Proposed fee for official assurances – Option 2

MPI proposes to:

- 1) Introduce a fixed fee (\$32) and hourly rate charging (after the initial 15 minutes, in 15-minute intervals), for issue of official assurances, with hourly rates charged at:
 - a. the rate specified in Part 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$155); or
 - b. for live animal and germplasm exports, Hourly rate 1, Part 8, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$186.30).
- 2) Maintain the current fixed fee and hourly rate charging approach for re-issue of official assurances, with hourly rates charged at:
 - a. the rate specified in Part 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$155); or
 - b. for live animal and germplasm exports, hourly rate 1, Part 8, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$186.30).
- 3) Charge disbursements at actual and reasonable costs.

6.16.6 Questions for consideration

Question 6.16

- 1) What is your preferred method of cost recovery for the issue of official assurances for non-dairy products?
- 2) What is your preferred method of cost recovery for the reissue of official assurances for non-dairy products?

6.17 APA#11 – CHARGE FOR MINOR AMENDMENTS TO A RISK MANAGEMENT PROGRAMME (NON-DAIRY)

6.17.1 Background

At present, MPI charges applications to amend a risk management programme under section 26 of the Animal Products Act 1999. Charges are a fixed fee (based on one hour) and an hourly rate assessment charge (in 15-minute intervals) for any time spent over the first hour.

6.17.2 Problem definition

Charging a full hour for a minor amendment to a risk management programme under the Animal Products Act 1999 is excessive, inequitable, does not support efficiency and is not justifiable.

6.17.3 Proposed charge for minor amendments to a risk management programme

MPI proposes to change the fixed fee and hourly rate assessment charge in Item 3, Part 1, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007 to a fixed fee (based on half an hour) of \$77.5, plus an hourly assessment charge (pro rata in 15-minute intervals after the first half an hour) of \$155 for applications to update a risk management programme under section 26 of the Animal Products Act 1999.

This proposal will support equity, efficiency and justifiability.

6.17.4 Questions for consideration

Question 6.17

What is your preferred method of cost recovery for minor updates to non-dairy risk management programmes?

6.18 APA#12 – RECOVER COSTS FOR INSPECTION AND AUDIT UNDER THE ANIMAL PRODUCTS ACT 1999

6.18.1 Background

MPI's Animal Product Officers are empowered under the Animal Products Act 1999 to inspect and audit. These functions are considered a private good as:

- The benefits can be attributed to a specific beneficiary, or excluders¹⁶ (and are therefore excludable).
- Performance of the function for an individual will limit MPI's ability to provide the function to another individual¹⁷.

Inspection relates to site-specific or operator-specific inspection and audit for compliance with the Act, regulations and notices, rather than verification or systems audit.

The Animal Products (Fees, Charges and Levies) Regulations 2007 do not currently provide for recovery of costs in exercising these functions.

6.18.2 Problem definition

The Animal Products (Fees, Charges and Levies) Regulations 2007 do not enable MPI to recover its costs in exercising these functions.

6.18.3 Proposed cost recovery for inspection and audit

MPI proposes to establish a charge of \$155 per hour for cost recovery of inspection and audit under the Animal Products Act 1999.

¹⁶ In plain English, this means "those individuals, or businesses, that create the risk".

¹⁷ The performance of such a function is often categorised as "rivalous".

6.18.4 Questions for consideration

Question 6.18

What is your preferred method of cost recovery for compliance-related inspection and audit services?

6.19 APA#13 – RECOVER COSTS FOR THE APPROVAL OF A MAINTENANCE COMPOUND

6.19.1 Background

At present, MPI charges applications to approve maintenance compounds under the Animal Products (Dairy Industry Fees and Charges Regulations) 2007.

6.19.2 Problem definition

There is no provision under the Animal Products (Fees, Charges and Levies regulations) 2007 to cost recover approval of non-dairy maintenance compounds under the Animal Products Act. This leads to inconsistency of undertaking approvals between similar processes.

6.19.3 Proposed charges for the approval of a maintenance compound

MPI proposes to implement a fixed fee of \$77.50, based on a half-hour charge, plus an hourly assessment rate of \$155, charged in 15-minute increments after the first half hour, in Part 1, Schedule 1, of the Animal Products (Fees, Charges and Levies) Regulations 2007, for approval of maintenance compounds.

This proposal will support equity, efficiency and justifiability.

6.19.4 Questions for consideration

Question 6.19

What is your preferred method of cost recovery for the approval of non-dairy maintenance compounds?

Part 6C – Levies, fees and charges on Animal Products

6.20 APA#14 – CHARGE FOR HOMEKILL AND RECREATIONAL CATCH SERVICE PROVIDERS

6.20.1 Background

A 2013 audit of homekill and recreational catch service providers listed under section 76 of the Animal Products Act 1999 showed widespread non-compliance with record-keeping requirements and poor knowledge of Animal Products Act requirements for homekill and recreational catch services. Non-compliance creates a food safety risk that could have flow-on implications for human health and market access. These potential risks, if realised, would adversely affect compliant homekill and recreational catch service providers, as well as the broader animal products sector.

MPI intends to implement increased auditing of homekill and recreational catch service providers for compliance with record-keeping requirements under section 73(2)(b) of the Animal Products Act 1999.

6.20.2 Problem definition

Costs to fund audit of homekill and recreational catch service provider compliance not recoverable

Auditing of homekill and recreational catch service providers is not provided for by Crown appropriation, and is therefore cost recoverable.

MPI's view is that an audit programme is an industry good and should, therefore, be recovered as a levy. The primary exacerbators¹⁶ (homekill and recreational catch service providers) are an identifiable group and the benefits of the audit programme accrue to all homekill and recreational catch service providers.

6.20.3 Proposed charge for homekill and recreational catch service provider compliance

MPI proposes to establish an annual fixed fee of \$100 in Schedule 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007 for listed, or re-listed, homekill and recreational catch service providers under section 76 of the Animal Products Act 1999. The fee would be payable on application for listing or re-listing.

This proposal would provide funding to meet the costs of auditing homekill and recreational catch service providers for compliance with the Act.

6.20.4 Questions for consideration

Question 6.20

- 1) Do you agree with the proposed approach to cost recovery for the audit of homekill and recreation catch service providers?
- 2) If not, what is your preferred method of cost recovery for this service?

6.21 APA#15 – ESTABLISH A MINIMUM CHARGE FOR LEVIES

6.21.1 Background

MPI collects annual levies in Schedule 2 of the Animal Products (Fees, Charges, and Levies) Regulations 1999.

6.21.2 Problem definition

Levy on operators with small throughput is inefficient

MPI has identified that imposing a levy based on throughput on very small operators would raise a very small amount of revenue that would be insufficient to meet the cost of the services provided. MPI is concerned that the transaction and administrative costs of collecting this revenue for MPI and operators is disproportionate to the amount of revenue raised and, therefore, inefficient.

Two options to address this issue have been identified:

- Option 1 — impose a minimum charge for operators that process less than a minimum level;
- Option 2 — exempt small operators who fall below a minimum level of charges and recover the revenue from operators whose liability exceeds the minimum level.

MPI's preference is Option 1, on the basis of administrative efficiency and more equitable treatment of all operators. Option 1 is considered more equitable as small processors impose costs on, and receive benefits from, MPI's standards and performance monitoring services. These benefits exceed their small share of product throughput, such as through requests for guidance on standards and through the development of policies to address their unique challenges. The average costs for standards development and guidance and performance monitoring for large processors are lower than for smaller processors, as large processors produce much greater volume of product throughput.

Option 2 is not considered equitable as larger operators would be required to meet costs brought about by smaller processors. This does not encourage smaller operators to make efficient use of MPI's services.

6.21.3 Proposed minimum charge for levies

MPI proposes that there should be a minimum charge for levies.

Processors that process less than the minimum level would be liable to pay the minimum charge. Processors that process over the minimum level would continue to be charged at the relevant levy rate.

6.21.4 Questions for consideration

Question 6.21

- 1) Do you agree with the concept of a minimum charge for levies?
- 2) What do you consider to be a suitable level for any minimum charge for levies?

6.22 APA#16 – REQUIRE INFORMATION TO INFORM LEVIES

6.22.1 Background

Schedule 2 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 imposes levies on a range of sectors to fund standards development.

MPI uses information from processors (Table 2) about their commodity processing to calculate the levies.

Table 2: Information requirements for MPI commodity levies under the APA

Commodity	Information to be provided to MPI
Fish and bivalve molluscan shellfish	Estimate of tonnes to be processed for the next year which is reconciled at the end of each year; and/or provide actual data on tonnes processed for the previous month.
Lambs, bobby calves, goats Sheep Pigs Cattle, horses Deer	Actual head processed for previous month, in individual commodity categories listed.
Ostriches, emus Poultry	Actual birds processed for the previous month, in individual commodity categories listed.

6.22.2 Problem definition***The requirement to provide information is not regulated***

MPI currently collects information from processors, who provide it on a voluntary basis. There is concern that some processors do not provide data in a timely fashion, which can undermine the integrity of the data set used to calculate levies, and potentially result in inaccurate levies being calculated. This in turn impairs the equity and efficiency of data collection and levying, and does not accord with the principles of justifiability and transparency.

Options

There are two main options:

- Option 1: maintain the status quo;
- Option 2: require processors to provide the information.

MPI's preferred option is Option 2, as it will result in more accurate, justifiable and transparent levies and more equitable and efficient cost recovery.

6.22.3 Proposed information requirements

MPI proposes to require information from animal commodity processors as laid out in Table 2. The change would be implemented through either regulation or notice.

This change would support more accurate calculation of levies, and is more justifiable, transparent, equitable and efficient.

6.22.4 Questions for consideration**Question 6.22**

- 1) Do you agree that processors should be required to provide commodity processing information to the Ministry on a timely basis?
- 2) If not, what is your preferred approach for collection of this information by the Ministry?

6.23 APA#17 – INCREASE ANNUAL CHARGE FOR THE MEAT INDUSTRY INITIATIVE FUND

6.23.1 Background

Standards and risk assessment measures under the Animal Products Act require a scientific basis, especially when MPI is required to negotiate access to overseas markets based on food safety measures in place in New Zealand. Levies of one cent per lamb equivalent for each lamb, bobby calf, sheep or cattle beast slaughtered and dressed are put towards the cost of this research, insofar as it relates to products from these animals.

In practice, this research is managed through the Meat Industry Initiative Fund. Decisions about priorities for research funding are made following discussions between MPI and industry representatives.

6.23.2 Problem definition

Insufficient funding for important meat-related research projects

The Meat Industry Association (MIA) has identified research in certain areas that it considers would benefit the industry should additional research funding become available. In particular, its members wish to enter into a seven-year partnership research agreement through the Meat Industry Initiative Fund that may see the industry contribution matched by government funds. The projects would include work on increasing the quality and shelf-life of chilled meat, addressing food safety issues relating to adoption of more efficient processing techniques, and research into ways to prevent bacterial contamination.

6.23.3 Proposed increase to research levy

Increase research contribution by 1.5 cents per lamb equivalent

The MIA has proposed that the research contribution should be increased from one cent per lamb equivalent to up to 2.5 cents per lamb equivalent. It has made this proposal before seeing the proposed schedule of fees set out in Appendix 5 (see section 6.41, Schedule 2 – levies for the existing and proposed levy amounts.)

6.23.4 Questions for consideration

Question 6.23

- 1) Do you agree with the proposal to increase the contribution to research?
- 2) Do you support a contribution to research of 2.5 cents per lamb equivalent, or would you prefer a different rate?

Part 6D – Verification Services

6.24 APA#18 – CHANGE THE WAY PROGRAMME CHARGES ARE CALCULATED AND APPLIED

6.24.1 Background

Verification Services is internationally recognised as providing a high standard of verification. Maintaining this high standard assists in promoting New Zealand's good reputation with trading partners.

Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 provides for MPI to charge a basic charge in addition to an hourly charge. The basic charge is often called a 'programme charge' because it is based on MPI's indirect costs of providing verification services. The hourly rate is calculated by attributing Verification Services' indirect costs to establishment and circuit activity areas and then dividing the attributed amount for each area by the number of billable hours for each area.

Fish processors and operators of cool stores are currently charged a reduced frontline hourly rate and do not pay the basic hourly rate, in accordance with historical NZFSA cost recovery policy settings. They do, however, pay annual licence fees by way of a pro rata monthly invoice.

6.24.2 Problem definition

MPI has reviewed the historical approach to calculating and recovering the indirect costs of providing verification services following the merger of the predecessor agencies. The current approach does not recognise that Verification Services management, operational and technical overhead and corporate overhead costs support the overall business and verification system delivery and integrity, rather than individual sectors. To this end, underlying indirect costs are the same for both circuit and establishment services, and staff require the same level of support, training and input, irrespective of which type of activity model they support.

Options

MPI has considered two options for allocating overhead costs:

- Option 1: maintain the status quo – separate programme charges for establishment and circuit;
- Option 2: introduce a single combined programme charge for establishment and circuit verification activity.

Analysis of options

In Option 1, costs are attributed to establishment and circuit activity based on a cost allocation model. Analysis has shown that the cost attribution is inequitable as costs are not proportionate to the amount of time spent at establishments and circuits. The cost attribution method does not encourage efficient use of MPI's services as it does not reflect marginal cost pricing¹⁸ or the strong correlation between costs and the level of use.

Option 2 would establish a single combined programme charge rate for establishment and circuit verification activity, which would then be billed at an hourly rate. This approach would result in a more equitable and efficient share of indirect costs. The cost share would be based on billable time at an establishment or circuit operator, rather than historical costs attribution.

¹⁸ The cost of providing an additional unit of service.

The single combined programme charge for establishment and circuit verification recognises that Verification Services is now part of MPI, and operating under a new structure and cost recovery approach. It also positions Verification Services for potential changes in circuit and establishment resourcing, particularly around market access. MPI continues to negotiate (with the European Union and other markets) for the removal of the requirement for a full-time verifier presence at establishments. The new cost recovery approach will, in the short term, more appropriately allocate underlying business operating costs; and in the long term will ensure that MPI is well positioned should there be a shift to more hours spent on a circuit basis, rather than full time establishment presence.

The combined approach would focus discussion on the level of Verification Services costs on how Verification Services delivers its business, rather than how costs relate to the different sectors. Such a distinction is arbitrary and does not recognise that Verification Services management operational and technical overhead and corporate overhead costs support the overall Verification Services business and the verification system integrity, rather than individual specific sectors. Many of the sectors verified by MPI are also inter-dependent in terms of system integrity, reflecting the inter-related nature of the industry — for example, meat processors transact with pet food, rendering, hides, skins, cool stores and transport operators.

Focusing on the level of Verification Services indirect costs and how Verification Services delivers its business, rather than how costs relate to the different sectors, is more transparent and will enable more informed efficiency discussions. The combined approach is also consistent with the way that the hourly rate is calculated for approval, accreditations, registrations and recognition functions.

6.24.3 Proposed change to the way the programme charge is calculated

MPI proposes to amend Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 to establish a single basic charge rate for circuit and establishment.

Each operator would be charged at a basic charge rate based on the number of billable hours MPI spends at the establishment. This approach would result in a fairer and more equitable attribution of costs and support more efficient use of MPI's resources by all users. This would also assist MPI to maintain a high standard of verification to maintain New Zealand's good reputation as a safe exporter of food, and reflect the integrated nature of the sector.

6.24.4 Questions for consideration

Question 6.24

- 1) Do you agree with the concept of a single charging rate for establishment and circuit verification activity?
- 2) If not, what is your preferred approach?

6.25 APA#19 – REMOVE ANNUAL CHARGES FOR CERTAIN SECTORS

6.25.1 Background

Clause 2 C in Schedule 1, Part 7, of the Animal Products (Fees, Charges and Levies) Regulations 2007 charges the industry sectors associated with processing fish and operators of cool stores and other storage premises a reduced hourly frontline rate and waives the basic hourly programme charge rate. These sectors instead pay an annual charge through a pro rata monthly invoice:

- cool stores or other storage premises: \$1,100 a year;

- primary processing of fish other than bivalve molluscan shellfish: \$549 a year;
- primary processing of bivalve molluscan shellfish: \$1,547 a year.

6.25.2 Problem definition

Annual charges are inequitable

Applying an annual charge to a subset of sectors is inconsistent and inequitable. Annual charges also result in inequitable outcomes within a sector as all operators are charged the same annual charge, yet the size of the operators, and therefore the benefit they receive, may vary significantly. It is likely that larger operators are paying a disproportionately small share, while smaller operators pay a larger share.

6.25.3 Proposed removal of the annual charge

Removing the annual charge for certain circuit sectors

The annual charge for the cold stores, dry stores, shellfish and wet fish sectors would be removed from Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007. These sectors would instead be invoiced at the basic charge rate.

This change will improve equity for different operators within each of the sectors currently paying an annual charge and promote consistent treatment between sectors.

6.25.4 Questions for consideration

Question 6.25

- 1) Do you agree with the proposed adoption of a basic charge instead of specific annual charges for cool stores or other storage premises, fish and bivalve molluscan shellfish?
- 2) If you do not agree, what is your preferred fee structure?

6.26 APA#20 – CHARGE FOR ESTABLISHING A FULL-TIME VERIFICATION SERVICES PRESENCE

6.26.1 Background

Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 enables MPI to recover its costs in disestablishing a full-time presence at an establishment. The costs that can be recovered, up to a maximum of \$55,000, are:

- the actual cost of transfer or relocation;
- the actual cost of retraining;
- the actual cost of the matters specified in paragraphs (a) and (b), if both are applicable; or
- the lesser of—
 - the actual cost of redundancy;
 - an amount calculated using a formula (in the regulations).

Part 7 does not prescribe the approach that MPI must follow in recovering its costs in establishing a permanent Verification Services presence at locations.

6.26.2 Problem definition

Part 7 does not contain an express provision enabling MPI to recover its costs in establishing a permanent Verification Services presence at locations.

The current approach is inconsistent with that taken for disestablishing a full-time presence.

6.26.3 Proposed charges for establishing a full-time verification services presence

MPI is proposing to amend Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 to provide for recovery of the actual and reasonable costs associated with establishing a full-time Verification Services presence at an establishment.

MPI proposes that the costs include, but not be limited to, the following:

- capital items, including:
 - computer terminals, monitors and printers;
 - office furniture and storage;
 - phones;
 - technical equipment.
- operating expenses, including:
 - recruitment;
 - costs associated with transfer or relocation;
 - induction and training, including salary;
 - new health and safety equipment;
 - new folders, stationery and lockable cupboards;
 - inspection stamps, and reject and hold tags.

The proposal will support transparency and is consistent with the approach for establishing a full-time presence at new and restarting airports prescribed under the Airports Act 2014.

6.26.4 Questions for consideration

Question 6.26

- 1) Do you agree with the proposed method of cost recovery for establishment of fulltime verification services presence at an establishment?
- 2) If you do not agree, what is your preferred method of cost recovery?

6.27 APA#21 – CHARGE FOR NON-VERIFICATION FUNCTIONS

6.27.1 Background

Verification Services is recognised and accredited as a source of technical expertise on food safety. Operators are increasingly requesting non-verification advice about food processing and related activities.

6.27.2 Problem definition

MPI Verification Services cannot recover costs for non-verification functions

The current regulations do not provide for Verification Services charging for the provision of services that are not strictly verification functions under the Animal Products Act.

The absence of the ability to recover for non-core verification and certification services inhibits the ability of Verification Services to provide advisory, or added value, services to new and existing stakeholders where the time commitment is significant and would reduce the total level of billable hours available.

6.27.3 Proposed charges for non-verification functions

MPI proposes that Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 be amended to allow MPI Verification Services to recover the costs of non-verification delivery functions and services it provides to operators. Costs would be recovered at the hourly rates set for circuits on a case by case basis in agreement with the stakeholder.

6.27.4 Questions for consideration

Question 6.27

- 1) Do you agree with the proposed approach for cost recovery of non-verification services provided by Verification Services?
- 2) Should this be funded through levies instead?

6.28 APA#22 – REMOVE DIFFERENTIATION BETWEEN VETERINARIAN AND NON-VETERINARIAN CIRCUIT VERIFIERS

6.28.1 Background

Circuit verification activities are carried out by both veterinary technical supervisors and travelling technical supervisors (non-veterinarian). Veterinarian and non-veterinarian verifiers are trained almost identically by MPI and complete identical tasks, except for certain specialist tasks required to be undertaken by a veterinarian. The major difference between the two types of verifier is that some markets accept only animal or plant product that has been verified, and received an official assurance, as safe for consumption by a government veterinarian.

Verification Services' regional teams are made up of a mix of veterinarian and non-veterinarian verifiers. The current cost recovery regulations differentiate between veterinarian and non-veterinarian verifiers but the charging rates for the two types of verifier are identical.

6.28.2 Problem definition

Differentiating between veterinarian and non-veterinarian verifiers is administratively complex, inefficient and does not support flexibility.

Differentiating between veterinarian and non-veterinarian verifiers adds administrative complexity and inefficiency as it requires MPI to operate two parallel invoicing systems. For users of the service, there do not appear to be any equity or efficiency benefits from differentiating between veterinarian and non-veterinarian verifiers, as the charges for both are identical.

6.28.3 Proposed uniform charging basis for veterinarian and non-veterinarian circuit verifiers

MPI proposes to remove the differentiation in the circuit charging regime between veterinarian and non-veterinarian verifiers in Part 7, Schedule 1 of the Animal Products (Fees, Charges, and Levies) Regulation 2007. The regulations would instead contain a single charging rate for circuit verifiers. This change would reduce administrative complexity for MPI without affecting equity or efficiency.

6.28.4 Questions for consideration

Question 6.28

Do you agree with the proposal to remove the distinction between veterinarian and non-veterinarian circuit verifiers?

6.29 APA#23 – INTRODUCE NEW PENAL RATES

6.29.1 Background

MPI's collective agreement for Verification Services staff includes a new penal rate of twice the regular hourly rate (T2.0 or penal rate 2.0). The additional rate was introduced as a fair and sensible means of compensating staff who are required to start work very early in the day or work very late. This rate replaces an allowance and is paid pro rata on actual time worked before or after a set time.

6.29.2 Problem definition

Prescribed penal rates are inconsistent with MPI's collective agreement with verifiers.

Part 7, Schedule 1, Note 3 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 does not contain a penal rate (twice the regular hourly rate) to align with MPI's collective agreement for Verification Services. This is causing MPI to incur costs that it cannot recover.

6.29.3 Proposed penal rates

MPI proposes to create a new penal rate (twice the regular hourly rate) in Part 7, Schedule 1, Note 3 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 and insert new penal rate (currently SV Penal T2 \$118.99 per hour and MV penal T2 \$110.35 per hour) in relevant penal rates for veterinary verifier and supervising veterinary verifier.

6.29.4 Questions for consideration

Question 6.29

What impact will the introduction of additional penal rates have on your business?

6.30 APA#24 – REVISE DEFINITION OF PENAL RATES

6.30.1 Background

The definition of penal time in Part 7, Schedule 1, Note 3 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 currently refers to hours worked by a verifier for which the verifier is entitled, by his or her contract of employment, to penal rates, being hours (other than overtime) worked within a 40-hour week on a Saturday, Sunday or statutory holidays.

6.30.2 Problem definition

Prescribed definition of penal rate is inconsistent with practice

The definition of penal rate is inconsistent with how it is being applied to both the collective and individual employment agreements for Verification Services staff.

6.30.3 Revise the definition of penal rate

MPI proposes to amend the definition of penal time in Part 7, Schedule 1, Note 3 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 to refer to Monday to Sunday instead of the current Saturday, Sunday or statutory holidays.

6.30.4 Questions for consideration

Question 6.30

Do you agree with the proposal to redefine the applicability of penal rates?

Part 6E – Dairy industry fees and charges

6.31 APA#25 – ENHANCE CHARGING APPROACH FOR NEW ZEALAND STANDARDS, PERFORMANCE MONITORING, EXPORT STANDARDS, MARKET ACCESS AND RESIDUE MONITORING

6.31.1 Background

New Zealand and export standards and performance monitoring

MPI charges for the development and maintenance of New Zealand standards and export standards, as well as performance monitoring¹⁹, through:

- a quarterly specified fee to large dairy processing businesses;
- a small annual flat fee to each registered manufacturing premises receiving less than 316,000 kilograms of raw milk solids.

While not stated in the regulations, the quarterly specified fee to large dairy processing businesses (for provision of New Zealand and export standards and performance monitoring) is based on a business's share of total raw milk solids received, using the data that was available at the time the regulations were set. Market shares for raw milk solids serve as a proxy for the individual benefits derived, and costs incurred, from New Zealand and export standards and performance monitoring.

The small annual flat fee to registered manufacturing premises is based on attributing a small share of costs to the smaller manufacturing premises (higher than their share of total milk solids received at the time regulations were set) and dividing by the number of these premises.

Market access programme and the National Chemical Contaminants Programme (NCCP)

MPI charges for market access activities and the NCCP through:

- a quarterly specified fee to Fonterra;
- a small annual flat fee to all other exporters.

While not stated in the regulations, the shares paid by Fonterra for each service were based on former Ministry for Agriculture and Forestry estimates of the benefits to Fonterra from market access functions and the NCCP respectively. The small annual flat fees for each service are then calculated based on dividing the remaining share of costs amongst other dairy exporters.

6.31.2 Problem definition

Prescribing levies in regulations can be inequitable, inefficient and lack transparency

Prescribed levies²⁰ that are specific to individual businesses become less transparent and equitable between cost recovery reviews, as actual market shares change. With changes in market shares, the levies no longer reflect, as closely as practicable, the benefits received from

¹⁹ Performance monitoring refers to systems performance monitoring and management and excludes approvals and verification inspection and audit fees (see section 6.39, Appendix 3 for more information).

²⁰ In the current dairy regulations, the charges for domestic and export standards, performance monitoring, dairy residue monitoring and market access standards are referred to as fees. In the new dairy regulations, the charges will be referred to levies. There will be no difference in economic terms given the levies proposed are still specific total charges (as opposed to a per unit levy). The change to levies is in accordance with the 2008 Office of the Auditor General guidelines on Charging Fees for Public Sector Goods and Services. According to the guidelines, charges should be imposed through a levy when charges will apply to a certain group such as industry participants for carrying out a particular function.

services delivered. For both standards development and performance monitoring, there are several large processors that should be paying a higher amount than the small processors' levy based on their current share of raw milk solids received.

In addition, if there are any changes to the list of businesses that operate as large processors between cost recovery reviews, MPI is required to seek an *ad hoc* change to the regulations to incorporate these, which is administratively inefficient.

Domestic producers and consumers are not contributing to the costs of the NCCP

The dairy residue programme, or NCCP, is currently charged to Fonterra, as the primary exporter, and to other smaller exporters. However, the programme has benefits for both export and domestic market participants that use New Zealand milk. The costs of the programme should, therefore, be met by all dairy processors that use New Zealand milk, rather than just dairy exporters. The cost of the levies could then potentially flow through to all beneficiaries, as processors pass on their costs.

Export standards mixed in with charges for New Zealand standards

Export standards and New Zealand standards are currently being charged as a single expense to dairy processors. This has efficiency benefits, but there is an equity trade-off as charges are not necessarily targeted to businesses that benefit from the different services. Domestic-only processors are being charged for export standards, whereas dairy exporters who import their milk ingredients or dairy products do not face any costs for export standards. MPI is seeking to find a better balance between efficiency and equity for the cost recovery of export standards.

Need for reliable data to inform levies

There is a need to have reliable data sources to inform the calculation of levies to large dairy processors and exporters. Until now, charges have been based on publicly available information that is incomplete and not always up-to-date.

6.31.3 Proposed separation of levy for New Zealand standards development from levy for export standards

MPI proposes that the service of developing and maintaining New Zealand standards be levied separately from the service of developing and maintaining export standards.

Rationale for the proposal

Levies for these services should be targeted at the businesses that directly benefit from them. Both domestic processors and exporters benefit from New Zealand standards, which form the base requirements for all dairy products produced in New Zealand. Costs for New Zealand standards should, therefore, continue to be recovered from processors. However, levies for export standards should be paid by exporters, who are the primary beneficiaries of export standards development. Market access activities benefit exporters and charges are paid by exporters, so no change of approach is required for this area.

6.31.4 Proposed levy on all processors for the National Chemical Contaminants Programme

MPI proposes that the dairy residue monitoring service (or NCCP) be charged to all dairy processors instead of dairy product exporters.

Rationale for the proposal

Levies for this service should be targeted at the businesses that directly benefit from it. Domestic dairy processors, domestic consumers, exporters and overseas consumers benefit strongly from the testing of raw milk, colostrum and dairy products. They also benefit from the assurance that the regulatory framework is being applied correctly. By levying all dairy

processors, the costs for the NCCP will likely flow through to exporters and domestic customers, as processors pass costs downstream.

A small proportion of costs and activities of the NCCP are specifically focused on export product requirements, namely an independent verification programme and testing for radionuclides. However, there are spill-over benefits to domestic producers inasmuch as the levels of radionuclides in milk are a marker for the entire dairy industry.

6.31.5 Proposed annual levy, on a time-benefit basis, for small processors that collect raw milk solids to recover the cost of New Zealand standards, performance monitoring and dairy residue monitoring

The Ministry proposes to change which small processors are levied, and how small processors are levied. This proposal builds on the proposals 6.31.3 and 6.31.4.

Which ‘small processors’ would be levied

The Ministry proposes to change the small processors it levies (currently charged through fees for unnamed processors in the regulations) from businesses with manufacturing risk management programmes, based on the number of manufacturing premises they have, to businesses with a farm dairy risk management programme — that is, businesses that collect raw milk solids and colostrum.

The new definition of small processors would be ‘persons with a farm dairy risk management programme that are:

- not collection agents (that is, they do not buy milk solids from a dairy farmer); or
- collection agents that collected less than, or equal to, 491,000 kilograms²¹ of raw milk solids directly (not through another collection agent) in the previous financial year’.

The definition of a ‘collection agent’ is:

- a dairy processor whose business includes buying milk solids from a dairy farmer; or
- a person whose business includes buying milk solids from a dairy farmer for supply directly or indirectly to a dairy processor.

The threshold of 491,000 kilograms separates those who would pay less than, or equal to, the small processors’ levy from those (large processors) who would pay more, based on their share of total raw milk solids collection (see section 6.31.6). The threshold would be updated in future cost recovery reviews.

MPI would include a provision in the regulations (under sections 118(3)(e) and 119) imposing a requirement on collection agents to keep levies for MPI’s cost recovery purposes in a separate trust account to avoid any confusion between the levy for MPI’s cost recovery and the price of raw milk charged by collection agents to processing businesses.

How small processors would be levied

MPI proposes to move to an annual levy based on an estimate of the average hours of service provided to small processors. The levy amount would be comparable to what small processors are currently paying through annual fees (fees for unnamed processors in the regulations). MPI also proposes that the annual levy would be combined to cover New Zealand standard setting, performance monitoring and residue monitoring.

The minimum levy would be based on six hours of time at the standard MPI food sector hourly rate, covering one hour of New Zealand standard setting, one hour of performance

²¹ Determined by dividing the small processors’ levy amount by the total amount to collect from processors and multiplying it by the total milk solids collection in 2013/14.

monitoring and four hours of dairy residue monitoring. Based on operational experience, six hours of service per small processor is considered a conservative estimate. If each of these small dairy processors received six hours of service for New Zealand standards development, residue monitoring and performance monitoring, that would equate in total to roughly seven weeks' full-time equivalent work for one MPI staff member, or 1.3 percent of total cost recovery for New Zealand standards, performance monitoring and residue monitoring.

Based on the proposed standard MPI food safety hourly rate of \$155, each small processor would pay \$930 a year in total for New Zealand standards development, performance monitoring and residue monitoring services. For a new registration, a farm dairy RMP holder would be charged a share of the annual levy based on the quarter of the year in which the registration is approved.

Table 3 shows the estimated total costs to be recovered from small processors. There are an estimated 48 small processors (as defined above, 58 'persons' with farm dairy risk management programmes, minus 10 who collected more than 491,000 kg of milk solids in the previous financial year).

Table 3: Estimated recovery from small processors in 2015/16.

	New Zealand Standards	Performance Monitoring	Residue monitoring	Total
MPI flat levy proposed \$	155 (1 hour)	155 (1 hour)	620 (4 hours)	930 (6 hours)
Total to be recovered from (48) small processors \$	7,440	7,440	29,760	44,640

Rationale for the proposal

Under the APA, the criteria that must be taken into account when determining the most appropriate method of cost recovery, as far as is reasonably practicable, are equity, transparency, efficiency and justifiability (section 113(2) of the APA). The proposal meets these criteria:

- **Equity** — Small processors impose costs on, and receive benefits from, MPI's standards, performance monitoring and dairy residue monitoring services that exceed their small share of raw milk solids. These benefits include requests for guidance on standards and the development of policies to address their unique challenges. In contrast, large processors offer economies of scale for the amount of guidance MPI provides them. By levying farm dairy risk management programme holders, the levy would target all raw milk solids for processing and hence all who benefit from New Zealand standards development, residue monitoring and compliance monitoring, not just those processors who operate under a manufacturing risk management programme. Farmers or collection agents should be able to pass costs onto their processing customers. Levying individual businesses, rather than RMPs, recognises that the acquisition of additional RMPs does not generally increase guidance costs to the business because the information is transferable within the business.
- **Efficiency** — Having one levy will reduce administration costs.
- **Transparency** —The levy is linked to an estimate of the average hours of service provision to small processors. Although there will be one levy, MPI will still consult on the total amount to recover for New Zealand standards, performance monitoring and residue monitoring respectively.

- **Justifiability**— The levy for each small processor would be set in the regulations and updated with cost recovery reviews. The proposed levy is reasonable for the provision of New Zealand standards, performance monitoring and dairy residue monitoring services to small processors.

Other options considered

Two additional methods of calculating a levy have been considered, based on:

- **Share of total costs proportionate to actual share of milk solids** – MPI believes a rough estimate of actual hours of service is more justifiable because small operators impose a disproportionately higher service cost.
- **Imposing the levy on manufacturing risk management programme holders** – MPI believes that this approach is less equitable than the proposed approach.

6.31.6 Proposed levies to large processors in the regulations for New Zealand standards, performance monitoring and residue monitoring

The Ministry proposes to formalise the definition for a ‘large processor’ in the regulations and change the way large processors are levied. MPI proposes that the regulations would set out a formula to determine the amount for each large processor to pay, rather than having a specified sum to be paid in the regulations. This proposal builds on the proposals 6.31.3, 6.31.4, and 6.31.5.

Proposed definition of ‘large processor’

Large processors would be defined as ‘persons with a farm dairy risk management programme that are collection agents, and who collected more than 491,000 kilograms of milk solids from dairy farmers directly (that is, *not* through another collection agent) in the previous financial year²². The milk solid threshold of 491,000 kilograms for large processors captures those processors that would pay more than the minimum levy based on their share of total raw milk solids collection. The threshold would be updated as part of each future cost recovery review.

MPI has chosen to define large processors using the ‘collection agent’ (see section 6.31.5) concept from the Commodity (Milk Solids) Levy Order 2009. This is to ensure that MPI can use the data that DairyNZ collects for the milk solids levy for cost recovery purposes, rather than directly requesting the amount of milk solids ‘received’ by each processor.

This definition above will recognise the effect of other legislation affecting the industry, such as the Dairy Industry Restructuring Act 2001 (DIRA). Fonterra would be able to pass on cost recovery charges to other processing businesses that it collects milk on behalf of. In this case, Fonterra is collecting the milk but not receiving the milk in terms of delivery.

MPI would include a provision in the regulations (under sections 118(3)(e) and 119) imposing a requirement to keep levies for MPI’s cost recovery purposes in a separate trust account. This separate trust account would avoid any confusion between the levy for MPI’s cost recovery and the price of raw milk solids charged by Fonterra or other collection agents to other processing businesses²³.

²² In the case of businesses that have subsidiaries, MPI is proposing that their raw milk solids collection would be attributed to their parent company where appropriate.

²³ It will be up to processing businesses to determine if they are paying a fair share of the collection agent’s cost recovery levies.

Updating who is a large processor

There are ten businesses with farm dairy risk management programmes that collected more than 491,000 kilograms of raw milk solids in 2013/14, namely: Fonterra, Open Country Dairy, Westland, Synlait, Miraka, Tatua, Gardians, Fresha Valley, Green Valley Dairies and Dairy Goat.

Proposed data sources

MPI proposes to insert into the regulations that DairyNZ must supply MPI with its data on businesses' milk solids collection for the previous financial year (by month) as soon as the data is available, for cost recovery purposes (under section 118 (3)(d) of the Animal Products Act).

MPI would also put into the regulations or in a notice (under section 159 of the Animal Products Act) that the Director-General MPI may require collectors of raw milk solids to provide MPI with their milk solids collection data for the previous MPI financial year. MPI also proposes to put a requirement into the regulations or in a notice that non-cow dairy processors meeting the large processor threshold must provide their raw milk solids collection data for the previous MPI financial year directly to MPI.

Proposed formula for calculating levies

MPI is proposing a single formula to calculate what large processors will be required to pay for New Zealand standards, performance monitoring and residue monitoring. As per current cost recovery charges, the annual levy would be paid in equal quarterly instalments.

The proposed formula for the regulations for New Zealand standards, performance monitoring and residue monitoring is as follows:

<p>Combined levy for large processor "X" :</p> $L_{processor}^X = \frac{TC_{annual}^{MPI} \times MS_{last}^{processor X}}{MS_{last}^{total}}$

Where,

$L_{processor}^X$ = amount of levy to be paid by a large processor.

TC_{annual}^{MPI} = amount to recover for year from large processors, which equates to the total cost to recover for the year, to cover the cost of New Zealand standards, performance monitoring and residue monitoring *minus* the amount expected to be collected from minimum levies from small processors for these services.

The value for the component in the formula 'Amount to recover for year from large processors for New Zealand standards, performance monitoring and dairy residue monitoring' would be set in the regulations as \$3,420,089. To change the value for the component, there would be need to be an amendment to the regulations.

$MS_{last}^{processor X}$ = each large processor's milk total solids collection for the previous year.

MS_{last}^{total} = total milk solids collected for the previous year from all large processors.

Large processors would pay the 'small processors' levy in the case that the formula produces a levy lower than the 'small processors' levy.

Proposed process for notifying payments to be made by large processors

After the end of each MPI financial year (July to June), the Director-General MPI would determine each large processor's milk solids collection for the previous year and total milk

solids collected for the previous year from large processors. MPI would then invoice each processor for its levy, indicating its milk solids collection for the previous year and the total milk solids collected from large processors in the previous year. Individual businesses' amounts payable would remain confidential between MPI and the business. This process would likely occur in August as this is when the data would become available from DairyNZ.

Proposed approach to accommodate new large processors and exiting processors

The regulations would accommodate new large processors, changes in the names or business structures of existing large processors and processors exiting the market as follows:

- Businesses that cross the threshold (because they have increased production volume) from small to large processors during the financial year in question would pay the levy for small processors until the next annual determination by the Director-General of each large processor's milk solids collection for the previous year and total milk solids collected for the previous year from large processors.
- Levies on new processors that cross the threshold as a result of mergers or acquisitions would be assessed on the basis of the combined market share of any predecessor businesses.
- Large processors that do not have full-year milk solids data for the previous year would have their full-year milk solids collection estimated by interpolating their monthly data, with adjustments to other businesses' market share data if necessary.
- If a large processor exited the market during the year, its obligation to pay charges would apply only up to and including the quarter that it exits the market.

In normal circumstances, under-recoveries or over-recoveries resulting from changes in the industry structure would be dealt with through annual adjustments within MPI.

Rationale for the proposal

The proposal meets the criteria under the APA as follows:

- **Equity** — Annual linking of levies paid by individual large processors to their raw milk market shares would mean that funding is sourced from the beneficiaries at a level commensurate with the benefit derived from the service. Collection agents should be able to pass on costs to the processors they supply.
- **Transparency** — Costs would be allocated closely to service provision for the recovery period in which the service is provided as processors will be levied on the basis of their previous year's market shares. Although there would be a single levy, MPI would still consult on the individual amount to recover for the provision of New Zealand standards, performance monitoring and residue monitoring.
- **Efficiency** — Annual updates to which businesses pay for the levies would mean there is less chance of under-recovery of costs should a large processor leave the market. Having a single levy will reduce administration costs. Using data from DairyNZ will avoid large processors having to provide their milk solids data to more than one party, to ensure data consistency.
- **Justifiability** — The total cost recovery amount to be recovered from large processors would be set in the regulations and updated with cost recovery reviews. The proposed costs to be collected are reasonable for the provision New Zealand standards, performance monitoring and dairy residue monitoring services to large processors.

Calculations

Based on the information available at this time, MPI has estimated the total number of large processors (Table 4), and the total amount to be recovered from larger processors (Table 5).

Table 4: Milk solids threshold for large processors

	New Zealand standards, performance monitoring and residue monitoring
Total amount to recover per annum \$	3,464,729
Minimum annual levy to small processors \$	930
Milk solids collection forecast for 2014/15 (previous year for 2013/14) (kg)	1,827,389,274
Estimated milk solid threshold for large processors for 2015/16 (kg)	491,000
Total estimated number of large processors	10

Table 5: Estimated recovery from large processors

	New Zealand standards	Performance monitoring	Dairy residue monitoring	Total
Total amount to be recovered \$	729,424	686,968	2,048,336	3,464,728
Total amount to be recovered from small processors \$	7,440	7,440	29,760	44,640
Total to be recovered from large processors \$	721,984	2,040,896	657,208	3,420,089

Other options considered

Three additional methods of calculating a levy have been considered, based on:

- **A formula linked to expected shares of milk solid collected** – This would require greater reconciliation at the end of each financial year and would, therefore, be less efficient and provide a less certain outcome for processors.
- **An annual levy rate for milk solids collected** – The levy would be a set rate per kilogram of raw milk solids collected, based on forecast milk solids production. With this approach there is the potential for MPI to be under-resourced if actual milk solids production is less than forecast. In addition, if MPI invoiced on the basis of quarterly production, there would be uneven payments throughout the year, given variances in milk production.
- **A formula linked to raw milk solids received** – Levies would be charged to businesses with a manufacturing risk management programme that received greater than or equal to 491,000 kilograms of raw milk solids in the previous financial year. This approach is considered less efficient than the MPI proposal because MPI would not be able to use data from DairyNZ, and would need to request data from processors directly.

6.31.7 Proposed levy on small exporters, on a time-benefit basis, for market access and export standards development

The Ministry proposes to define ‘small exporters’, and to change how small exporters are levied.

Proposed definition of small exporters

MPI proposes to define small exporters as registered exporters that exported less than or equal to 636,000 kilograms of dairy products in the previous financial year. The export threshold²⁴ of 636,000 kilograms (Table 7) separates those who would pay less than or equal to the small exporters' levy from those who would pay more (large exporters), based on their share of total dairy export mass.

How small exporters would be levied

MPI proposes to move to an annual levy based on an estimate of the average hours of service received by small exporters, similar to what small exporters are currently paying in fees for market access and then adding on costs for export standards.

Each small exporter would pay \$310 a year in total for market access and export standards development services. The levy is based on the standard MPI food sector hourly rate of \$155, with one hour for market access and one hour for export standards. For a new registration, an exporter that exports dairy products will be charged a share of the annual levy based on the quarter of the year in which the registration is approved.

Table 6 shows the total estimated amount to be recovered from small exporters. There are an estimated 619 small exporters — that is, registered exporters who exported less than or equal to 636,000 kilograms of dairy products in the previous financial year (643 registered exporters that export dairy products minus 24 exporters that exported more than 636,000 kilograms of dairy products in the previous financial year).

Table 6: Estimated recovery from small exporters

	Market access and export standards
Total number of small exporters	619
MPI flat levy proposed \$	310
Total to be recovered from small exporters \$	191,890

Rationale for the proposal

This proposal follows the same rationale as that for the proposal for small processors in section 6.31.5.

Other options considered

Two other options were considered, based on:

- **Share of export volume, or value, above actual share** – MPI would continue to base the levy on a set percentage of total costs, such as 1%, which would then be averaged across small exporters. MPI believes that an estimate of average hours of service is more justifiable than assigning a proportion of total cost to small exporters that is unrelated to the actual percentage of export volumes, or values, they account for.
- **Actual share of export value or volume** — Small exporters receive benefits and impose higher costs than would be cost recovered based on their small share of exports, so the levy would not be equitable. It would also result in very small levies to some exporters that would be inefficient to administer.

²⁴ The threshold for exporters was determined by dividing the small exporters' levy amount by the total amount to collect from exporters and multiplying it by the total export mass of dairy products in 2013/14.

6.31.8 Proposed levy formula for large exporters in the regulations for market access and export standards development

The Ministry proposes to define large exporters and change the way large exporters are levied — that is, the regulations would set out a formula to determine the amount for each large exporter to pay based on export mass (in kilograms).

Proposed definition of ‘large exporter’

Large exporters would be defined as registered exporters and other persons²⁵ who exported more than 636,000 kilograms of dairy products in the previous financial year²⁶. The export mass threshold for large exporters captures those registered exporters who would pay more than the small exporters’ levy based on their share of the total export mass of dairy exports.

In the Ministry’s view, export mass is the best proxy of benefit that exporters get from the market access programme and export standards development.

Proposed data source

It is possible for MPI to obtain export mass data by business from the New Zealand Customs Service for the purposes of cost recovery, provided it does not subsequently disclose the data. There are some practical problems with using export mass data:

- Some dairy products, such as milk and ice cream, are measured in litres rather than kilograms. These litre quantities will need to be converted to kilograms. MPI would use a basic conversion factor for milk and ice cream to convert it into kilograms.
- Data on export mass comes from the New Zealand Customs Service under tariff codes. MPI proposes to use a ‘core’ set of tariff codes to calculate export mass data for dairy products (see below). These codes do not cover dairy products that are exempt from Parts 2 to 4 of the Animal Products Act such as confectionery. The codes also do not include categories where non-dairy products are likely to form a large proportion of exports under them.

The export mass data from the New Zealand Customs Service would come from the following core set of tariff codes:

- all codes under 04.01 Milk and cream, not concentrated nor containing added sugar or other sweetening matter;
- all codes under 04.02 Milk and cream, concentrated or containing added sugar or other sweetening matter;
- all codes under 04.03 Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa;
- all codes under 04.04 Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included;
- all codes under 04.05 Butter and other fats and oils derived from milk, and dairy spreads;
- all codes under 04.06 Cheese and curd;
- 35.01 Casein, caseinates and other casein derivatives, and casein glues;
- 35.02.20.00 00C: Milk albumin, including concentrates of two or more whey proteins;
- 21.05 Ice cream and other edible ice, whether or not containing cocoa;

²⁵ This is to take account of businesses that export animal products that are not registered exporters. They are able to export by employing the services of a registered exporter.

²⁶ In the case of businesses that have subsidiaries, MPI is proposing that their export volumes would be attributed to their parent company where appropriate.

- 19.01.10.09.00C and 1901.90.09.28B: covering infant formula, follow-on formula and supplementary food for young children and adult nutritional powders;
- 1702.11.00 00F: containing by weight 99 percent or more lactose, expressed as anhydrous lactose, calculated on the dry matter;
- 1702.19.00 00B: containing by weight 99 percent or more lactose, expressed as anhydrous lactose, calculated on the dry matter and Other.
- 21.06.10.09.00J: Protein concentrates and textured protein substances – Other (non-vegetable protein).

Proposed formula for calculating levies

The proposed formula for market access and export standards services for large exporters is as follows:

$$\text{Combined levy for large exporter "Y",}$$

$$L_{\text{exporter}}^Y = \frac{ETC_{\text{annual}}^{\text{MPI}} \times EM_{\text{last}}^{\text{exporter Y}}}{EM_{\text{last}}^{\text{total}}}$$

Where,

L_{exporter}^Y = amount of levy to be paid by a large exporter.

$ETC_{\text{annual}}^{\text{MPI}}$ = amount to recover for year from large exporters, which equates to the total cost to recover by MPI for the year for market access and export standards services **minus** the amount expected to be collected from minimum charges for these services (Table 8).

$EM_{\text{last}}^{\text{exporter Y}}$ = each large exporter's dairy export mass for the previous year.

$EM_{\text{last}}^{\text{total}}$ = total dairy export mass for the previous year from all large exporters [from New Zealand Customs Service data] e.g. 2,969 million kg in 2013/14.

The value for the component in the formula 'Amount to recover for year from large exporters for export and market access standards' would be set in the regulations as \$1,258,824. To change the value for this component, there would be need to be an amendment to the regulations.

Large exporters would pay the 'small exporters' levy in the case that the formula produces a levy amount lower than the small exporters levy.

Proposed process for notifying payments to be made by large exporters

After the end of each MPI financial year (July to June), the Director-General MPI would determine each large exporter's export mass of dairy products for the previous year and the total dairy export mass for all large exporters for the previous year. MPI would then invoice each exporter its levy, indicating its dairy export mass for the previous year and the total dairy export mass from large exporters in the previous year. Individual businesses' amounts payable would therefore remain confidential between MPI and the business. This process would occur in September as this is when the data would become available from the New Zealand Customs Service.

Calculations

Based on the information available at this time, MPI has calculated the threshold for large exporters (Table 7), and the total amount to be recovered from large exporters (Table 8).

Table 7: Export mass threshold for large exporters

	Market access and export standards
Total amount to recover (\$)	1,450,714
Minimum charge(\$)	310
Estimated total export mass for 2013/14 from Statistics New Zealand, (million kg)	2,978
Export mass threshold for large processors (kg)	636,000
Total estimated number of large exporters	24

Table 8: Total amount to be recovered from large exporters

	Market access standards	Export standards	Total
Total amount to be recovered (\$)	947,672	503,041	1,450,714
Total amount to be recovered from small exporters (\$)	95,945	95,945	191,890
Total to be recovered from large exporters (\$)	851,727	407,096	1,258,824

Other options considered

MPI considered the other broad cost recovery options discussed under New Zealand standards, performance monitoring, and residue monitoring, section 6.31.5.

A formula based on market shares for the previous MPI financial year is considered more efficient, equitable, justifiable and transparent than the alternative recovery options for the same reasons as presented for New Zealand standards, performance monitoring and residue monitoring. In addition, adopting an approach that is consistent with New Zealand standard setting, performance monitoring and residue monitoring will help to create some economies of scale in administration costs for MPI and, potentially, for dairy processors and exporters. In our view, there is no compelling reason to vary the underlying approach between the two charging regimes.

MPI considered two alternative approaches, as briefly discussed below:

- **Raw milk solids collection of export-orientated processors** – Levy large export processors that collect more than a certain threshold of raw milk solids to be processed primarily for the export market in the previous financial year. An approach based on collected milk solids is less equitable because the levy will, in part, be based on raw milk solids destined for the domestic market. Furthermore, the associated costs to the processors may be passed onto domestic producers and consumers, who do not directly benefit from market access or export standards. Our view is that the proposal to levy large exporters on dairy export mass is more equitable than levying large export-orientated processors based on raw milk solids collection, and there is little difference in efficiency.

- **Export value** – The approach would use a similar formula to that given above for export mass, but would substitute ‘dairy export value’ for ‘dairy export mass’. Many other factors come into export returns by value, such as the type of product exported and the level of value-adding. The benefit of market access and export standards is more related to the quantity of product exported than to the financial returns made from exports. With export values there would be no need to make conversions into one unit of measurement, as the data for each tariff code would be in dollars, although it would still be necessary to obtain data from the New Zealand Customs Service. In our view, the proposal to levy large exporters on the basis of export mass is more equitable than levying them on the basis of export value and there is little difference in efficiency

6.31.9 Impacts of the proposals

Overall impacts

In total, cost recovery for New Zealand standards development, market access and export standards development, dairy residue monitoring and performance monitoring is proposed to increase by 26 percent over charges for 2014/15.

Overall, this increase in costs would be borne by large and small processors. Costs to processors would increase by 87 percent given the proposal to shift the cost burden for dairy residue monitoring from dairy exporters to dairy processors and given increases in service provision for dairy residue monitoring and performance monitoring. However, dairy processors should be in a position to pass a share of their costs onto their domestic and export customers.

Overall *direct* costs to exporters would decrease by 29 percent as the cost burden for dairy residue monitoring is proposed to be shifted from them to dairy processors and there is a small decrease in the costs for export standards development.

Small processors

The levies proposed for small processors are significantly higher than current charges. The additional cost is primarily due to their new contribution to dairy residue monitoring, which is the most costly of the four major MPI services charged to the industry.

The estimated increase in total costs to small processors is in the order of \$442 a year, which is significant in terms of percentage growth (91 percent increase).

As a result of the proposal, there would also be some changes in who pays the small processors levy. Some farm dairy risk management programme operators are farmers and collection agents rather than manufacturers. However, these farmers should be able to pass a share of their costs onto the manufacturers they supply. By targeting farm dairy risk management programme operators, costs should be borne by manufacturers operating under a Food Safety Programme or a risk management programme and ultimately their customers.

As there are fewer farm dairy risk management programme operators than manufacturing risk management premises, the total recovered from small processors would increase only by 14 percent overall.

Small exporters

These parties would pay less *directly* as their levy for dairy residue monitoring is shifted to dairy processors, although costs are likely to flow through to them from dairy processors. The estimated decrease in total costs to small exporters is in the order of \$358 a year, which is significant in terms of a percentage change to the cost (a decrease of about 54 percent).

Large processors

Large processors would be required to pay more, as their overall contributions to residue monitoring, performance monitoring and New Zealand standards are brought in line with their current market shares, as they begin to contribute to dairy residue monitoring and given increases in service provision for residue monitoring and performance monitoring.

Large exporters

Some large exporters would be required to pay more as their overall contributions to market access and export standards are brought into line with their market shares, although some other large exporters will pay less as total costs to exporters decrease.

6.31.10 Questions for consideration

Question 6.31

- 1) Do you support the proposal for annual levies to small processors and exporters to be set on a fixed fee basis?
- 2) If not, what is your preferred approach for cost recovery from small processors and exporters and what are the reasons for this preference?
- 3) Do you support MPI's proposal to use formulae to set levies for large dairy processors and large dairy exporters?
- 4) If not, what is your preferred approach for cost recovery from large dairy processors and exporters, and what are your reasons for this preference?
- 5) Do you support the levies to large processors and exporters being invoiced to them to help keep their share of milk solids collection and export mass confidential?
- 6) Do you support the use of 'core' tariff codes to determine which products will be subject to the proposed levies on dairy product exports?

6.32 APA#26 – INTRODUCE A NEW COST RECOVERY METHOD FOR INFANT FORMULA EXPORTS

6.32.1 Background

In June 2013 the Minister for Food Safety announced an infant formula work programme to strengthen New Zealand's food assurance systems to match the rapid growth in infant formula exports. In December 2013, the Government inquiry into the Whey Protein Concentrate Contamination Incident recommended that this work programme be prioritised, and that requirements on exporters of infant formula be strengthened to support traceability of export products.

As part of the infant formula work programme, MPI is developing new requirements for infant formula products and formulated supplementary foods for young children (hereafter referred to generically as 'infant formula') intended for export. The requirements include:

- Export declarations must be made to MPI in the MPI E-cert system for all export consignments of infant formula to any market. Exports that already require official assurances are exempt from this requirement.
- Eligibility documentation must be available in MPI's E-cert system for all exports of infant formula to any market (except to Australia). Currently, eligibility documentation is required only for markets that require official assurances from MPI.
- Exporters and risk management programme operators handling infant formula can be subject to audit by MPI to ensure they are meeting their obligations.

These requirements are to be set out in a notice made under section 60 of the Animal Products Act (hereafter called ‘the notice’). Final decisions on the introduction of the notice have yet to be made at the time this consultation document was published. However, as cost recovery is integral to the implementation of the new provisions, it is important that consultation on cost recovery for these provisions is included in this consultation paper.

The objective of introducing the new requirements for infant formula exporters is to improve MPI’s ability to monitor exports of this sensitive product, provide for more efficient product identification and withdrawal, and improve exporter compliance with duties and obligations.²⁷

Exporters will need to have access to MPI’s E-cert system in order to apply for official assurances and submit export declaration forms for approval by MPI’s Dairy Certification Unit.

6.32.2 Problem definition

The new requirements outlined above will create new activities and costs for industry, verifiers and MPI. The new activities are:

- verification by Recognised Agencies of infant formula manufacturers’ and stores’ compliance with the notice;
- use of E-cert by exporters to submit export declaration forms;
- processing of export declaration forms by MPI staff;
- auditing by MPI of infant formula exporters.

Verification

Verification by Recognised Agencies of infant formula manufacturers’ and stores’ compliance with the notice can be included as part of performance based verification (PBV) and recovered directly by Recognised Agencies from operators.

E-cert and export declarations

Additional mechanisms are needed to enable recovery of costs associated with use of E-cert for submission of export declaration forms, their processing by MPI staff, and auditing of infant formula exporters by MPI.

Audits

Our intention is that decisions on implementation of the audit provisions of the proposed notice would be made following review of the implementation of the other provisions of the notice. As such, a cost recovery mechanism for infant formula exporters is not proposed at this time. Cost recovery proposals for audits of infant formula exporters would be contained in future reviews of the Animal Products (Dairy Industry Fees and Charges) Regulations.

Apportioning costs for verification and E-cert and export declarations

It is the Ministry’s view that the costs of these activities should be recovered from RMP operators and exporters handling infant formula.

It is appropriate that the costs of these proposals are borne by individual exporters that are exporting infant formula products, and formulated supplementary foods for young children, to markets that do not require official assurances. Currently, such exporters are ‘risk exacerbators’, in so far as their export activities are associated with increased risk for New Zealand’s reputation as a result of a lack of close monitoring. This is contrast to products destined to markets that require official assurances of infant formula. The export declaration requirement is intended to reduce the risks presented by these export activities and so it is appropriate that costs of reducing that risk are borne by those that create it. The benefits from

²⁷ Primarily under section 51 of the Animal Products Act 1999.

being able to export infant formula products and a strong reputation for New Zealand's dairy products also primarily accrue to exporters, meaning that it is a private good.

6.32.3 Proposed recovery of the costs of maintaining MPI's electronic certification systems (E-cert)

The costs of maintaining and managing MPI's E-cert system are met by users of those systems. The notice would require all infant formula exporters to have access to, and to use E-cert when exporting infant formula products or formulated supplementary foods for young children.

There is an existing formula and charging mechanism in the Animal Products (Dairy Industry Fees and Charges) Regulations 2007 (Part 1A) that we intend to employ to recover these costs. The values in the formula are specified in the Animal Products Notice: Electronic Certification System Costs – Dairy Industry, issued on 7 October 2014.

We estimate that, at the current rate, the cost of E-cert maintenance will be less than \$50 per year for almost all infant formula exporters. Users would be invoiced monthly. However, consistent with MPI's current administrative arrangements, invoices for less than \$50 would be withheld until they reach \$50, or until the end of the financial year, whichever comes first.

6.32.4 Proposed recovery of the costs of MPI staff time to process export declarations

The notice would require infant formula exporters to submit an export declaration form in E-cert (a 'health certificate') for every consignment exported to a market that does not require official assurances from MPI for that product. The export declaration forms must be approved in E-cert by an authorised user before the consignment is shipped.

The notice contains provisions for exporters to apply to the Director-General for 'auto-approval rights' for export declarations if they meet certain criteria, which means that a MPI staff member would not have to process the export declarations. Exporters with auto-approval rights would therefore not be subject to a fee to recover costs for MPI staff time to process export declarations. These exporters would still be subject to fees for maintaining MPI's E-cert system (as detailed above).

For those exporters that do not have 'auto approval rights' for export declarations, the MPI Dairy Certification Unit would likely have responsibility for assessing and approving export declaration forms. The costs of resourcing the assessment and approval of the forms would have to be recovered from users.

We have identified two potential cost recovery mechanisms:

- Option 1: formula-based fee for users per declaration (MPI's proposal); or
- Option 2: fixed fee for users per declaration.

Option 1: Formula-based fee for users

A formula would be inserted into the regulations, with the fee set each year by notice in accord with the formula in the regulations.

The formula in the first year would be:

$$\text{Fee per declaration} = \frac{\text{Estimated total approval costs}}{\text{Estimated total number of export declarations raised}}$$

The formula in subsequent years would be:

$$\text{Fee per declaration} = \frac{\text{Previous year's total approval costs}}{\text{Previous year's total number of export declarations raised}}$$

Where:

Approval costs are the costs of staff time processing and approving export declarations in a given year including overhead costs.

Total number of export declarations raised is the number of export declarations raised in E-cert by all infant formula exporters in a given year.

At the start of the first year, the estimated values for *approval costs* and *total number of export declarations raised* would be fixed by Notice made under s117(4A) and 167(1)(ma) of the Animal Products Act. In subsequent years, the previous year's values for *approval costs* and *total number of export declarations raised* would be fixed at the start of the year by the same type of Notice.

The charge would be invoiced monthly, to align with invoicing for the use of E-cert.

Setting the notice(s)

The process for issuing the notices to set the relevant fees under the regulation would need to comply with the requirements in the following sections of the Animal Products Act:

- Section 113 requires consultation and consideration of cost recovery principles.
- Section 115 requires the notices to be set prior to the financial year unless industry substantially agrees to values set.
- Sections 117, 167 (1) (ma) and 167 (3) – enable issuing of notices.
- Sections 163 and 164 provide for consultation.

Option 2: Fixed fee for users

Option 2 is to introduce a new fee in the regulations for an export declaration that takes a similar approach to the fee for an official assurance in the Animal Products (Dairy Industry Fees and Charges) Regulations 2007. Like the current official assurances fee, the export declaration fee would include a component to cover MPI staff cost and overhead costs. The fixed fee component for an export declaration is estimated at around \$16 to \$26 per export declaration form submitted, in contrast to the current fixed fee for official assurance of \$36.

There are a number of reasons why the cost would be less than for an official assurance:

- MPI staff would not need to check compliance with overseas market access requirements, so the time spent on each export declaration would be substantially less than for an official assurance.
- The export declaration may not need to be printed, because it may be accessible to verifiers online.
- Even if it did need to be printed, it would not require secure paper.

The fixed fee would be invoiced monthly to align with invoicing for the use of E-cert.

Analysis of options

MPI considers that Option 1 is more efficient and transparent than Option 2. The formula would allow MPI to adjust charges to reflect current costs and so ensure costs are allocated as closely as practicable to service provision for the recovery period in which the service is

provided. Option 2 would be more consistent with the charging mechanism for official assurances.

6.32.5 Questions for consideration

Question 6.32

- 1) Do you support the proposed method of calculating charges for uses of MPI's Dairy E-cert system?
- 2) If not, what is your preferred option for cost recovery of export declarations, and what are the reasons for this preference?

6.33 APA#27 – ESTABLISH AN IDENTICAL VERIFICATION SERVICES CHARGING REGIME FOR DAIRY VERIFICATION INSPECTION AND AUDIT

6.33.1 Background

Part 1 of the Schedule in the Animal Products (Dairy Industry Fees and Charges) Regulations 2007 provides for MPI to charge an hourly rate for dairy verification inspection and audit. Verification Services provides verification for dairy cold stores and some highly technical processing plants. The current hourly charging approach is considered adequate for these services.

The Report on New Zealand's Dairy Food Safety Regulatory System found that there is unanimous support for continued contestable verification by third parties, not by the regulator.

Verification for dairy is contestable, with the majority of service being provided by Assure Quality, a state-owned enterprise. While MPI has no intention of expanding the scope of its activities in the dairy sector at present, an increased Verification Services presence in this market cannot be discounted.

6.33.2 Problem definition

The current regulations would not support MPI Verification Services to recover costs effectively if it expanded its operations in the dairy sector

Verification Services is already providing verification to the dairy sector, acting as verifier of last resort, and it is necessary that there is alignment with circuit business cost recovery. The current single hourly rate charge for verification in Part 1 of the Schedule in the Animal Products (Dairy Industry Fees and Charges) Regulations is relatively simple compared with the charging regimes for circuit and establishment cost recovery in Part 7, Schedule 1 of the Animal Products (Fees, Charges, and Levies) Regulations 2007.

In the future, should a decision be made to expand the scope of Verification Service's activities in the dairy verification market, the current cost recovery approach would need to be adjusted to encourage efficient use of MPI's resources and ensure equity and consistency between New Zealand's primary sectors.

While no policy or business decision has been made to expand the scope of Verification Services' activities into the dairy sector, it would be prudent to provide for such a move in the event that it is required in the future.

6.33.3 Proposed charges for dairy verification and audit

MPI intends to replicate the proposed Verification Services cost recovery regime in Part 7, Schedule 1 of the Animal Products (Fees, Charges, and Levies) Regulations 2007. The regime would be replicated in the Animal Products (Dairy Industry Fees and Charges) Regulations 2007. This would enable MPI to recover costs equitably and efficiently if a policy and

business decision was made for Verification Services to expand the scope of its activity in the dairy verification market.

6.33.4 Questions for consideration

Question 6.33

- 1) Do you agree with the proposal to replicate the non-dairy cost recovery provisions in the dairy cost recovery provisions?
- 2) If not, how would you approach cost recovery for this service?

6.34 APA#28 – CHARGE FOR MINOR AMENDMENTS TO A RISK MANAGEMENT PROGRAMME (DAIRY)

6.34.1 Background

MPI processes applications for, evaluation of, and approval or variation of risk management programmes and quota compliance programmes.

The Animal Products (Dairy Industry Fees and Charges) Regulations 2007 prescribe cost recovery for this service using a fixed fee (based on one hour) and an hourly rate assessment charge (in 15-minute intervals) for any time spent over the first hour.

6.34.2 Problem definition

MPI's view is that charging a full hour for a minor amendment to a risk management programme under the Animal Products Act 1999 over-recovers the costs incurred, and is therefore inequitable, does not support efficiency, and is not justifiable.

The options to manage this issue are:

- Maintain the status quo.
- Establish a separate cost recovery item for minor amendments to risk management programmes.

6.34.3 Proposed charge for minor amendments to a risk management programme

MPI proposes to implement a fixed fee of \$77.50, based on one half-hour of time, plus hourly rate charges at \$155 per hour, charged in 15-minute increments, after the first half hour for minor amendments to risk management programmes.

This proposal will support equity, efficiency and justifiability.

6.34.4 Questions for consideration

Question 6.34

- 1) Do you agree with the proposed method of cost recovery for minor amendments to risk management programmes?
- 2) If not, what is your preferred option for cost recovery of export declarations, and what are the reasons for this preference?

6.35 APA#29 – CHARGE FOR ADDITIONAL TIME SPENT PROCESSING OFFICIAL ASSURANCES (DAIRY)

6.35.1 Background

The wording of this proposal replicates section 6.16 (APA#10). The inclusion of this proposal here is to give notice that MPI proposes to apply the same approach to the processing of official assurances for the dairy sector.

6.35.2 Problem definition

Refer to section 6.16.

6.35.3 Options

Refer to section 6.16.

6.35.4 Analysis of options

Refer to section 6.16.

6.35.5 Proposed fee for official assurances – Option 2

As detailed in section 6.16, MPI proposes to:

- 1) Introduce a fixed fee (\$32) and hourly rate charging (after the initial 15 minutes, in 15-minute intervals thereafter) for issue of official assurances, with hourly rates charged at:
 - a. the rate specified in Part 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$155); or
 - b. for live animal and germplasm exports, Hourly rate 1, Part 8, Schedule 1 of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$186.30).
- 2) Maintain the current fixed fee and hourly rate charging approach for re-issue of official assurances, with hourly rates charged at:
 - a. the rate specified in Part 2 of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$155); or
 - b. for live animal and germplasm exports, hourly rate 1, Part 8, Schedule 1 of the Animal Products (Fees, Charges and Levies) Regulations 2007 (proposed to increase to \$186.30).
- 3) Charge disbursements at actual and reasonable costs.

6.35.6 Questions for consideration

Question 6.35

- 1) What is your preferred method of cost recovery for the issue of official assurances for dairy products?
- 2) What is your preferred method of cost recovery for the reissue of official assurance documents for dairy products?

6.36 APA#30 – ADD WAIVER PROVISIONS TO DAIRY INDUSTRY FEES AND CHARGES REGULATIONS

6.36.1 Background

The Animal Products (Dairy Industry Fees and Charges) Regulations do not currently contain any provision for the Director-General to waive fees and charges. Other regulatory

frameworks in the food, animal welfare and biosecurity sectors include waiver provisions on a case-by-case basis.

6.36.2 Problem definition

The absence of waiver provisions from the Animal Products (Dairy Industry Fees and Charges) Regulations restricts the ability of the Ministry to take a more flexible approach to cost recovery where it is administratively uneconomical or impractical to charge users for services provided.

6.36.3 Proposed waiver provisions

The Ministry has not identified any legal impediment to the inclusion of a waiver provision for dairy industry fees and charges.

The Ministry therefore proposes to replicate the current waiver provisions in the Animal Products (Fees, Charges and Levies) Regulations 2007 in the updated Animal Products (Dairy Industry Fees and Charges) Regulations. The wording of the provisions would therefore be the same as or similar to:

Director-General may grant exemption or waiver

The Director-General may grant an exemption from, or waive or refund, any fee, charge, or levy specified in these regulations, in whole or in part, in any appropriate case or class of cases.

6.36.4 Questions for consideration

Question 6.36

Do you support the inclusion of waiver provisions in the Animal Products (Dairy Industry Fees and Charges) Regulations?

6.37 APPENDIX 1 – MPI ACTIVITIES UNDER THE ANIMAL PRODUCTS ACT

6.37.1 New Zealand standards, specifications and guidance

MPI activities in the area of setting standards include:

- setting New Zealand safety and suitability standards for food, pet food and other animal products for animal consumption;
- setting maximum residue limits;
- developing and implementing operational standards and guidance for industry;
- clarifying and interpreting standards or specifications;
- setting evaluation and verification requirements (and providing training and updates to recognised persons);
- contributing to the development of international standards;
- establishing import requirements;
- reviewing the effectiveness of standards.

6.37.2 Export standards and market access

MPI activities in facilitating exports include:

- provision of technical policy advice to government policy makers;
- contributing to the development of international standards;
- negotiating technical market access conditions and specifications;
- providing certification and other assurance activities to meet international authority requirements;
- setting evaluation and verification requirements;
- provision of verification services (where these must be performed by government employees);
- administering the export eligibility system (E-Cert);
- overall review of industry export programmes.

6.37.3 Approvals and registrations

MPI services in this area include:

- providing the services to regulated parties under the Act:
 - registration of risk management programmes (production systems and processes);
 - approval and recognition of agencies and persons, including third party verifiers (such as warrants for MPI, VA, and PHU staff);
 - registration of exporters.
- providing the administrative systems and processes for approvals, including evaluation and review;
- maintenance of associated public registers;
- suspension and removal of approvals and registrations.

6.37.4 Monitoring and audit

MPI monitoring and audit work in this area includes:

- regularly collection and assessment of information to check compliance with regulatory requirements;
- general (national) monitoring programmes such as monitoring of the shellfish commercial harvest;
- random sampling and testing of products across all sectors;
- imported food monitoring programme;

- industry level monitoring programmes such as the National Chemical Contaminants Programme (dairy), and poultry residue monitoring;
- monitoring and assessing recognised agencies and persons;
- scheduled auditing of industry or business systems and processes;
- intervening when non-compliance is detected;
- dealing with inquiries and providing information to industry on compliance;
- trends analysis for compliance and non-compliance.

6.37.5 Operational response and investigations

Our work in this area includes:

- responding to and investigating consumer complaints and reports of non-compliance;
- investigation of signals and information that indicate potential problems.

6.37.6 Enforcement

MPI's main activities in the area of enforcement include:

- applying corrective actions in cases of non-compliance by containment or prevention of recurrence;
- imposing regulatory sanctions;
- initiating and/or managing product recalls and emergency responses;
- implementing standards relating to responses for the range of events that arise;
- providing systems and processes for emergency response;
- co-ordinating recalls of food (domestic and international) and other relevant products from the New Zealand market;
- preparing and taking prosecutions;
- ensuring a nationally consistent response.

6.37.7 Policy advice (including technical input)

Our policy advice work includes:

- provision of technical policy advice to government policy makers;
- engagement, on behalf of New Zealand, with the Codex Alimentarius Commission and other multi-lateral forums.

6.38 APPENDIX 2 – MPI VERIFICATION SERVICES STRUCTURE

MPI Verification Services plays a key role in the meat industry owing to the requirement by the EU and China for full-time veterinary supervision. Other markets like the United States also have requirements for government veterinarian presence with varying frequencies.

The MPI Verification Services directorate is led by a Director, supported by:

- an Operational Specialist Coordinator who provides coordination of MPIVS operational matters;
- an Agency Technical Manager who provides the overall leadership and direction in technical matters;
- six regional technical managers, each of whom is supported by a regional business coordinator and a regional technical specialist.

Teams operate in the following geographical areas (supported by the Wellington Head Office-based technical team):

- Upper North Island;
- Waikato and the Bay of Plenty;
- Manawatu, Taranaki and Wanganui;
- Hawkes Bay/Wellington;
- Canterbury and the West Coast; and
- Southland and Otago.

6.39 APPENDIX 3 – SERVICES TO THE DAIRY INDUSTRY

6.39.1 The development and maintenance of New Zealand standards

MPI develops and maintains New Zealand standards by:

- setting New Zealand safety and suitability standards;
- developing and implementing operational standards and guidance for industry;
- clarifying and interpreting standards and specifications;
- setting verification requirements;
- reviewing the effectiveness of standards.

6.39.2 Performance Monitoring

Monitoring for dairy industry performance encompasses:

- undertaking system performance audits to ensure the regulatory model is working as intended;
- monitoring and assessing recognised agencies' and accredited persons' performance (in conjunction with the accreditation body) by assessing a percentage of performance-based verification reports;
- providing technical clarification, technical assessments and regulatory compliance dispute resolution, and managing critical non-compliance;
- monitoring, reporting on and managing routine procedural failures in dairy processing premises and export non-conformances;
- contributing to industry forums and working groups such as the Dairy Product Safety Advisory Council, and liaising with overseas regulators on systems performance.

MPI will investigate cost recovery for responses and incidents that fall outside the scope of current cost recovery provisions as part of its overarching review of cost recovery.

6.39.3 The development and maintenance of market access and export standards

MPI develops and maintains market access and export standards by:

- negotiating technical market access and specifications for existing markets;
- developing, maintaining and evaluating export food standards and systems;
- reviewing industry export programmes;
- setting verification requirements for industry.

6.39.4 The dairy residue monitoring programme (National Chemical Contaminants Programme)

Independent service providers sample raw milk, colostrum and dairy products to confirm that residue or contaminant levels do not exceed acceptable limits for New Zealand or for export markets and report the results to MPI. The monitoring includes random monitoring and targeted surveillance of raw milk, dairy material and dairy products on farm, in bulk milk tanks, in milk tankers and at dairy premises as well as surveys (when there is little or no historical data).

The key outputs of this service are:

- an assurance that not less than 99 percent of raw milk conforms to New Zealand and international standards at the farm gate;
- confirmation that the regulatory framework delivers dairy products that are safe and accurately represented;
- confirmation of the accuracy of attestations provided to other competent authorities;
- confirmation that Registered Manufacturing Programme sampling and testing plans and procedures are appropriate, reliable and capable of identifying non-conformances;
- investigation of unfavourable findings to ensure that controls remain effective and that emerging hazards are identified and appropriate regulatory measures are applied.

The National Chemical Contaminants Programme includes the independent verification programme, which verifies the accuracy of commercial testing of exported products for food safety, wholesomeness and standards of identity.

6.40 APPENDIX 4 – EXISTING AND PROPOSED DAIRY FEES UNDER ANIMAL PRODUCTS ACT 1999

Fees are shown as GST exclusive.

Shaded columns and headers are for referencing and commentary purposes. Light grey shaded content is for new proposals. Additional line spacing and column/row lines have been added for readability.

Animal Products (Dairy Industry Fees and Charges) Regulations 2007

Part 1 – Fixed fees

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
	<i>Standards setting</i>					
1	Development and maintenance of standards	Quarterly fee	\$351,447	Payable by Fonterra Co-operative Group Limited on 1 July, 1 October, 1 January and 1 April		APA#25 Proposed new methodology – see below.
2		Quarterly fee	\$3,814	Payable by Westland Co-operative Dairy Company Limited on 1 July, 1 October, 1 January and 1 April		
3		Quarterly fee	\$1,223	Payable by Tatua Co-operative Dairy Company Limited on 1 July, 1 October, 1 January and 1 April		
4		Quarterly fee	\$215.11	Payable by Dairy Goat Co-operative (N.Z.) Limited on 1 July, 1 October, 1 January and 1 April		
5		Quarterly fee	\$1,511	Payable by Open Country Cheese Limited on 1 July, 1 October, 1 January and 1 April		
6		Annual fee	\$382.22 for each registered manufacturing premises receiving less than 316 000 kg of raw milk solids	Payable by the registrant on 1 July each year		

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
7	Development and maintenance of market access standards and programme	Quarterly fee	115,378	Payable by Fonterra Co-operative Group Limited on 1 July, 1 October, 1 January and 1 April		APA#25 Proposed new methodology – see below.
8		Annual fee when first registered	\$306.67 for each exporter first registered in July, August or September	Payable by the applicant on application for registration in the year commencing 1 July in the year of registration and ending on 30 June the following year		
9			\$230.22 for each exporter first registered in October, November or December	Payable by the applicant on application for registration in the year commencing 1 July in the year of registration and ending on 30 June the following year		
10			\$153.78 for each exporter first registered in January, February or March	Payable by the applicant on application for registration in the year commencing 1 July in the year of registration and ending on 30 June the following year		
11			\$76.44 for each exporter first registered in April, May or June	Payable by the applicant on application for registration in the year commencing 1 July in the year of registration and ending on 30 June the following year		
12		Annual fee	\$306.67 for each exporter	Payable by the registrant on 1 July each year		
	Approvals					
13	Application for, evaluation of, and approval or variation of risk management programmes and quota compliance programmes	Application for approval fee	\$122.00 per application; plus \$122.00 per hour in excess of 1 hour processing application	\$122.00 payable by the applicant on application for approval and any remainder payable within 1 month of the granting or refusal to grant approval	- \$155.00, plus	Updated rates
14					- \$155 per hour after the first hour, in 15-minute increments, plus	
15					- actual and reasonable costs	

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
16 17 18	Application for, evaluation of, and approval or variation of laboratories	Application for approval fee	\$122.00 per application plus \$122.00 per hour in excess of 1 hour processing application	\$122.00 payable by the applicant on application for approval and any remainder payable within 1 month of the granting or refusal to grant approval	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs	Updated rates Common#4
19 20 21	Evaluation of, and approval or variation of codes of practice	Application for approval fee	\$119.11 per application plus \$119.11 per hour in excess of 1 hour processing application	\$119.11 payable by the applicant on application for approval and any remainder payable within 1 month of the granting or refusal to grant approval	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs	Updated rates Common#4
22 23 24	Application for, evaluation of, and recognition, variation, or renewal of agency or person as recognised agency or recognised person under Part 8 of the Animal Products Act 1999	Application for approval fee	\$122.00 per application plus \$122.00 per hour in excess of 1 hour processing application	\$122.00 payable by the applicant on application for approval and any remainder payable within 1 month of the granting or refusal to grant approval	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs	Updated rates Common#4
25 26 27	Application for approval of a maintenance compound(s)	Application for approval fee		Payable by the applicant on application for approval	- \$77.50, plus - \$155 per hour after the first half hour, in 15-minute increments, plus - actual and reasonable costs	APA#13 Common#4
	<i>Market access functions</i>					
28 29 30	Application for market access functions	Application fee	\$164.00 per application plus \$164.00 per hour in excess of 1 hour considering application	\$164.00 payable by the applicant on application and any remainder payable within 1 month of provision of notice	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs	Updated rate Common#4

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
	<i>Compliance and monitoring</i>					
31	Dairy residue monitoring programme	Quarterly fee	\$287,249	Payable by Fonterra Co-operative Group Limited on 1 July, 1 October, 1 January and 1 April		APA#25 Proposed new methodology – see below.
32		Annual fee when first registered	\$361.78 for each exporter first registered in July, August, or September	Payable by the applicant on application for registration for the year commencing 1 July in the year of registration and ending on 30 June the following year		
33			\$271.11 for each exporter first registered in October, November, or December	Payable by the applicant on application for registration for the year commencing 1 July in the year of registration and ending on 30 June the following year		
34			\$181.33 for each exporter first registered in January, February, or March	Payable by the applicant on application for registration for the year commencing 1 July in the year of registration and ending on 30 June the following year		
35			\$90.67 for each exporter first registered in April, May or June	Payable by the applicant on application for registration for the year commencing 1 July in the year of registration and ending on 30 June the following year		
36		Annual fee	\$361.78 for each exporter	Payable by the registrant on 1 July		
37	Performance monitoring	Quarterly fee	\$90,036	Payable by Fonterra Co-operative Group Limited on 1 July, 1 October, 1 January and 1 April		APA#25 Proposed new methodology – see below.
38		Quarterly fee	\$2,687	Payable by Westland Co-operative Dairy Company Limited on 1 July, 1 October, 1 January and 1 April		
39		Quarterly fee	\$826.67	Payable by Tatua Co-operative Dairy Company Limited on 1 July, 1 October, 1 January and 1 April		

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
40		Quarterly fee	\$103.11	Payable by Dairy Goat Co-operative (N.Z.) Limited on 1 July, 1 October, 1 January and 1 April		
41		Quarterly fee	\$1,034	Payable by Open Country Cheese Limited on 1 July, 1 October, 1 January and 1 April		
42		Annual fee	\$105.78 for each registered manufacturing premises receiving less than 316 000 kg of raw milk solids	Payable by the applicant on 1 July each year		
43	Development and maintenance of New Zealand standards, dairy residue monitoring and performance monitoring	Annual levy			<p>\$930 per year to be paid by small processors on 1 July each year.</p> <p>Small processors are persons with a farm dairy risk management programme that are not collection agents or are collection agents that collected less than or equal to 491,000 kg of raw milk solids directly (not through a collection agent) in the previous financial year.</p> <p>A collection agent is:</p> <ul style="list-style-type: none"> - a dairy processor whose business includes buying milk solids from a dairy farmer; or - a person whose business includes buying milk solids from a dairy farmer for supply directly or indirectly to a dairy processor. 	APA#25 Proposed new approach for small processors (< 491,000 kg raw milk solids per annum)
44	Development and maintenance of New Zealand standards, dairy residue monitoring and performance monitoring	Annual levy			<p>Combined levy for large processor:</p> $L_{\text{processor}} = [(TC_{\text{MPI Annual}} \times MS_{\text{processor last}}) / MS_{\text{total last}}]$ <p>Where:</p> <p>$L_{\text{processor}}$ = levy payable by processor X;</p> <p>$TC_{\text{MPI, Annual}}$ = \$3,420,089;</p> <p>$MS_{\text{processor last}}$ = each large processor's milk solids collection for the previous year; and</p> <p>$MS_{\text{total last}}$ = total milk solids collected for the previous year from all large processors.</p>	APA#25

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
					<p>To be paid by large processors in quarterly instalments on 30 September, 31 December, 31 March and 30 June.</p> <p>Large processors are defined as persons that have a farm dairy risk management programme and are collection agents who collected more than 491,000 kilograms of milk solids from dairy farmers directly (<i>not</i> through another collection agent) in the previous financial year.</p> <p>A collection agent is:</p> <ul style="list-style-type: none"> - a dairy processor whose business includes buying milk solids from a dairy farmer; or - a person whose business includes buying milk solids from a dairy farmer for supply directly or indirectly to a dairy processor. 	
45	Development and maintenance of export and market access standards and programme	Annual levy			<p>\$310 per year, to be paid by small exporters on 1 July each year.</p> <p>Small exporters are defined as registered exporters that exported less than or equal to 636,000 kg of dairy products in the previous financial year.</p>	APA#25 Proposed new approach for small exporters (< 636 000 kg export mass per annum)
46	Development and maintenance of market access standards and programme	Annual levy			<p>Combined levy for large exporter:</p> $L_{Y \text{ exporter}} = [(ETC_{MPI \text{ Annual}} \times EM_{Y \text{ last}}) / EM_{Total \text{ last}}]$ <p>Where:</p> <p>$L_{Y \text{ exporter}}$ = levy payable by exporter Y; $ETC_{MPI \text{ Annual}}$ = \$1,258,824 $EM_{Y \text{ last}}$ = exporter's dairy export mass for the previous year $EM_{Total \text{ last}}$ = total dairy export mass for the previous year from all large exporters (from New Zealand Customs Service data).</p> <p>To be paid by large exporters in quarterly instalments on 30 September, 31 December, 31 March and 30 June.</p> <p>Large exporters are defined as registered</p>	APA#25 Proposed new approach for large exporters (> 636 000 kg export mass per annum)

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
					exporters or other businesses that exported more than 636,000 kg of dairy products in the previous financial year.	
47 48 49	Verification inspection and audits	Inspection and audit fee	\$164.00 per hour	Payable by occupier of the premises subject to verification inspection and audits	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by occupier of the premises subject to verification inspection and audits	Common#4
50 51 52	Application for product disposition	Application fee	\$164.00 per application, plus \$164.00 per hour in excess of 1 hour considering application	\$164.00 payable by the applicant on application and any remainder payable within 1 month of granting or refusal to grant approval	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month of granting or refusal to grant approval.	Common#4
	<i>Official assurances</i>					
53 54 55	Issue of official assurance under section 61	Issue fee	\$122 per hour or part hour	Applicant	<ul style="list-style-type: none"> - \$32.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month of granting or refusal to grant approval.	APA#29 Common#4
56 57 58	Reissue of official assurance under section 64(2) if replacement assurance demanded by importing country	Issue fee	\$366 per replacement certificate, plus assessment charge on hourly basis specified in Part 2 for any hours exceeding 3 hours to a maximum of \$889	Applicant	<ul style="list-style-type: none"> - \$465.00 per replacement certificate, plus - \$155 per hour after the first three hours, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#29 Common#4

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
	<i>Exporter registration</i>					
59 60 61	Application for registration or renewal of registration	Application fee	\$122.00 per application, plus \$122.00 per hour in excess of 1 hour processing application	\$122.00 payable by the applicant and any remainder payable within 1 month of granting or refusal to grant approval	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month of granting or refusal to grant approval.	Common#4
	<i>Exporter declaration</i>					
62 63	Issue of Exporter Declaration for infant formula export	Issue fee		Applicant.	<p>The formula in the first year would be: $Fee_1 = (TAC_1 / TED_1)$ Where: Fee_1 = Fee per declaration in first year; TAC_1 = Estimated total approval costs; and TED_1 = Estimated total number of export declarations</p> <p>The formula in subsequent years would be: $Fee_p = (TAC_p / TED_p)$ Where: Fee_p = Fee per declaration; TAC_p = Total approval costs for previous year; and TED_p = Total number of export declarations for previous year.</p> <p>and:</p> <ul style="list-style-type: none"> - approval costs are the costs of staff time processing and approving export declarations in a given year including overhead costs. - total number of export declarations raised is the number of export declarations raised in E-cert by all infant formula exporters in a given year. 	APA#26 The charge would be invoiced monthly, to align with invoicing for the use of E-cert.

	Service area	Type of fee	Fee	When fee payable and by whom	Proposed Fee, charge or levy	Comment
64	Waiver provision	Annual levy			Director-General may grant exemption or waiver <i>The Director-General may grant an exemption from, or waive or refund, any fee, charge, or levy specified in these regulations, in whole or in part, in any appropriate case or class of cases.</i>	APA#30

Part 1A – Charges for use of electronic certification system

Part 11 – Charges for use of electronic certification system						
	Current basis			Proposed basis	Comment	
65	1	For industry users that access the Ministry’s electronic certification system, charges based on the following formula are payable in respect of each database request and each second of time spent on the server: (cost per request + cost per second) x appropriate percentage where – cost per request is the amount fixed from time to time by the Director-General by notice under section 167(1)(ma) of the Animal Products Act 1999 for each database request, having regard to clause 2 cost per second is the amount fixed from time to time by the Director-General by notice under section 167(1)(ma) of the Animal Products Act 1999 for each second of time on the server, having regard to clause 2 appropriate percentage is – (a) for industry users of a class for which recognised agency use of the electronic certification system is not required, 55%: (b) for all other industry users, 100%.				No changes to methodology proposed.
	2	In setting any cost per request or cost per second, the aim is for these costs to reflect usage of the electronic certification system for the relevant year or other period, with regular updating if appropriate.				
	3	This Part applies to all users of the electronic certification system.				

Part 2 – Fee for services of certification and reconciliation

		Proposed basis	Comment						
	Quarterly fee payable by holder of export licence								
66	<p>A fee is payable for services of certification and reconciliation provided by the New Zealand Food Safety Authority in relation to the regulated control scheme described in regulation 3 of the Animal Products (Regulated Control Scheme – Dairy Export Quota Products) Regulations 2008 (services).</p> <p>The holder of an export licence on 1 July, 1 October, 1 January, or 1 April must pay the fee on that date (payment date).</p> <p>The fee is calculated as follows:</p> <p>Fee = $\frac{\text{amount to recover for year}}{4} \times \frac{\text{holder's allocated quantity}}{\text{total allocated quantity}}$</p> <p>where –</p> <table><tr><td>Amount to recover for year</td><td>Is the amount, as determined by the New Zealand Food Safety Authority, that needs to be recovered to fund the services in relation to all holders of export licences for the financial year in which the payment date falls (inclusive of goods and services tax)</td></tr><tr><td>Holder's allocated quantity</td><td>Is the total quantity (in tonnes) of all products in all designated markets for which the holder holds an export licence on the payment date</td></tr><tr><td>Total allocated quantity</td><td>Is the total quantity (in tonnes) of all products in all designated markets for which all holders hold export licences on the payment date</td></tr></table>	Amount to recover for year	Is the amount, as determined by the New Zealand Food Safety Authority, that needs to be recovered to fund the services in relation to all holders of export licences for the financial year in which the payment date falls (inclusive of goods and services tax)	Holder's allocated quantity	Is the total quantity (in tonnes) of all products in all designated markets for which the holder holds an export licence on the payment date	Total allocated quantity	Is the total quantity (in tonnes) of all products in all designated markets for which all holders hold export licences on the payment date		No changes to methodology proposed.
Amount to recover for year	Is the amount, as determined by the New Zealand Food Safety Authority, that needs to be recovered to fund the services in relation to all holders of export licences for the financial year in which the payment date falls (inclusive of goods and services tax)								
Holder's allocated quantity	Is the total quantity (in tonnes) of all products in all designated markets for which the holder holds an export licence on the payment date								
Total allocated quantity	Is the total quantity (in tonnes) of all products in all designated markets for which all holders hold export licences on the payment date								

6.41 APPENDIX 5 – APA NON-DAIRY – EXISTING AND PROPOSED FEES (NON-DAIRY) UNDER ANIMAL PRODUCTS ACT 1999

Fees are shown as GST exclusive.

Shaded columns and headers are for referencing and commentary purposes. Light grey shaded content is for new proposals. Additional line spacing and column/row lines have been added for readability.

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

Schedule 1 – Fees and charges

Part 1 – Schedule of fees

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
67 68 69	1	Application under section 20 for registration of risk management programme	\$122.00 plus assessment charge on hourly basis specified in Part 2	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
70 71 72	2	Application under section 25 for agreement to amendment of risk management programme	\$122.00 plus assessment charge on hourly basis specified in Part 2	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
73 74 75	3	Fee in relation to update of risk management programme under section 26	\$122.00 plus assessment charge on hourly basis specified in Part 2	- \$77.50, plus - \$155 per hour after the first half hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#12 Common#1 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
76 77 78	4	Application under section 34 for registration of food safety programme as risk management programme	\$88.89 plus assessment charge on hourly basis specified in Part 2 in respect of assessing of conditions	<ul style="list-style-type: none"> - \$102.27, plus - \$102.27 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
79 80 81	5	Application under section 54 for registration as exporter	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
82 83 84	6	Application for approval of premises for export of products where required under export requirements	\$122.00 per hour in considering application, but excluding the first hour	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
85 86 87	7	Annual exporter registration fee under section 57	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
88 89 90	8	Application under section 65G for listing as a game estate	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
91 92 93	9	Annual listing fee under section 65L	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
94 95 96	10	Application under section 75 for listing as homekill or recreational catch service provider	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
97 98 99	11	Annual listing fee under section 77	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
100 101 102	12	Application under section 102 for recognition or accreditation	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
103 104 105	13	Annual recognition or accreditation fee under section 108	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
106 107 108	14	Application for provision under section 111 of substituted notice of recognition or accreditation	\$35.56	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
109 110 111	15	Issue of official assurance under section 61	\$36.00	<ul style="list-style-type: none"> - \$32.00, plus - \$155 per hour after the 15 minutes, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#11 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
112 113 114	16	Reissue of official assurance under section 64(2) if replacement insurance demanded by importing country	\$366.22 per replacement certificate plus assessment charge on hourly basis specified in Part 2 for any hours exceeding 3 hours to a maximum of \$889, plus disbursements at cost	<ul style="list-style-type: none"> - \$465.00, plus - \$155 per hour after the first three hours, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#10 Common#4
115	17	Issue, on request, of statement of New Zealand standard under section 83	\$22.22	\$32.00	Updated rate
116 117 118	18	Registration of transport operator, vehicle docking facility operator, or wharf operator under notice issued under section 40	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
119 120 121	20	Application to list animal material depot as required under notice issued under section 167 and renewal of listing	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
122 123 124	21	Application for issue or revocation of relay permit for bivalve molluscan shellfish issued under Animal Products (Regulated Control Scheme – Bivalve Molluscan Shellfish) Regulations 2006	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
125 126 127	22	Application for registration as bivalve molluscan shellfish harvest operator under Animal Products (Regulated Control Scheme – Bivalve Molluscan Shellfish) Regulations 2006	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
128 129 130	23	Annual bivalve molluscan shellfish harvest operator fee	\$122.00	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
131 132 133	24	Application to list or renew listing as transport operators, sorting shed operators, or depot operators required by notice made under Animal Products (Regulated Control Scheme – Bivalve Molluscan Shellfish) Regulations 2006	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
134 135 136	26	Application to register a limited processing vessel	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
137 138 139	27	Annual limited processing vessel registering fee	\$122.00	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
140 141 142	28	Application for approval of MAF Devices (brands/seals) made under Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2006 made under section 67	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
143 144 145	29	Application for recognition or accreditation under section 100	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
146 147 148	30	Application to be certified as either a certified supplier (wild animals) or a certified game estate supplier under Animal Products (Specifications for Products Intended for Human Consumption) Notice 2004	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
149 150 151	31	Application for listing as further (pet food) processor under Animal Products (Specifications for Products Intended for Animal Consumption) Notice 2006	\$122.00 plus assessment charge on hourly basis specified in Part 2	<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#1 Common#4
152 153 154		Application to change a recognised agency on a risk management plan		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#6 Common#4
155 156 157		Application to list as an approved halal premises under clause 10 (1) of the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4
158 159 160		Issue of Official Assurance		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#10 Common#4
161 162 163		Application to list as an approved halal organisations under clause 10 (4) of the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
164 165 166		Audit and inspection of approved halal organisations, halal assessment and approval personnel and issuing officers under clause		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4
167 168 169		Application for approving, renewing or revoking an issuing officers approval under clause 12 (1) (c) and (d) of the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4
170 171 172		Issue of halal official assurances or halal attestations on a sanitary official assurance for product to be exported to any one or more of the markets under clause 13 of the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4
173 174 175		Application for listing as a halal assessment and approval personnel and issuing officers; under clause 15 (4) of the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4
176 177 178		Application to list as a competent halal slaughter person under clause 21 (3) of the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013.		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#7 Common#4
179 180 181		Applications for re-certification as either a certified supplier (wild animals) or a certified game estate supplier under Animal Products (Specifications for Products Intended for Human Consumption) Notice 2013.		<ul style="list-style-type: none"> - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#8 Common#4

		Matter in respect of which fee payable under Animal Products Act 1999	Fee	Proposed Fee	Comment
182 183 184		Applications to re-list as a further pet food processor under clause 69E of the Animal Products (Specifications for Product Intended for Animal Consumption) Notice 2014.		- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#19 Common#4
185 186 187		Inspection and audit under the Animal Products Act 1999		- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#12 Common#4
188 189 190		Performance of a function, power or duty that is: <ul style="list-style-type: none"> • required to be undertaken under the relevant Act, including subsidiary regulations and notices; • not prescribed elsewhere in the relevant cost recovery regulations. 		- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Updated rate Common#4
191 192 193		Application for approval of a maintenance compound(s)		- \$77.50, plus - \$155 per hour after the first half hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	APA#13 Common#4

Part 2 – Assessment charges on hourly basis

Where Part 1 specifies an assessment charge on an hourly basis that charge is to be determined as follows for each hour (or final part-hour) beyond the first hour spent on assessing the matter concerned:					
Category			Fee	Proposed Fee or charge	Comment
194 195 196	(a)	For each hour (excluding final part-hour) spent by an officer or employee of the Ministry For each 15-minute block in final part-hour	122.00 30.50	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#4
197 198 199	(b)	For each hour (excluding final part-hour) spent by a person engaged by the Ministry to assess the matter concerned who is not an officer or employee of the Ministry For each 15-minute block in final part-hour	133.33 33.33	- \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable by the applicant on application and any remainder payable within 1 month.	Common#4

Part 3 – Costs incurred by Ministry at request of operator, etc

	Current basis	Proposed basis	Comment:
200	Actual and reasonable expenses incurred by an officer or employee of the Ministry may be recovered by the Ministry where those expenses arise from: (a) a request by the operator of a risk management programme, or other processor; or (b) an act or omission of an operator or processor.	Actual and reasonable costs incurred by an officer or employee of the Ministry may be recovered when they arise from: - a request by the operator of a risk management programme, or other processor; - an act or omission of an operator or processor. Costs would include, but not be limited to, costs such as external review; expert review; notification; product testing; travel and accommodation as well as disbursements such as photocopying, printing and stationery, phone, fax, video conferencing, postage and courier.	Common#4

Part 4 – Travel costs

	Current basis	Proposed basis	Comment:
201	Where travel of a Ministry officer or employee is required for any of the matters specified in Parts 1, 2, 3, 7, and 8, an additional amount of \$0.69 per kilometre travelled by the officer or employee is payable in addition to the relevant fee or charge.	Rate published by the per km charge as promulgated from time to time by the Commissioner of Inland Revenue under section DE12(3) of the Income Tax Act 2007.	Common#2

Part 5 – Cost of other work-related allowances

	Current basis	Proposed basis	Comment:
202	Additional amounts are payable in respect of the actual and reasonable cost to the Ministry of work-related allowances paid to Ministry officers and employees where those are fairly attributable to any of the matters specified in Parts 1, 2, 3, 7, and 8. Without limiting the generality of what constitutes a work-related allowance, these include matters such as meal allowances, clothing and laundry allowances, and field, standby, and isolation allowances.	Actual and reasonable costs associated with the activity being undertaken.	Common#4

Part 6 – Charges for use of electronic certification system

	Current basis	Proposed basis	Comment:
203	<p>1 For industry users that access the Ministry's electronic certification system, charges based on the following formula are payable in respect of each database request and each second of time spent on the server:</p> <p style="text-align: center;">(cost per request + cost per second) x appropriate percentage</p> <p>where –</p> <p>cost per request is the amount fixed from time to time by the Director-General by notice under section 167(1)(ma) of the Animal Products Act 1999 for each database request, having regard to clause 4</p> <p>cost per second is the amount fixed from time to time by the Director-General by notice under section 167(1)(ma) of the Animal Products Act 1999 for each second of time on the server, having regard to clause 4</p> <p>appropriate percentage is –</p> <p>(b) for industry users of a class for which recognised agency use of the electronic certification system is not required, 55%:</p> <p>(d) for all other industry users, 100%.</p>		No changes proposed
	<p>4 In setting any cost per request or cost per second, the aim is for these costs to reflect usage of the electronic certification system for the relevant year or other period, with regular updating if appropriate.</p>		No changes proposed
	<p>5 This Part applies to all users of the electronic certification system.</p>		No changes proposed

Part 7 –Verification charges

Current		Proposed charges	Comment:
Notes			
1	The charges set out in this Part apply where any verification function under the Animal Products Act 1999 is carried out by an officer or employee of the Authority.		
2	The charges set out in this Part are exclusive of goods and services tax, and goods and services tax on these charges will be added to the total invoice.		
3	In this Part, –		
	after-hours callout charges refer to charges payable for hours where a veterinary or non-veterinary verifier performs verification functions at any place or premises outside normal agreed hours of work, and are chargeable for those hours in substitution for any establishment or circuit charges		
	Authority means the New Zealand Food Safety Authority		
	breakfast shift refers to the situation where the verification functions carried out by a verifier in any day are commenced before 6 am		
204	circuit charges refer to charges payable in respect of any place or premises where the verification functions are performed by Authority verifiers who are not permanently or semi-permanently based at the place or premises		APA#22 MPI proposes to enable Verification Services to recover the costs of non-verification functions and services it provides to operators.
	disestablishment charges means the charges payable in respect of the disestablishment of the position of a veterinary verifier due to the closure of an operator's premises or the reduction of operations at those premises		
	double time refers to overtime hours worked by a verifier for which the verifier is entitled, by his or her employment contract, to double time rates		
	establishment charges refer to charges payable in respect of any place or premises where the verification functions are performed by Authority verifiers who are permanently or semi-permanently based at the place or premises		
205	non-veterinary verifier means a verifier who is not a veterinarian registered under the Veterinarians Act 2005		APA#22 MPI proposes to remove the differentiation in the circuit charging regime between veterinarian and non- veterinarian verifiers.

	Current	Proposed charges	Comment:
	penal rate 0.5 means the rate per hour of the first 3 hours of penal time worked by an employee during the period between— (a) midnight at the end of Friday; and (b) midday Saturday		
	penal rate 1.0 means the rate for every hour of penal time worked by an employee other than hours to which penal rate 0.5 applies		
206	Penal rate 2.0 means the rate for every hour of penal time worked by an employee other than hours to which penal rate 0.5 and 1.0 applies		APA#23 MPI proposes to create a new penal rate (2.0 x regular hourly rate) and insert new penal rates into the relevant penal rates for veterinary verifier and supervising veterinary verifier.
207	penal time refers to hours worked by a verifier for which the verifier is entitled, by his or her contract of employment, to penal rates, being hours (other than overtime) worked within a 40-hour week from Monday to Sunday		APA#23 MPI proposes to amend the definition of penal time to refer to Monday to Sunday instead of the current Saturday, Sunday or statutory holidays.
	reserve rate refers to the rate for hours worked by a reserve verifier		
	reserve verifier means a temporary veterinary verifier or supervising veterinary verifier who undertakes the work of an establishment verifier while that verifier is on annual leave or is otherwise absent on a temporary basis		
	shift rates refers to the rates applicable to the case where a verifier is entitled, by his or her employment contract, to extra remunerations for working shifts		
208	supervising veterinary verifier means a veterinary verifier who has prime responsibility for the verification functions at a place or premises		APA#22 MPI proposes to remove the differentiation in the circuit charging regime between veterinarian and non-veterinarian verifiers.
	time and a half , or 1½ time , refers to overtime hours worked by a verifier for which the verifier is entitled, by his or her employment contract, to time and a half rates		
209	veterinary verifier means a verifier who is a veterinarian registered under the Veterinarians Act 2005.		APA#22 MPI proposes to remove the differentiation in the circuit charging regime between veterinarian and non-veterinarian verifiers.

		Current basis	Current fee	Proposed fee or charge	Comment:
210	1	Establishment charge			
	A	<i>Basic hourly charge on export and game sectors</i>			
211		For each hour normal time (but not penal time hours or 1½ or double time hours) spent by a verifier in verification functions	\$41.04	\$44.90	APA#18 Establish a combined basic charge rate for circuit and establishment.
212	B	<i>Hourly charges for verifiers</i>			APA#18
	(1)	Verifier			Remove the differentiation in the circuit charging regime between veterinarian and non-veterinarian verifiers.
213		(a) non-shift rates –			
		per hour	\$68.12	\$70.30	
214		per hour at 1½ time	\$82.61	\$105.50	
215		per hour at double time	\$110.15	\$140.60	APA#23 Create new penal rate (2.0 x regular hourly rate) and insert new penal rates into the relevant penal rates for veterinary verifier and supervising veterinary verifier.
216		(b) shift rates	The relevant rate specified in paragraph (a), plus an additional rate of –		
			(i) \$30.00 per shift per verifier for evening shift	\$41.00	
217			(ii) \$41.00 per shift per verifier for night shift	\$41.00	

		Current basis	Current fee	Proposed fee or charge	Comment:
227		(c) penal rates	The relevant rate specified in paragraph (a), plus an additional rate of –		APA#23 Create new penal rate (2.0 x regular hourly rate) and insert new penal rates into the relevant penal rates for veterinary verifier and supervising veterinary verifier.
228			(i) \$29.73 per hour per verifier for penal time worked at penal rate 0.5	\$37.60	
229			(ii) \$59.46 per hour per verifier for penal time worked at penal rate 1.0	\$75.10	
230		(d) reserve rate	(iii) Penal time worked at penal rate 2.0 \$59.46 per hour for each hour worked by a reserve verifier	\$150.20 \$75.10	
	2	Circuit charge			
	A	<i>Basic hourly charge on primary processors who slaughter or dress animals other than fish</i>			
231		Charge for each hour spent by a verifier in verification function for animals other than fish	\$20.97 per hour	\$44.90	APA#18 Establish a combined basic charge rate for circuit and establishment.
	B	<i>Basic hourly charge on secondary processors (other than processors of fish and operators of coolstores or other storage premises)</i>			
232		Charge for each hour spent by a verifier in verification function	\$20.97 per hour	\$44.90	
233	C	<i>Annual charge for coolstores or other storage premises, and for processors of fish</i> (to be pro-rated on a monthly basis where verification contract for less than a full year)			APA#21 Annual charge for the coolstores, dry stores, shellfish and wetfish sectors removed from Part 7 of the Animal Products (Fees, Charges, and Levies) Regulations 2007. These sectors would instead be invoiced at the basic rate instead.
234		(a) coolstores or other storage premises, per coolstore or other premises	\$1,100 per annum		
235		(b) primary processing (including on a fishing vessel) of fish other than bivalve molluscan shellfish	\$549.00 per annum		
		(c) processors of bivalve molluscan shellfish	\$1,547.00		

		Current basis	Current fee	Proposed fee or charge	Comment:
236	D	<i>Monthly charge for fishing vessels</i> Charge per vessel (in addition to any relevant charge under item C)	\$20.35		
237	E	<i>Hourly charges for verifiers</i> (for all verification activities)			APA#18
238	(1)	Verifier –			APA#23 Create new penal rate (2.0 x regular hourly rate) and insert new penal rates into the relevant penal rates for veterinary verifier and supervising veterinary verifier. New penal rate 2.0
239		(a) Non-penal rates –			
240		per hour (excluding seafood and coolstore premises)	\$93.04	\$120.10	
241		per hour for seafood and coostore premises	\$93.04	\$120.10	
242		per hour at 1½ time	\$128.85	\$180.10	
243		per hour at double time	\$171.80	\$240.10	
244		(b) Penal rates –			
		The relevant rate specified in paragraph (a), plus an additional rate of –			
		(i) \$57.00 per hour per verifier for penal time worked at penal rate 0.5		\$60.10	
		(ii) \$85.90 per hour per verifier for penal time worked at penal rate 1.0		\$120.10	
		(iii) Penal rate 2.0		\$240.20	
245	(2)	Veterinary verifier –			APA#22 Remove the differentiation in the circuit charging regime between veterinarian and non-veterinarian verifiers.
246		(a) Non-penal rates –			
247		per hour (excluding seafood and coolstore premises)	\$93.04	\$120.10	
248		per hour for seafood and coostore premises	\$93.04	\$120.10	
		per hour at 1½ time	\$128.85	\$180.10	
		per hour at double time	\$171.80	\$240.10	

		Current basis	Current fee	Proposed fee or charge	Comment:
249		(b) Penal rates	The relevant rate specified in paragraph (a), plus an additional rate of –		APA#23
250			(i) \$57.00 per hour per verifier for penal time worked at penal rate 0.5	\$60.10	Create a new penal rate (2.0 x regular hourly rate) and insert new penal rates into the relevant penal rates for veterinary verifier and supervising veterinary verifier.
251			(ii) \$85.90 per hour per verifier for penal time worked at penal rate 1.0	\$120.10	
			(iii) Penal rate 2.0	\$240.20	New penal rate 2.0
252	3 A	After-hours callout charge <i>Minimum charge</i> Minimum charge for any individual after-hours callout, however long	charge for 3 hours at the relevant rate under item B (plus flat rate \$8.70 breakfast shift charge, if applicable)		No change proposed.
254	B	Hourly charges for verifiers			
255		per hour	\$75.00 (plus flat rate \$8.70 breakfast shift charge, if applicable)	Relevant rate for MPI verifiers who attend, plus shift charge (if applicable)	
256		per hour at 1½ time	\$125.00 (plus flat rate \$8.70 breakfast shift charge, if applicable)	Relevant rate for MPI verifiers who attend, plus shift charge (if applicable)	
257					
258		per hour at double time	\$150.00 (plus flat rate \$8.70 breakfast shift charge, if applicable)	Relevant rate for MPI verifiers who attend, plus shift charge (if applicable)	
259					
	4 A	Disestablishment charges <i>Where verifier employed by operator for less than 12 months</i> Either –			

		Current basis	Current fee	Proposed fee or charge	Comment:
260 261 262 263 264 265		(a) the actual cost of transfer or relocation; or (b) the actual cost of retraining; or (c) the actual cost of the matters specified in paragraphs (a) and (b), if both are applicable; or (d) the lesser of – (i) the actual cost of redundancy; or (ii) the amount derived by multiplying the total ordinary pay during the period employed by 0.04165 – But in no case is the charge under paragraph (a), (b), (c), or (d) to exceed \$55,000.			No changes proposed.
	B	<i>Where verifier employed by operator for 12 months or more</i> Either –			
266 267 268 269 270 271		(a) the actual cost of transfer or relocation; or (b) the actual cost of retraining; or (c) the actual cost of the matters specified in paragraphs (a) and (b), if both are applicable; or (d) the lesser of – (i) the actual cost of redundancy; or (ii) the amount calculated using the following formula: $(a \times 0.08) + (a \times 0.04)(b - 1) + (a \times c \times 0.0333) + (da)$ where a is the verifier's total ordinary pay for the immediately preceding 12 months b is the lesser of 19 or the number of completed years of employment with the operator c is any completed months of employment in respect of an additional period of employment with the operator of less than 12 months d is – 0.10 if the period of employment completed is 1 year or more but no more than 3 years 0.20 if the period of employment completed is more than 3 years but not more than 5 years 0.29165 if the period of employment completed is more than 5 years But in no case is the charge under paragraph (a), (b), (c), or (d) to exceed \$55,000.			No changes proposed.

		Current basis	Current fee	Proposed fee or charge	Comment:
272				Establishment charges Establishing a full-time Verification Services presence at an establishment. Recoverable costs (on an actual and reasonable basis) include, but are not limited to, the following: <ul style="list-style-type: none"> (a) capital items, which include: <ul style="list-style-type: none"> (i) computer terminals, monitors and printers; (ii) office furniture and storage; (iii) phones; (iv) technical equipment. (b) expenses, which include: <ul style="list-style-type: none"> (i) recruitment; (ii) costs associated with transfer or relocation; (iii) induction and training, including salary; (iv) new health and safety equipment; (v) new folders, stationery and lockable cupboards; (vi) inspection stamps, and reject and hold tags. 	
273					

Part 8 – Unit charges, hourly rates, and callout charges in respect of export of live animals and animal germplasm

		Current basis	Charge (\$)	Proposed basis and charge:	Comment:
		Unit charges payable for each relevant unit to be exported			
		If an animal is a zoo animal and comes within the description of another animal, only the unit charge for the animal as a zoo animal is payable.			
274 275		Cats and dogs (including semen)(per animal or straw)	33.33	Per animal or semen consignment \$104.94	APA#2 Change the cats and dogs unit fee to per animal or semen straw.
276		Equine animals (per animal)	33.33	\$29.63	
277		Equine semen (per straw)	1.51	\$1.02	
278		Livestock (only bovine, caprine, corvine, ovine, and porcine)	3.69	\$3.85	
279		Bovine semen (per straw)	0.06	\$0.06	APA#4 APA#2 Cap per animal charge on livestock export consignments to a maximum of 5,000 animals.
280		Caprine and ovine semen (per straw)	0.37	\$0.06	APA#4
281		Cervine semen (per straw)	2.96	\$0.06	APA#4
282		Embryos and ova (only equine, bovine, caprine, corvine, ovine) (per embryo or ovum)	2.96	\$0.06	APA#4 Remove equine embryos and ova from this category.
283		Day-old chicks and hatching eggs (only poultry and ducklings) (per chick or egg)	0.0023	\$0.01	
284		Bees packages (excluding queens and bumble bees) (per kilogram)	0.35	\$0.04	APA#2
285 286		Queen bees and bumble bees (other than packages) (per bee)	0.23	Queen bee (including a small number of attendant bees) or bumble bees (per queen or bumble bee) \$0.31	APA#2 Amend the ‘queen bees and bumbles bees (other than packages) (per bee)’ category.
287		Ferrets (per animal)	1.87	\$1.32	
288		Lamoids (per animal)	29.14	\$50.78	

		Current basis	Charge (\$)	Proposed basis and charge:	Comment:
289		Birds (other than wild caught finches and wild caught rosellas) (per bird)	23.87	\$38.00	APA#2 Cap per bird (other than wild-caught finches and wild-caught rosellas) charge on consignments to a maximum of 30 birds.
290		Finches (wild caught) and rosellas (wild caught) (per bird)	0.26	\$0.27	
291		Zoo animals (per animal)	33.33	\$104.94	
292		Other animals and animal germplasm not specified above (per animal, egg, or straw)	8.80	Other animals and animals germplasm not specified (per consignment). \$104.94	APA#2 Amend the 'other animals and animals' germplasm not specified (per animal, egg or straw)' category.
293					
		Hourly rates			
294	(1)	Hourly rate for recognised persons who are employees of the Ministry undertaking specialist functions and activities necessary for the export of live animals or germplasm:		Hourly rate for persons who are employees of the Ministry undertaking specialist functions and activities necessary for the export of live animals or germplasm:	APA#3 Delete the word 'recognised' from 'recognised persons'.
295		(a) for each complete hour	88.87	- \$186.30, plus	
296		(b) for each 15-minute block in a part-hour	22.22	- \$186.30 per hour after the first hour, charged in 15-minute increments	APA#4 APA#5
297	(2)	Hourly rate for services undertaken by an employee of the Ministry, on behalf of an exporter, to negotiate with the importing country alternative measures for meeting access requirements for overseas markets:	121.98	- \$186.30, plus	APA#4 APA#5
298		(a) for each complete hour	30.50	- \$186.30 per hour after the first hour, charged in 15-minute increments	One-hour minimum charge, with additional time after one hour chargeable in 15-minute blocks.
		(b) for each 15-minute block in a part-hour			
299	(3)	Hourly rate for services undertaken by an employee of the Ministry, on behalf of an exporter, to negotiate new access requirements for overseas markets (except for exporters of cats and dogs)	121.98		APA#1
300		(a) for each complete hour	30.50		Recover the costs of negotiating and maintaining market access as part of unit fees rather than hourly rate fees.
		(b) for each 15-minute block in a part-hour			

		Current basis	Charge (\$)	Proposed basis and charge:	Comment:
		Callout charges Callout charges for recognised persons who are employees of the Ministry undertaking specialist functions and activities at any place or premises outside normal agreed hours of work and necessary for the export of live animals or germplasm			
301	(a)	where an employee is entitled, by his or her contract of employment, to time and a half rates	112.92 per hour or part of an hour	\$252.17 per hour or part of an hour	Updated rate.
302	(b)	where an employee is entitled, by his or her contract of employment, to double time rates	136.97 per hour or part of an hour	\$318.04 per hour or part of an hour	Updated rate.
303 304	(c)	where an employee works on a public holiday within the meaning of the Holidays Act 2003	384.62 per day or part of a day, plus 136.97 for each hour or part of an hour worked	\$845.13 per day or part of a day, plus \$211.28 per hour or part of an hour	Updated rates.

Schedule 2 – Levies

1. The levies set out in this schedule are payable by –
 - (a) operators of risk management programmes in respect of operations under the programme;
 - (b) operators of hides and skins export approved premises;
 - (c) operators of fishing vessels who are operating under –
 - (i) a risk management programme and who undertake primary processing of fish and bivalve molluscan shellfish; or
 - (ii) the regulated control scheme set out in the Animal Products (Regulated Control Scheme – Limited Processing Fishing Vessels) Regulations 2001
2. The levies set out in this schedule are payable irrespective of who performs any verification or other function in relation to the processing operations.
3. The levies per head set out in clause 1 are exclusive of goods and services tax, and goods and services tax on those levies will be added to the total invoice.

	Current basis				Proposed basis and charge:	Comment:
305	1	Levies per head where animals slaughtered and dressed The following levies are payable by the operators (not being homekill or recreational catch service providers) of premises or places where the animals specified are slaughtered and dressed, on the basis of the number of animals slaughtered and dressed:				The Meat Industry Association (MIA) has provisionally suggested (prior to seeing the proposed schedule of fees below) that any revised levy could include a further Industry Innovation Fund component of up to 1.5c per lamb equivalent for lambs, sheep, bobby calves and cattle, additional to the 1c per lamb equivalent that is presently used for research supported by that Fund. The 1.5c per lamb equivalent would be additional to the base levy proposed. Rates based on these proposals are shown below. MIA and MPI are seeking feedback (concept and level) on this proposal as part of the overall consultation process.
			Operators that process wholly or partly for export	Operators that process only for consumption within New Zealand	Process wholly or partly for export ¹ / Process only for consumption within New Zealand*	
306 307		Lambs, bobby calves, goats	\$0.10 per head	\$0.03 per head	\$0.12 ¹ per head \$0.04* per head	\$0.135 ¹ (excluding goats) with MIA levy
308 309		Sheep	\$0.11 per head	\$0.03 per head	\$0.14 ¹ per head \$0.04* per head	\$0.157 ¹ with MIA levy
310 311		Pigs	\$0.24 per head	\$0.08 per head	\$0.31 ¹ per head \$0.09* per head	As proposed by MPI

		Current basis			Proposed basis and charge:	Comment:
312 313		Cattle, horses	\$0.76 per head	\$0.21 per head	\$0.86 ¹ per head \$0.25* per head	\$0.974 ¹ with MIA levy
314 315		Deer	\$0.86 per head	\$0.10 per head	\$1.57 ¹ per head \$0.19* per head	As proposed by MPI
316 317		Ostriches, emus	\$6.54 per head	\$1.02 per head	\$22.00 ¹ per head \$3.50* per head	As proposed by MPI
318 319		Poultry	\$0.004399 per bird	\$0.00255 per bird	\$0.061338 ¹ per bird \$0.003925* per bird	As proposed by MPI
320 321		Other species (other than fish)	\$0.20 per head	\$0.20 per head	\$0.27 ¹ per head \$0.27* per head	As proposed by MPI
	2	<i>Annual levies for fish</i> The following levies are payable on the basis of greenweight tonnage of fish or bivalve molluscan shellfish processed on the fishing vessel:				
322		(a) primary processors of fish other than bivalve molluscan shellfish		\$0.42 per tonne of fish (a) processed on a fishing vessel that are – (i) filleted at sea for consumption in New Zealand; or (ii) otherwise processed at sea for consumption in New Zealand and that are not delivered to an onshore primary processor (except for the purposes of storage or transport); or	\$0.20 per tonne of fish (a) processed on a fishing vessel that are – (iii)filleted at sea for consumption in New Zealand; or (iv) otherwise processed at sea for consumption in New Zealand and that are not delivered to an onshore primary processor (except for the purposes of storage or transport); or (b) processed by an onshore processor except for fish that are – (c) filleted at sea for consumption in New Zealand; or otherwise processed at sea for consumption in New Zealand and that are only transported or stored by the onshore processor; or	

Current basis				Proposed basis and charge:	Comment:
			(b) processed by an onshore processor except for fish that are – (i) filleted at sea for consumption in New Zealand; or (ii) otherwise processed at sea for consumption in New Zealand and that are only transported or stored by the onshore processor; or		
323			\$0.82 per tonne of fish (a) processed on a fishing vessel that are – (i) filleted at sea for export; or (ii) otherwise processed at sea for the purposes of export and are not delivered to an onshore primary processor (except for the purposes of storage or transport); or (b) processed by an onshore processor	\$0.50 per tonne of fish (a) processed on a fishing vessel that are – (iii) filleted at sea for export; or (iv) otherwise processed at sea for the purposes of export and are not delivered to an onshore primary processor (except for the purposes of storage or transport); or (b) processed by an onshore processor except for fish that are – (iii) filleted at sea for consumption in New Zealand; or otherwise processed at sea for the purposes of export and that are only transported or stored by the onshore processor	

Current basis					Proposed basis and charge:	Comment:
				except for fish that are – (i) filleted at sea for consumption in New Zealand; or (ii) otherwise processed at sea for the purposes of export and that are only transported or stored by the onshore processor		
324		(b) primary processors of bivalve molluscan shellfish		\$3.88 per tonne of bivalve molluscan shellfish processed (if an operator processes only for consumption in New Zealand); or	\$1.50 per tonne of bivalve molluscan shellfish processed (if an operator processes only for consumption in New Zealand); or	
325				\$5.65 per tonne of bivalve molluscan shellfish processed (if an operator processes wholly or partly for export)	\$2.90 per tonne of bivalve molluscan shellfish processed (if an operator processes wholly or partly for export)	
326	3	<i>Annual levy for coolstores and other storage premises</i> Operator of a coolstore or other storage premises, per coolstore or other premises		\$190 per annum	\$207.30 per annum	
	5	<i>Annual levy for primary or secondary animal processing premises or places that do not include animal slaughter</i>			Process wholly or partly for export / Process only for consumption within New Zealand	
327		(a) annual levy for bee products	\$258 per annum*	\$577.50 per annum ¹	\$471.80* per annum	
328					\$1005.70 ¹ per annum	

Current basis				Proposed basis and charge:	Comment:
329	(b)	annual levy for egg products	\$191 per annum for all processors	\$527.30 per annum for all processors	
330 331	(c)	annual levy for animal feed products	\$326 per annum*	\$769 per annum ¹	\$684.10* per annum \$769.60 ¹ per annum
332	(d)	annual levy for dual operator butchers	\$222 per annum for all processors	\$256.50 per annum for all processors	
333 334	(e)	annual levy for renderers	\$264 per annum*	\$1,252 per annum ¹	\$132.80* per annum \$559.70 ¹ per annum
335	(f)	annual levy for export of animal products – non-consumption	\$71.11 per annum for all processors	\$136.00 per annum for all processors	
336 337	(g)	annual levy for primary or secondary processors (processing animal material or animal product not covered under paragraph (a) to (f))	\$848 per annum*	\$1,054 per annum ¹	\$710.10* per annum \$784.50 ¹ per annum
* Operators that process only for consumption within New Zealand ¹ Operators that process wholly or partly for export.					
338	Levy on listed, or re-listed, homekill and recreational catch service providers			\$100 per year on application for listing or re-listing.	APA#14 Annual levy for listed, or re-listed, homekill and recreational catch service providers under section 76 of the Animal Products Act 1999.

9 Proposals that impact across multiple cost recovery regimes

9.1 BACKGROUND

The current structure of the Ministry is a result of the merger of different agencies that administered a range of Acts that provide for cost recovery. Because of this there are differences in the approach to cost recovery between sectors.

Some cost recovery issues, or features of them, are common across the different cost recovery regimes. The Ministry is therefore proposing to amend multiple sets of regulations at the same time to standardise some approaches to cost recovery, and the language used to describe them.

As a means of seeking feedback from all affected sectors, these multi-regime issues have been grouped for consultation purposes. Implementation for individual cost recovery regimes will be through the Regulations made under the authority of individual Acts.

9.2 POLICY PROPOSALS

Common#1 – Align hourly rate charges
Common#2 – Use Inland Revenue Department vehicle mileage rates

Common#3 – Recover costs for support staff involved in specialist services

Common#4 – Recover other costs incurred by MPI

Common#5 – Charge for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere

Common#6 – Correct use of the term ‘levy’

Common#7 – Update references to recognised persons and agencies

Common#8 – Align veterinary professional rates across biosecurity and food regulations

9.3 COMMON#1 – ALIGN HOURLY RATE CHARGES

9.3.1 Background

The food safety cost recovery regulations prescribe hourly rate charges using a number of different approaches, for example:

- Animal Products (Fees, Charges, and Levies) Regulations – one hour of time, with time thereafter charged on the basis of an assessment charge at hourly increments until the last half hour, which is done in 15 minute increments;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007 – similar approach, but prescribed in a different manner;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 – different approach;
- Animal Welfare Export Certificate Regulations 1999 – different approach.

9.3.2 Regimes affected by this proposal

This change would apply to the following regulations:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

9.3.3 Problem definition

The different hourly rate charging approaches under each set of regulations adds complexity for staff performing similar functions under the different Acts as they may be required to follow different administrative processes for charging for services under each Act.

Options considered

The Ministry considered two options:

- Option 1 — maintain the status quo (inconsistent wording across multiple regulations).
- Option 2 — adopt a common approach across regulations, to the extent possible.

MPI's preferred approach is to establish a common approach across regulations. This will help to ensure consistency (and thereby promote efficiency) for staff performing similar functions under the different Acts.

The majority of cost-recoverable activity falls under the Animal Products Act 1999. Extending the approach prescribed in Part 1 and Part 2 of Schedule 1, of the Animal Products (Fees, Charges, and Levies) Regulations 2007 to regulations under other Acts is considered the most appropriate approach to take. A minimum charge of one hour also allows for the administrative costs associated with invoicing and collection.

9.3.4 Proposed alignment of hourly rate charging approach in keeping with the animal products fees

All time spent by an officer or employee of the Ministry would be chargeable at:

- a minimum charge of one hour, at the appropriate rate for the activity;
- an hourly rate, charged in 15-minute increments, for any time in excess of the first hour.

The Ministry proposes to apply this approach to the following regulations, with any necessary modifications:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

9.3.5 Questions for consideration

Question 9.3

- 1) Do you support the adoption of a common approach for hourly rate charging under the various food sector cost recovery regimes?
- 2) If not, what is your preferred approach for each of the food sector cost recovery regimes, and what are your reasons for this preference?

9.4 COMMON#2 – USE INLAND REVENUE DEPARTMENT VEHICLE MILEAGE RATES

9.4.1 Background

The Ministry recovers vehicle costs using mileage rates prescribed in the regulations for each regime. A number of different rates are currently in force, and these rates can quickly become out of date.

Similarly, the various regulations prescribe the bases for recovery of other costs incurred by the Ministry when delivering services to users.

The Inland Revenue Department (IRD) collects data on the costs of operating a motor vehicle, and the Commissioner promulgates a standard vehicle mileage rate under section DE12(3) of the Income Tax Act 2007.

The Ministry proposes to remove ‘static’ references in the current regulations and adopt the periodic rate promulgated by the Commissioner of Inland Revenue.

9.4.2 Regimes affected by this proposal

This change would apply to the all cost recovery regulations:

- Biosecurity (Costs) Regulations 2010 — veterinary inspectors only;
- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

9.4.3 Problem definition

The vehicle mileage rates are prescribed in various regulations and quickly become out of date. MPI’s collective employment agreement with its verifiers and some other staff provides for charging at the rate published by the Commissioner of Inland Revenue under section DE 12 (3) of the Income Tax Act 2007. The current rate³³ is \$0.77 cents per kilometre.

The difference in employment agreement rates and the regulated rates for mileage and other costs can also lead to a discrepancy in the costs the Ministry recovers from service users and the reimbursements made to Ministry staff for some activities.

9.4.4 Proposed change to a common approach for mileage rates and the recovery of any other travel costs

MPI proposes to amend various regulations to provide for cost recovery of motor vehicle costs at the rate promulgated from time to time by the Commissioner of Inland Revenue under section DE 12 (3) of the Income Tax Act 2007.

This proposal would apply to the travel costs for veterinary inspectors only in the Biosecurity (Costs) Regulations 2010.

This proposal will support efficiency and equity.

³³ <http://www.ird.govt.nz/technical-tax/op-statements/os-review-mileage-rate-2014.html>

9.4.5 Questions for consideration

Question 9.4

- 1) Do you agree with the proposal to harmonise vehicle mileage rates and other travel costs across the various cost recovery regimes?
- 2) Do you agree with the use of the mileage rate promulgated from time to time by the Commissioner of Inland Revenue under section DE12(3) of the Income Tax Act 2007?
- 3) If not, what is your preferred approach to mileage rates for each cost recovery regime, and what are your reasons for these preferences?

9.5 COMMON#3 – RECOVER COSTS FOR SUPPORT STAFF INVOLVED IN SPECIALIST SERVICES

9.5.1 Background

Support staff members within the Ministry perform essential but non-specialist services that support the delivery of specialist certification. This includes the maintenance and administration of registers and the preparation and filing of documents.

MPI is able to recover costs for these services, but no mechanism currently exists in the various regulations to do this.

9.5.2 Regimes affected by this proposal

This change would apply to the following regulations:

- Biosecurity (Costs) Regulations 2010;
- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

9.5.3 Problem definition

By way of example, as part of the process for issuing live animal and germplasm export certificates, MPI support staff prepare paper export certificates that are issued by recognised persons. This practice is more cost-effective than using specialist recognised persons, and allows recognised persons to focus on technical matters instead of administration.

Part 8 of the Animal Product (Fees, Charges, and Levies) Regulations 2007 does not include a provision for MPI to recover the costs of non-recognised persons involved in specialist functions and activities necessary for the export of live animals or germplasm. Consequently, MPI cannot fully recover the cost of these services.

This problem could be resolved by only using expert staff whose time can be cost-recovered for undertaking this work, but this is a very inefficient use of their time. Another option would be to build administration time into levies, but this does not apportion the costs as directly as a fee to that person or group who caused the costs to be incurred.

A similar problem exists for other cost recovery regimes.

9.5.4 Proposed charges for support staff involved in export certification

MPI proposes to create a new cost recovery item in each of the relevant regulations to allow MPI to recover for time spent by other employees undertaking functions and activities necessary for the production of certificates or provision of expert services.

9.5.5 Questions for consideration

Question 9.5

- 1) What is your preferred method for cost recovery of support staff time across the various cost recovery regimes?
- 2) If you prefer different methods for individual cost recovery regimes, what are these methods and what are your reasons for these preferences?

9.6 COMMON#4 – RECOVER OTHER COSTS INCURRED BY MPI

9.6.1 Background

Other costs include incidental and additional costs that the Ministry incurs during the delivery of services to users. These costs are often unpredictable and vary depending on the nature of the service provided.

These costs include categories such as external review, expert review, notification, product testing, travel and accommodation, as well as disbursements such as photocopying, printing and stationery, phone, fax, video conferencing, postage and courier charges.

9.6.2 Problem definition

Inconsistent regulatory approaches add administrative complexity, particularly for staff that work across multiple regimes.

9.6.3 Proposed charges for support staff involved in export certification

MPI proposes that actual and reasonable costs incurred by an officer or employee of the Ministry may be recovered when they arise from:

- a request by the operator of a risk management programme, or other processor;
- an act, or omission, of an operator or processor.

MPI proposes that recoverable costs include, but not be limited to, costs such as external review, expert review, notification, product testing, travel and accommodation, as well as disbursements such as photocopying, printing and stationery, phone, fax, video conferencing, postage and courier charges.

MPI proposes that a common approach for recovering other costs be applied to the following regulations, with any necessary modifications:

- Biosecurity (Costs) Regulations 2010;
- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

9.6.4 Questions for consideration

Question 9.6

What is your preferred approach for the recovery of incidental costs incurred by the Ministry for delivery of services to users for each cost recovery regime (or for all cost recovery regimes)?

9.7 COMMON#5 – CHARGE FOR PERFORMANCE OF FUNCTION, POWER OR DUTY UNDER THE ACT, REGULATIONS AND NOTICES NOT PRESCRIBED ELSEWHERE

9.7.1 Background

MPI provides a range of functions, powers and duties under various Acts, and subsidiary regulations and notices and standards. The various cost recovery regulations prescribe fees, charges and levies for specific functions, powers or duties under the relevant Act, regulations and notices.

Item 23 of the Schedule of the Biosecurity (Costs) Regulations 2010 enables MPI to recover the costs of performing a function, power, or duty—

- required to be undertaken under the Act or regulations made under the Act; and
- not prescribed elsewhere in the Schedule.

The item is payable as an hourly rate for each adviser involved and is payable by the person whose actions resulted in the specific function, power or duty being required.

The Ministry is proposing to adopt this approach for other cost recovery regimes.

9.7.2 Problem definition

The Ministry currently cannot charge for the exercise of functions, powers or duties under Acts, regulations and notices unless they are prescribed for that regime.

It is not practical or possible to specify all of MPI's functions, powers or duties under all Acts and subsidiary regulations and notices, or the associated fees or charges for them, in an exhaustive manner. There are two main reasons:

- The Ministry was not aware of the function, power or duty when the regulations were promulgated.
- The function, power or duty under the Acts, and subsidiary regulations and notices is new. For example, halal-related services were not included in the Animal Product (Fees, Charges, and Levies) Regulations 2007, and were subsequently added by the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2013.

MPI's inability to recover costs for the exercise of functions, powers or duties under the Acts and subsidiary regulations and notices is causing it to under-recover the cost of delivering these services.

9.7.3 Proposed fees for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere

The Ministry proposes to include cost recovery for performance of a function, power or duty that is:

- required to be undertaken under the relevant Act, including subsidiary regulations and notices;
- not prescribed elsewhere in the relevant cost recovery regulations.

The hourly rate would be the relevant rate for other services provided under the empowering Act. MPI proposes that this approach be applied to the following regulations, with any necessary modifications:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

The item would be payable by the person whose actions resulted in the specific function, power or duty being required.

This proposal would support equitable cost recovery and efficient service delivery.

9.7.4 Questions for consideration

Question 9.7

What is your preferred method of cost recovery for time spent performing functions, powers or duties not specified elsewhere for each cost recovery regime (or for all cost recovery regimes)?

9.8 COMMON#6 – CORRECT USE OF THE TERM ‘LEVY’

9.8.1 Background

MPI imposes levies on some products to fund industry good services. For historic reasons, when some cost recovery regulations were created, certain charges (industry goods) were described in regulations as ‘standard’ charges, when from a legal perspective these are actually levies.

9.8.2 Regimes affected by this proposal

This change would affect the:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Wine Regulations 2006.

9.8.3 Problem definition

The regulations inappropriately describe certain cost recovery items as ‘fees’ and ‘charges’ when, in law, they are ‘levies’.

The options are:

- Option 1: maintain the status quo;

- Option 2: update the descriptions.

The Ministry's preferred approach is to update the descriptions to remove ambiguity and clarify the application of the various types of charges.

9.8.4 Proposed re-categorisation of fixed fees as levies

MPI proposes to change the terminology used for items recovering industry good costs in the various regulations from 'fees' or 'charges' to the legally correct term 'levies'. This proposal involves no changes to fees.

9.8.5 Questions for consideration

Question 9.8

Do you have any concerns about the proposed clarification of use of the term 'levy'?

9.9 COMMON#7 – UPDATE REFERENCES TO RECOGNISED PERSONS AND AGENCIES

9.9.1 Background

The Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 have been amended since the relevant cost recovery regulations were last reviewed.

9.9.2 Regimes affected by this proposal

This change would affect the:

- Animal Products (Fees, Charges, and Levies) Regulations 2007;
- Animal Products (Dairy Industry Fees and Charges) Regulations 2007;
- Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002;
- Animal Welfare Export Certificate Regulations 1999;
- Biosecurity (Costs) Regulations 2010;
- Wine Regulations 2006.

9.9.3 Problem definition

The references in regulations to the relevant parts of the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 relating to recognised persons and agencies are out of date.

9.9.4 Proposed amendments

MPI proposes to amend the cost recovery regulations to update the references to the relevant parts of the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 relating to recognised persons and agencies.

This is a minor and technical adjustment to cost recovery regulations to make changes to update the regulations. It involves no changes to fees.

9.9.5 Questions for consideration

Question 9.9

Do you have any concerns about the proposed updates to references to the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, and Wine Act 2003 in various regulations?

9.10 COMMON#8 – ALIGN VETERINARY PROFESSIONAL RATES ACROSS BIOSECURITY AND FOOD REGULATIONS

9.10.1 Background

MPI has a responsibility to service users to ensure that charges for similar activities and services across different regulations are consistent, and that the rationale for differential charging is clear.

9.10.2 Problem definition

Veterinary inspectors undertake a variety of activities and functions under biosecurity and food legislation.

Current hourly rates for veterinary inspector activities were set prior to the creation of MPI from its predecessor agencies. These predecessor agencies had different cost (including overhead) structures. As a result, veterinary inspectors undertaking similar work, but now with the same cost structure, are being recovered at different rates for activities undertaken under biosecurity and food legislation.

The options considered were:

- Option 1: maintain the status quo;
- Option 2: amend the veterinary inspector hourly rates in the Biosecurity (Costs) Regulations to align with that specified in the relevant food regulations (proposed rate of \$186.30 per hour).

9.10.3 Proposed charges

The proposal is to amend the veterinary inspector rate in the Biosecurity (Costs) Regulations to \$186.30 per hour to align with the rate proposed in the relevant food sector regulations.

9.10.4 Questions for consideration

Question 9.10

Do you have any concerns about the proposed alignment of charging rates for veterinarians under the biosecurity cost recovery regime and the food cost recovery regime?