



Food Safety Cost Recovery Review

Stakeholder Consultation Meetings

January/February 2015

Growing and Protecting New Zealand



Food Safety Cost Recovery Review Outline

1. Context
2. Proposals
3. Process from here

Context

- Cost recovery funds the systems that help New Zealand:
 - Enjoy safe food
 - Protect against biosecurity risks
 - Achieve and maintain access to premium foreign markets.
- Legislation requires that cost recovery be equitable, efficient, transparent and justifiable
- Proposals to update fee rates & improve policy settings

First Fees Update since MPI's creation

- First update to Food Safety fees since 2008 and Biosecurity fees since 2010
- Since fee rates were set much has changed:
 - MPI has been created
 - imports and exports have increased
 - the number of food businesses has increased
 - market structures have changed
 - market costs for skills, such as veterinarians, have increased
 - new biosecurity risk pathways have evolved with changing travel patterns

MPI is providing new and improved services

- In response to demand, MPI has strengthened and improved its services. Notable examples include:
 - electronic export certification for wine and all animal products
 - the introduction of food assurance systems to match the rapid growth of infant formula exports
 - increasing the number of Ministry staff in China
 - improved dairy residue monitoring
 - increasing use of biosecurity detector dogs on the cargo pathway

Review of Fee Rates

- All services, and the resources required to meet demand have been reviewed
- Prior to updating fees MPI's support cost allocation model was redeveloped and verified by Deloitte
- Some fee rates include a temporary increase to recover historic debts
- Fee rates have been reviewed to reduce risks from outliers or unintended consequences

Review of Existing Policy

- Existing policy has been tested against the relevant Acts' criteria of:
 - Equity
 - Efficiency
 - Transparency
 - Justifiability
- Changes are proposed to improve services, improve consistency or to meet international obligations

Fees, charges and Levy setting basis

- A common cost recovery basis has been applied across all fees, charges and levy calculations
- Total costs associated with a fee, charge or levy type are calculated
 - Based on fully allocated costs (direct costs and a fair allocation of business support costs)
 - Adjusted, where appropriate to do so, for prior year/s over or under-recoveries (from memorandum accounts)

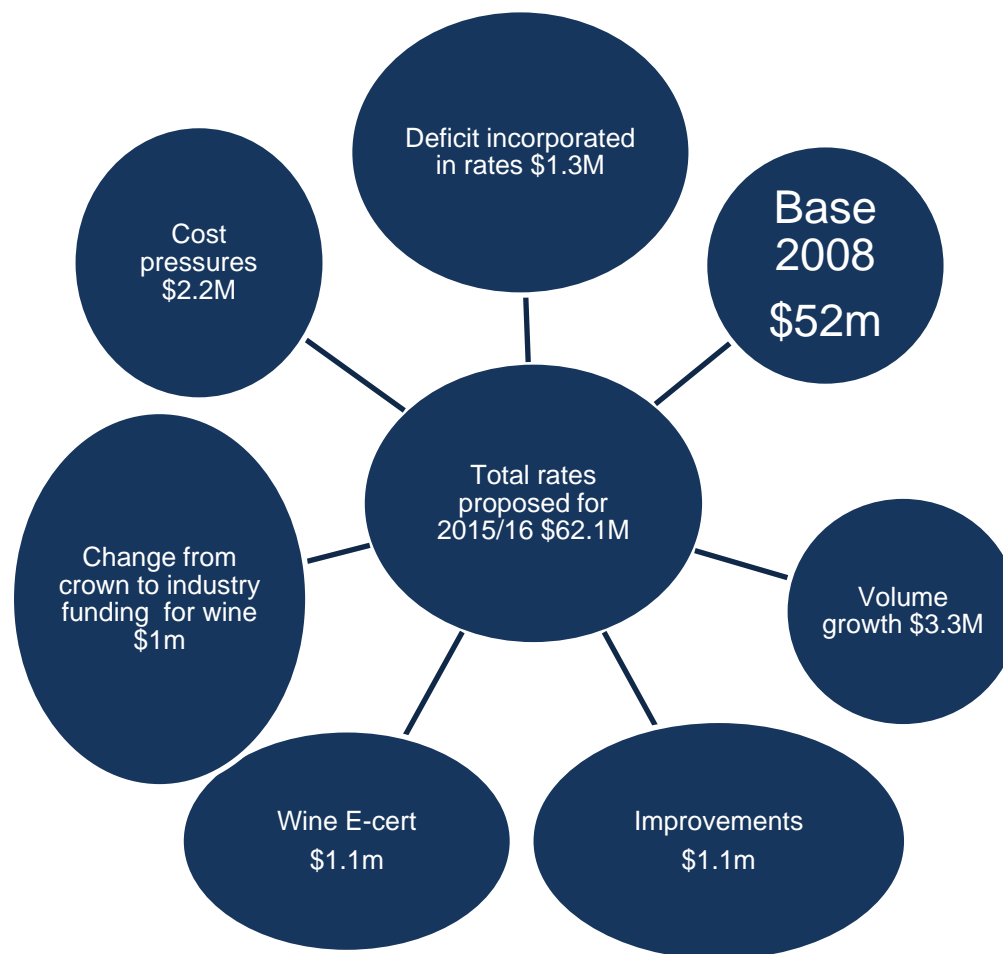
Fees, charges and Levy setting basis

- Costs are charged to users/beneficiaries
 - For fixed fee and levy charges – by dividing total costs by expected volumes/quantities associated with the fee or levy type
 - For hourly charges – by dividing total costs by expected billable hours to be worked in relation to the fee or levy type
 - For other fixed charges – by dividing total costs by company market share of total volume
- Moderation was undertaken for all rates to ensure reasonableness

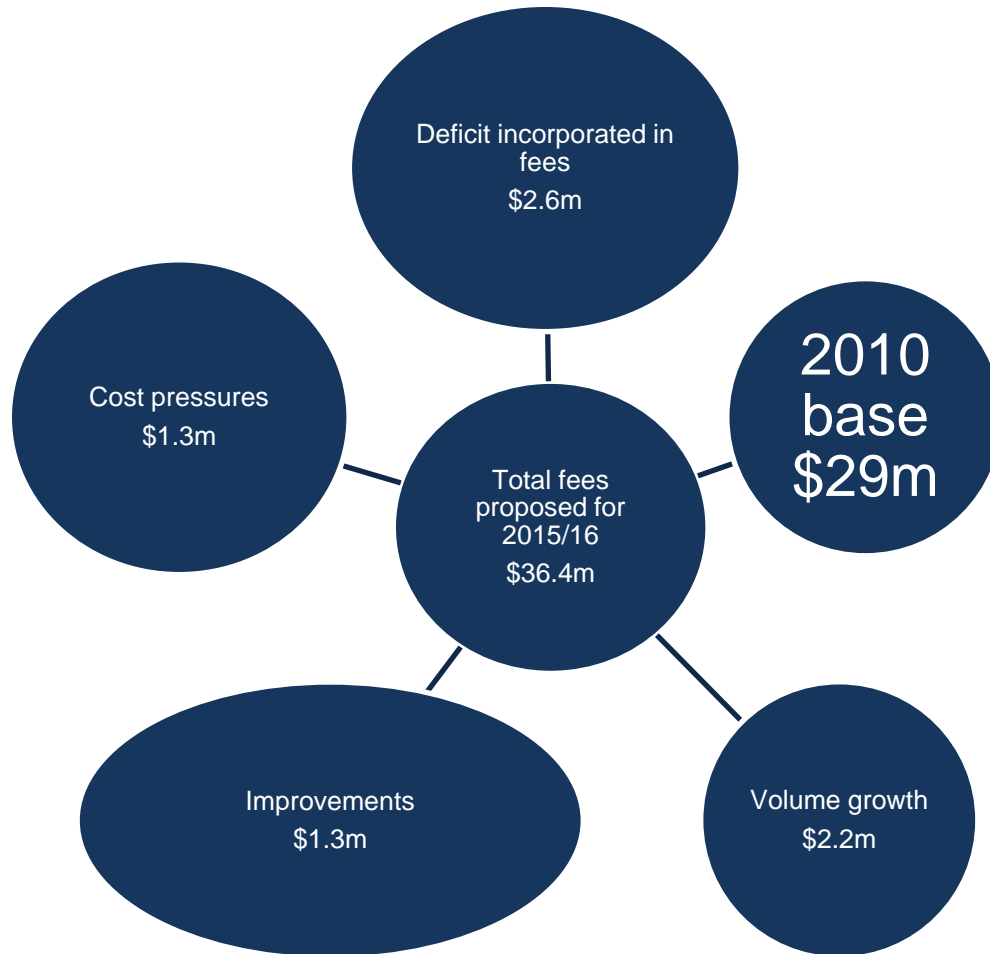
Proposals

- Proposals at a glance:
 - update over 250 biosecurity and food safety fees, charges and levies
 - regulatory changes to improve clarity, ensure fairness and reduce red tape
 - increase the cost recovered from industry for biosecurity by \$6.0 million to \$36.4 million for 2015/16
 - increase the cost recovered from industry for food safety by \$6.8 million to \$62.1 million for 2015/16

Food Safety Cost Drivers since 2008



Biosecurity Cost Drivers since 2010



Keeping costs down

- We are mindful charges add financial costs to your business
- MPI has worked to keep costs down:
 - Internal costs and hourly rates compare favourably to similar services in New Zealand and abroad
 - The proportion of proposed increases that is due to cost pressures is around half the rate of CPI
 - Efficiency gains from the MPI mergers have reduced third party costs by \$2.8 million

Process from here

- Stakeholder meetings are occurring from 19 January until 9 February
- We are holding special meetings with your sector representatives on request
- Consultation closes on 20 February

Having your say

- Written submissions close on 20 February 2015. Submissions are welcome via our website or email
- Comments made at stakeholder meetings will be considered but we are not recording verbatim comments
- Therefore to ensure we correctly record your views please make a formal written submission.

Improving MPI's Overall Cost Recovery

- MPI's cost recovery systems have different approaches because they were not developed at the same time
- The current review looks at the adequacy of fees within existing systems to fund required services
- We've also initiated a first principles review of our cost recovery framework

First Principles Review

- The first principles review will consider:
 - harmonising cost recovery regimes across MPI
 - the overall cost of MPI fees to businesses and others
 - further analysis of practical trade-offs between volumes, prices and standards (including risk)
 - MPI's service delivery performance
 - timeframes for fee updates & historic debt recovery
 - appropriate funding source for all MPI services
 - alignment with other cost recovery regimes
- We will be seeking input over the next few months