



# Proposed Revisions to the Cost Recovery Regimes

## Summary of Submissions

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# 1 Executive Summary

The Ministry for Primary Industries (MPI) is a major government regulator with primary responsibility for food safety issues and biosecurity. MPI provides services to many industries and areas of the economy. The cost of delivering some of MPI's functions can be recovered from users, where this service provision is not funded by any Parliamentary appropriation.

In the years since current levies, fees and charges were previously reviewed, demands for MPI's services have increased significantly. These services have also changed over the years as a result of policy changes and increasing expectations for New Zealand's biosecurity and food safety systems.

In January 2015 MPI released a paper titled *Consultation Paper on Proposed Revisions to the Cost Recovery Regimes* (MPI Discussion Paper No: 2015/02), which detailed proposed revisions to MPI's cost recovery processes. A series of presentations was held around the country to enable industries to better understand how the proposals would affect them. MPI sought written submissions by 20 February 2015.

A total of 247 written submissions was received from many industries. Submitters raised a wide variety of issues in relation to fees and charges for MPI services, and in relation to the services themselves.

The tables below detail key points raised by submitters. These key points have, in general, been paraphrased to provide consistent language. Many points raised by submitters were addressed as part of final recommendations to Cabinet in April 2015 for the introduction of new regulations and amendments to existing regulations, with these changes effective 1 July 2015.

This document reflects feedback provided by submitters. Some stakeholders who did not submit in response to this consultation may have differing views from those represented in this summary.

## 1.1 FIRST PRINCIPLES REVIEW

Despite these improvements, some inconsistencies and other issues remain in MPI's cost recovery arrangements. The Cost Recovery team recently commenced a First Principles Review (FPR) of MPI's cost recovery regimes to address these and other high level issues.

The FPR is intended to address points raised in written submissions that were not addressed by the changes effective 1 July 2015, amongst other issues. The FPR will be conducted in close consultation with industry representatives.

It is intended that policy development for the FPR be progressed over 2015 and some initial proposals consulted towards the end of 2015. It is possible some changes may be able to be implemented for 1 July 2016. Existing fee update mechanisms and similar processes will continue in the meantime. Further changes may be recommended as a consequence of the FPR. It is likely that the FPR will identify a 2-3 year work programme for MPI.

## 2 Summary of submissions on proposed revisions to cost recovery regulations for biosecurity and food safety

The submissions received are summarised below according to the relevant primary legislation.

### 2.1 BIOSECURITY ACT 1993

- A wide range of comments was received.
- A theme amongst submitters was to seek explanations and rationales for proposed changes.
- There was concern about the high impact of some charges on some sectors and industries.

Proposal		Summary of feedback/issues identified	Actions taken
1	<p>Recover for activity outside standard working hours</p> <ul style="list-style-type: none"> <li>• <i>Recover costs of out-of-hours services provided by veterinarians at the relevant veterinarian charge rates.</i></li> </ul>	<p>Some submitters supported this proposal. Others did not support cross-subsidisation of out of hours work by in-hours work and generally felt fees were too high. One submission noted that many companies now trade outside standard working hours. One submission questioned the efficiency and equity of the proposal.</p>	<p>Proceed with proposal.</p> <p>Practice of three-hour minimum charge for out-of-hours veterinarian call outs has been referred to first principles review.</p>
2	<p>Update charges for import permit applications</p> <ul style="list-style-type: none"> <li>• <i>Recover costs of time taken for processing applications, where this exceeds the amount allowed for in the application fee.</i></li> </ul>	<p>This proposal received some support, in particular the tiered basis for charging, but submitters considered that clear guidelines were required as to what is covered by the service, and that the rationale for the amount of increase was not clear.</p> <p>Submitters noted the potential impact of proposed changes on small industry participants and some felt proposed charges were excessive. Two submitters felt that while the proposal was transparent, it did not represent good value and was high impact. Those submitters also questioned the efficiency and equity of the proposal. Other issues raised were:</p> <ul style="list-style-type: none"> <li>○ Concern over differences between costs for imports from Europe vs Asia (EU vs non-EU rates).</li> <li>○ Once renewed, annual import permits void the previous permit, which may still have weeks of validity. One submitter suggested the new permit be valid from the expiry date of previous permit to provide a full 12 months validity.</li> </ul>	<p>Proceed with proposal.</p> <p>Validity of import permits has been referred to First Principles Review.</p>

Proposal	Summary of feedback/issues identified	Actions taken
3 Recover for biosecurity advisor time <ul style="list-style-type: none"> <li>Recover the cost of biosecurity advisors working on providing advice, e.g. for Chief Technical Officers, or in excess of 15 minutes on the importation of goods.</li> </ul>	Submitters were neutral about the proposal, with some suggesting the first 15 or 30 minutes in a defined period (eg a fortnight) be free, before hourly rate charging (to include time already used).	Proceed with proposal.
4 Amend charges for additional travel zone and travel costs for veterinary professionals <ul style="list-style-type: none"> <li>Split current Zone 1 for biosecurity inspectors into two (0 to 5 km, and over 5 but less than 10 km from base);</li> <li>Use a time plus mileage basis for veterinary inspectors' travel costs.</li> </ul>	Although the proposal was considered transparent, submitters hesitated to support it because of uncertainty as to how it would work in practice.	Proceed with proposal.  Clarify that penalty rates (or other outside normal working hours) would be the exception rather than norm.  Amend the definition of 'Travel zone 1' for veterinary professionals from 0-2 km to 0-4 km.
5 Align veterinary professional rates for goods imported from the European Union <ul style="list-style-type: none"> <li>Implementation of agreed veterinary rates under the EU-NZ Sanitary Agreement and NZ-Swiss Sanitary Agreement.</li> </ul>	Submitters considered the proposal to present acceptable value, be transparent, efficient and have very low impact.	Proceed with proposal.
6 Update cost recovery for transitional and containment facilities <ul style="list-style-type: none"> <li>Introduce an application fee for transitional and containment facilities (TCFs);</li> <li>Increase annual fee to cover increased costs and expanded/enhanced activities.</li> </ul>	Submissions indicated the proposals were a more robust approach. Operators sought equitable attribution of costs between cargo, passenger and freight pathways. There was uncertainty as to how the application fee was calculated.	Proceed with proposal.
7 Increase maximum rate of system entry levy <ul style="list-style-type: none"> <li>Provide additional 'head room' in the maximum levy amount.</li> </ul>	This proposal was supported.	Proceed with proposal.
Update of current fees and charges <ul style="list-style-type: none"> <li>Update fees, charges and levies based on current and forecast costs, volumes and delivery models.</li> </ul>	Some submitters considered the review to be overdue. Submitters preferred simplicity and clarity.  There was concern that an increase in vet inspection rates would have an immediate impact on the viability of some imports and that compliance	Proceed with updates with the following key amendments which apply across the Biosecurity Act: <ul style="list-style-type: none"> <li>Change Zone 1 definition to 0–</li> </ul>

Proposal	Summary of feedback/issues identified	Actions taken
	<p>costs would be passed on to consumers.</p> <p>Submitters brought the Ministry's attention to errata which have been corrected.</p>	<p>4km, and Zone 2 to 4–10km.</p> <ul style="list-style-type: none"> <li>• Clarify penal rate descriptions.</li> </ul>

## 2.2 AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES (ACVM) ACT 1997

- A wide range of comments was received, many supportive.
- Some proposals were considered to provide acceptable value and others were not supported.
- Some submitters offered detailed suggestions as to how the proposed charge would be applied.
- Submitters were keen for the proposed charges to be transparent, for service levels to be improved and for services to provide value for money.
- Some smaller producers were concerned about the impact of proposed changes.

Proposal		Summary of feedback/issues identified	Actions taken
1	Recover costs for provisionally registering a trade name product <ul style="list-style-type: none"> <li>• <i>Introduce a fixed fee plus hourly rate charging for provisional registration of product under section 26 of the ACVM Act.</i></li> </ul>	Submitters accepted the proposal, with three seeking a maximum of 40 days for processing applications.	Proceed with proposal.
2	Clarify that MPI can recover costs for determining what class an imported product falls under when inspecting <ul style="list-style-type: none"> <li>• <i>Introduce a fixed fee plus hourly rate charging for determining which class a product falls under.</i></li> </ul>	Some submitters supported the proposal, but sought more clarification.	Proceed with proposal.
3	Recover costs for recognition functions under Part 3A of the Act <ul style="list-style-type: none"> <li>• <i>Implementation of charging for new provisions relating to recognised persons under the (ACVM) Amendment Act 2012.</i></li> </ul>	Submitters accepted the proposal.	Proceed with proposal.
4	Revise uses for which fees and charges payable for setting standards can be used <ul style="list-style-type: none"> <li>• <i>Provide clarity that the annual charge is a levy on industry participants.</i></li> </ul>	There were submissions for and against this proposal, with two submitters uncertain as to how these fees would be allocated.	Proceed with proposal.
Update of current fees and charges <ul style="list-style-type: none"> <li>• <i>Update fees, charges and levies based on current and forecast costs and volumes and delivery models;</i></li> </ul>		Submitters recognised the importance of a robust and efficient regulatory system for agricultural compounds and veterinary medicines and acknowledged that an increase in fees was not unreasonable. However, several submitters also called for the ACVM group to improve service	Proceed with updates. The Ministry has committed additional resources to this area



Proposal	Summary of feedback/issues identified	Actions taken
<ul style="list-style-type: none"> <li><i>Repeal superseded provisions.</i></li> </ul>	levels.	after further discussions with affected parties. The final fee includes an additional amount to reflect the additional resources.

## 2.3 ANIMAL PRODUCTS ACT 1999

- Submitters had views for and against these proposals.
- Some considered some new charges to be reasonable, but others disagreed with some charges or considered them to be too high.
- In some cases submitters proposed detailed solutions for how the charge would be applied.
- There was concern about the high impact of some charges, particularly for smaller producers.

Proposal	Summary of feedback/issues identified	Actions taken
<b>2.3.1 Live animal and germplasm exports</b>		
1 Change the method of charging for negotiating and maintaining market access for the live animal and germplasm sectors <ul style="list-style-type: none"> <li>• <i>Introduce hourly rate charging for negotiating and maintaining market access (consistent with other sectors).</i></li> </ul>	Submitters were not in favour of recovering the costs of negotiating new market access through a unit fee. There was support for the current hourly rate charging. Submitters drew the Ministry's attention to errata which have been corrected.	Retain current methodology (hourly rate charging), but with a minimum half-hour charge.
2 Incorporate the current waivers into the regulations <ul style="list-style-type: none"> <li>• <i>Regulate current administrative practice with respect to capping the maximum fee payable for various live animal export consignments.</i></li> </ul>	There were submissions for and against the proposal and a suggestion for a 5,000 item cap for day-old chicks and hatching eggs. Submitters drew the Ministry's attention to an error, which has been corrected.	Introduce capped charges for some categories, with the maximum amount to be charged equivalent to 40,000 straws for germplasm and 30,000 day-old chicks or hatching eggs, at the applicable unit rates (e.g. 50,000 straws of germplasm would be charged as for 40,000 straws, or \$2,440 plus GST).  Change species definitions.
3 Charge for support staff who assist with issuing export certificates <ul style="list-style-type: none"> <li>• <i>Recover the cost of advisors who support the live animal and germplasm export process.</i></li> </ul>	There were views for and against this proposal, with a preference for a differential rate. Some submitters considered the proposed rate for support staff to be too high.	Proceed with proposal.
4 Align one-hour minimum charge	Submitters challenged the one-hour minimum charge where the time taken to process an application was significantly less than this time, with suggestions for	Change proposed one-hour minimum charge to half-hour

Proposal	Summary of feedback/issues identified	Actions taken
<ul style="list-style-type: none"> <li>• <i>Provide consistency with Animal Products Act (APA) provisions.</i></li> </ul>	a half-hour minimum charge.	minimum charge.
5 Align hourly rates for the live animal and germplasm sectors <ul style="list-style-type: none"> <li>• <i>Provide consistency with Animal Products Act (APA) provisions.</i></li> </ul>	<p>Stakeholders across a range of import and export sectors challenged the increase of the veterinary and specialist staff hourly rate from \$88.89 to \$186.30 as it poses a significant burden on some marginal transactions. There were suggestions for a differential rate.</p> <p>There were also concerns about a disproportionate impact from increases to health certificates and verifier rates for small businesses and small shipment sizes and some preference for an industry levy for industry body activities (commodity levy).</p> <p>Submitters drew the Ministry's attention to some errata which have been corrected.</p>	Proceed with proposal.  Referred to First Principles Review for further work.
<b>2.3.2 Certification services</b>		
6 Charge for changing the recognised agency on a Risk Management Programme <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity.</i></li> </ul>	Submitters drew the Ministry's attention to an error which has been corrected.	Proceed with proposal.
7 Recover costs for halal-related services <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity.</i></li> </ul>	There was a preference for the proposed hourly rate charging for private good services, and a request for further information as to how the assessed costs were arrived at. Submitters pointed out incorrect wording which has been amended.	Proceed with proposal.
8 Recover costs for re-certification as a supplier for wild animals or game estates <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity.</i></li> </ul>	No submissions were received on this proposal.	Proceed with proposal.
9 Recover costs for re-listing of further pet food processors <ul style="list-style-type: none"> <li>• <i>Provide clarity on cost recovery of this service.</i></li> </ul>	There was positive feedback on Ministry services and acknowledgement that fees have been stable for a long time. Industry welcomed positive impacts of regulation on their industry.	Proceed with proposal.
10 Charge for additional time spent processing Official Assurances (Non-Dairy) <ul style="list-style-type: none"> <li>• <i>Introduce hourly rate charging for time taken processing non-dairy Official Assurances that exceed the time provided</i></li> </ul>	There was general support for the proposed method for issue and reissue, with some agreement that the proposed methodology could be cheaper for shippers where there are no issues.	Proceed with proposal.

Proposal		Summary of feedback/issues identified	Actions taken
	<i>for in the fixed fee.</i>		
11	Charge for minor amendments to a Risk Management Programme (Non-Dairy) <ul style="list-style-type: none"> <li>• <i>Introduce a fixed charge equivalent to a half hour, plus hourly rate charging for time taken (in excess of the first 30 minutes) processing amendment applications.</i></li> </ul>	There was general support for the proposed approach.	Proceed with proposal.
12	Recover costs for inspection and audit under the Animal Products Act 1999 <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity.</i></li> </ul>	There was support for the proposed set fee, but some concern about the imposition of costs on operators through unwarranted complaints (for example, by a competitor).  Two submitters suggested reducing the amount of the proposed charge, or that it be phased in.	Proceed with proposal.
13	Recover costs for the approval of a maintenance compound <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity.</i></li> </ul>	The proposal was accepted.	Proceed with proposal.
<b>2.3.3 Levies on animal products</b>			
14	Charge for home kill and recreational catch service providers (HKRCSP) <ul style="list-style-type: none"> <li>• <i>Provide funding to meet the cost of compliance audits of home kill and recreational catch service providers.</i></li> </ul>	The only two submitters on this proposal did not support it.	Proceed with proposal.
15	Establish a minimum charge for levies <ul style="list-style-type: none"> <li>• <i>Impose a minimum charge on operators that process less than a minimum level.</i></li> </ul>	The only submitter considered a minimum charge was not needed.	Proceed with proposal.
16	Require information to inform levies <ul style="list-style-type: none"> <li>• <i>Require processors to provide information used to calculate levies in a timely manner.</i></li> </ul>	Submitters were neutral on this proposal, provided that method of collection was not onerous for industry.	Proceed with proposal.
17	Increase annual charge for the Meat Industry Initiative Fund <ul style="list-style-type: none"> <li>• <i>Increase per lamb equivalent levy to provide additional funding for Meat Industry research programmes.</i></li> </ul>	No submissions were received on this proposal.	Proceed with proposal.

Proposal		Summary of feedback/issues identified	Actions taken
<b>2.3.4 Verification Services</b>			
18	Change the way programme charges are calculated and applied <ul style="list-style-type: none"> <li>Establish a common charging basis for both establishment and circuit premises, based on billable hours.</li> </ul>	There was some support for this proposal, and some concern about size of proposed increase to rate. A rate of \$155 per hour (as applied to food) was preferred.	Proceed with proposal.
19	Remove annual charges <ul style="list-style-type: none"> <li>Change charging method from fixed annual fee to the method proposed for establishment and circuit premises.</li> </ul>		
20	Charge for establishing a full-time verification services presence <ul style="list-style-type: none"> <li>Introduce cost recovery for establishment of full-time veterinarian presence at a premises.</li> </ul>	There was support for the proposal, with a proviso that the overhead component is reduced commensurately.	Proceed with proposal.
21	Charge for non-verification functions <ul style="list-style-type: none"> <li>Cost recover non-verification services provided to operators, on an hourly rate basis.</li> </ul>	There was cautious support for this proposal, with submitters seeking more clarity about the proposal. There was a request for MPI to clarify what charges apply to.	Proceed with proposal. Ministry will address the identified concern through revision of operational guidelines.
22	Remove differentiation between veterinarian and non-veterinarian circuit verifiers <ul style="list-style-type: none"> <li>Recover the cost of all verification activities on the same basis, irrespective of the type of premises.</li> </ul>	There were submissions for and against this proposal. Submitters brought the Ministry's attention to errata, which have been corrected.	Improve communication about hourly rate being a composite rate reflecting overall cost of a number of different positions.
23	Introduce new penal rates <ul style="list-style-type: none"> <li>Create a new penal rate (T2.0) to align charging basis with remuneration agreements for Verification Services staff.</li> </ul>	The only submitter sought clarification of 'very early' and 'very late', and their applicability to businesses.	Proceed with proposal. Improve communication of proposal.
24	Revise definition of penal rates <ul style="list-style-type: none"> <li>Redefine the working week to include Saturday, Sunday and Statutory Holidays to align with remuneration agreements for Verification Services staff.</li> </ul>	The only submitter was unsure of the impact of this proposal as they are obliged to export on statutory holidays, but make every effort to have the certificate issued on a working day.	Proceed with proposal, incorporating operational expectations.

Proposal	Summary of feedback/issues identified	Actions taken
<b>2.3.5 Dairy industry</b>		
<p>25 Enhance charging approach for New Zealand standards, performance monitoring, export standards, market access and residue monitoring</p> <ul style="list-style-type: none"> <li>• <i>Reform the way in which dairy processors are charged, based on their volume throughput, including:</i> <ul style="list-style-type: none"> <li>○ <i>Removing specification ('naming') of larger processors in the Regulations;</i></li> <li>○ <i>Fixed fees for small processors;</i></li> <li>○ <i>Cost sharing of remaining pooled costs by large processors;</i></li> </ul> </li> <li>• <i>Reform the way in which dairy exporters are charged, based on their volume of products exported:</i> <ul style="list-style-type: none"> <li>○ <i>Removing specification ('naming') of Fonterra in the Regulations;</i></li> <li>○ <i>Fixed fees for smaller exporters;</i></li> <li>○ <i>Cost sharing of remaining pooled costs by large exporters.</i></li> </ul> </li> </ul>	<p>Many submitters commented on this proposal, some for and some against. Several submitters were concerned about the impact on smaller or artisan producers, with scaled fees or an exemption suggested in such cases. There was support for the large processor methodology.</p> <p>Specific concerns included:</p> <ul style="list-style-type: none"> <li>○ A desire for cross-recognition of Risk Management Programme audits of suppliers carried out for other producers.</li> <li>○ Suggestions for two categories of cheese processors, using the categories of the New Zealand Specialty Cheese Association: <ul style="list-style-type: none"> <li>▪ Commercial: &gt; 25 tonnes per year (~16,500 kgMS); and</li> <li>▪ Artisan: &lt; 25 tonnes per year (~16,500 kgMS).</li> </ul> </li> <li>○ A need to avoid double-charging due to potential overlap with Food Act 2014 requirements.</li> <li>○ Concern about the transfer of costs from collection agents to farmers (adverse outcome) and consequent reduction of transparency and equity.</li> <li>○ Using industry body data for levy calculations may impose additional burdens on the industry body.</li> </ul>	<p><b>Modify small processors' levy:</b> Reduce the levy for small dairy processors from the proposed \$930 per annum to \$465 per annum (currently \$488). Define small processors as processors that collect less than or equal to 16,500 kg raw milk solids (threshold from New Zealand Specialist Cheesemakers Association's artisan production level).</p> <p><b>Create a new 'medium' processors' levy:</b> Medium processors would be processors that collected greater than 16,500 kg and less than or equal to 491,000 kg of raw milk solids. Medium processors would face a levy of \$930 per annum. DairyNZ data will be used to identify medium processors.</p> <p><b>Note:</b> The decrease in the small processors' levy means the costs to large processors will increase by \$22,000 per annum.</p>
<p>26 Introduce a new cost recovery method for infant formula exports</p> <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for the additional services being provided to infant formula exporters, using a formula to share the cost of service provision amongst users.</i></li> </ul>	<p>This proposal was considered to have low impact.</p>	<p>Proceed with proposal.</p>

Proposal	Summary of feedback/issues identified	Actions taken
27 Establish an identical Verification Services charging regime for dairy verification inspection and audit <ul style="list-style-type: none"> <li>• <i>Introduce the ability to cost recover for expanded Verifications Service activities in the dairy verification market.</i></li> </ul>	Submitters on these proposals were concerned about their high impact on artisan producers.	Proceed with proposal.
28 Charge for minor amendments to a Risk Management Programme (Dairy) <ul style="list-style-type: none"> <li>• <i>Reduce the minimum charge for minor amendments for Dairy RMPs to the equivalent to 30 minutes of chargeable time.</i></li> </ul>		
29 Charge for additional time spent processing Official Assurances (Dairy) <ul style="list-style-type: none"> <li>• <i>Introduce a fixed fee and hourly rate charging for time taken beyond the allowance included in the base fee for this service.</i></li> </ul>		
30 Add waiver provisions to dairy industry fees and charges regulations <ul style="list-style-type: none"> <li>• <i>Regulate current administrative practice with respect to fee waivers, and make this consistent with the provisions applying to other sectors.</i></li> </ul>	This proposal was supported.	Proceed with proposal.
Update of current fees and charges <ul style="list-style-type: none"> <li>• <i>Update fees, charges and levies based on current and forecast costs and volumes and delivery models;</i></li> <li>• <i>Repeal superseded provisions.</i></li> </ul>	<p>There was support for the first principles review and suggestions for future cost recovery reviews to be more regular. There was concern about the impact of the updates on artisan producers. Concerns were raised about service levels including that a lack of timeliness of billing by MPI was considered to cause problems for billing to clients.</p> <p>One submitter questioned whether multiple concurrent users of E-Cert affects system efficiency and increases time usage.</p> <p>The proposed changes to charges were not supported. Submitters considered there was insufficient background cost data to support the proposals and sought more transparency as to how rates were calculated. Two submitters were concerned that the charging structure should reflect the actual use of MPI</p>	Amend proposals as follows: <ul style="list-style-type: none"> <li>• <i>Modify germplasm/live animal market access maintenance to a unit fee.</i></li> <li>• <i>Introduce a capped charge, with the maximum amount to be charged equivalent to 40,000 straws for germplasm and 30,000 day-old chicks or hatching eggs, at the applicable unit rates.</i></li> </ul>

Proposal	Summary of feedback/issues identified	Actions taken
	<p>services and be linked to the size of the business.</p> <p>More detail was sought about the recovery of deficits. This proposal was not well supported, with submitters suggesting that recovery of deficits be spread over the equivalent amount of time to that in which they were incurred.</p> <p>Other specific concerns included:</p> <ul style="list-style-type: none"> <li>• Concerns that the proposed charges would severely impact smaller producers and make some smaller exports uneconomical. There was support for the proposed rates for bees, but one producer did not consider proposed increases were consistent with the principles.</li> <li>• A preference for a list of birds to which the wild-caught rate would apply, and charging based on value rather than head count.</li> <li>• That cat and dog export fees were considered to be too high.</li> <li>• A short-term decrease in annual levies on tonnage of fish was welcomed, with a request for details of levies that will apply to the memorandum account once the surplus has been corrected.</li> <li>• The cost of marine biosecurity should be shared between industry and the public good.</li> <li>• Clarification was sought on the distinction between on-shore and on-vessel primary processing, to avoid double charging.</li> <li>• The proposed rates for deer were not supported by the only submitter on this topic.</li> <li>• There was support for the proposed changes to the methodology for dairy.</li> <li>• The proposed poultry charges were considered too high. An annual lump sum negotiated payment to MPI was preferred.</li> <li>• There was support for the proposed increase to the Meat Industry Levy Fund.</li> <li>• On the basis of equity, secondary processing charges (which are considered low in relation to the levels of MPI services provided to secondary processors) should be recovered from secondary processors rather than meat processors, with charges to meat processors reduced by the equivalent</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce one-hour minimum charge to half-hour in germplasm/live animal exports.</li> <li>• Change bird species definitions.</li> <li>• Set proposed higher rates for deer with a partial waiver (so that in practice the fees are same as currently). This will enable the Ministry to further consider the classification of deer and ostriches.</li> <li>• Set differential rate for circuits and establishment programme charge.</li> <li>• Re-word operational guidelines to provide distinction between on-shore and on-vessel primary processing.</li> <li>• Replace export and domestic per head poultry levies with a single per head of poultry levy of \$0.004665 per bird.</li> </ul>



Proposal	Summary of feedback/issues identified	Actions taken
	<p>amount.</p> <ul style="list-style-type: none"> <li>On-farm verification should be recovered from farmers, not meat processors.</li> </ul> <p>Submitters pointed out some errata which have been corrected.</p>	
	<p>Specific provisions were sought for organics (the codification of current negotiated agreement on levies). There were concerns about avoiding double-payment to MPI if regulated costs are recovered alongside unregulated (currently voluntary) costs.</p>	<p>Referred to First Principles Review for further consideration.</p>

## 2.4 ANIMAL WELFARE ACT 1999

Proposal		Summary of feedback/issues identified	Actions taken
1	Charge for animal welfare export functions performed by non-veterinarians <ul style="list-style-type: none"> <li>• <i>Recover the cost of advisors who support the animal welfare work programme.</i></li> </ul>	No submissions were received on this proposal but submitters noted a number of errata which have been corrected.	Proceed with proposal
Update of current fees and charges		No submissions were received on this proposal.	Proceed with updates.

## 2.5 WINE ACT 2003

- 181 submissions were received from the wine industry (73 percent of all submissions received).
- Submitters were opposed to the proposed charges, with some requesting a transition period should the proposals proceed.
- Submitters provided preferences in relation to how some changes were implemented.

Proposal		Summary of feedback/issues identified	Actions taken
1	Charge for changes to the recognised agency (or person) on a Wine Standards Management Plan <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity on a basis that is consistent with similar activities for other sectors.</i></li> </ul>	Submitters did not support proposals for cost recovery and did not support the cessation of wine testing rebates. There was concern about the cumulative effect of fees and charges across government and territorial authorities, including the Grape Wine levy, liquor licensing, Resource Management Act applications, Excise Duty and Health Promotion Agency levies, as these already amount to \$2.87 per litre. These charges were considered to impact disproportionately on smaller producers. There were suggestions that costs under the Wine Act be recovered from general taxation or Excise Duties.	Proceed with proposals, with half hour minimum charges for Proposals 1 and 2.
2	Charge for minor amendments to a Wine Standards Management Plan <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity on a basis that is consistent with similar activities for other sectors.</i></li> </ul>		
3	Recover costs for processing a small winemaker exemption notification <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity on a basis that is consistent with similar activities for other sectors.</i></li> </ul>		
4	Recover costs for verification, inspection and audit <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity on a basis that is consistent with similar activities for other sectors.</i></li> </ul>	Specific comments included: <ul style="list-style-type: none"> <li>• Concerns about how the costs of E-Cert would be passed on to the sector.</li> <li>• Concern about the level of the hourly rate (\$155).</li> <li>• Calls for a transition period of 3-5 years.</li> <li>• A lack of details about the E-Cert proposal (no. 7 below).</li> </ul>	Proceed with proposal.
5	Recover costs for New Zealand Standards and Compliance functions via a levy on New Zealand Winegrowers <ul style="list-style-type: none"> <li>• <i>Regulate the recovery of costs through a single lump-sum levy via the industry body.</i></li> </ul>	As above, there was a lack of support for the proposals overall, but agreement with charging for services by Wine Officers. Submitters considered the cost should be borne by the company not industry.	Proceed with preferred option (Option 2).

6	<p>Recover the cost of funding for Export Standards setting, Market Access and export certification costs</p> <ul style="list-style-type: none"> <li>• <i>Introduce cost recovery for this activity by way of a per litre levy on wine on exporters who export over 10,000 litres.</i></li> </ul>	<p>As above, there was a lack of support for the proposals overall, and suggestions such as a hybrid methodology involving flat and per litre rates for exports or a consolidated fund to encourage export growth.</p>	<p>Proceed with preferred option (Option 2). Increase exemption from 10,000 litres to 200,000 litres.</p>
7	<p>Recover costs for wine E-Cert</p> <ul style="list-style-type: none"> <li>• <i>Recover the costs of Wine E-Cert through the export levy (see No. 6 above).</i></li> </ul>	<p>As above, there was a lack of support for the proposals in general. There were submissions for and against this proposal and some preference for an enhanced charging regime.</p>	<p>Proceed with preferred option (Option 3).</p>
<p>Update of current fees and charges</p> <ul style="list-style-type: none"> <li>• <i>Revoke current fees and charges – methodology superseded through proposals;</i></li> <li>• <i>Update fees, charges and levies based on current and forecast costs, volumes and delivery models.</i></li> </ul>		<p>No submissions were received on this proposal.</p>	<p>Proceed with proposal.</p>

## 2.6 COMMON PROPOSALS THAT IMPACT ACROSS MULTIPLE REGIMES

- A wide range of views was expressed, mainly supportive.
- Some submitters considered that changes to fees can be managed within their existing cost recovery systems.
- Some preferred the status quo.
- There was concern that fees and charges should be set at levels that submitters considered realistic.

Proposal		Summary of feedback/issues identified	Actions taken
1	Align hourly rate charges <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>	These proposals were supported.	Proceed with proposals.
2	Use Inland Revenue Department vehicle mileage rates <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>		
3	Recover costs for support staff involved in specialist services <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>		
4	Recover other costs incurred by MPI <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>	There was general support for the proposal with a preference for recovery at an hourly rate, with expenses receipted. Submitters pointed out an error which has been corrected.	Proceed with proposal.
5	Charge for performance of function, power or duty under the Act, Regulations and Notices not prescribed elsewhere <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>	These proposals were supported.	Proceed with proposals.
6	Correct use of the term 'levy' <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>		
7	Update references to recognised persons and agencies	This proposal was supported, with one submitter seeking adequate controls to avoid extension to unintended situations.	Proceed with proposal.

Proposal		Summary of feedback/issues identified	Actions taken
	<ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>		
8	<p>Align veterinary professional rates across biosecurity and food regulations</p> <ul style="list-style-type: none"> <li>• <i>Provide a consistent approach to charging across regimes and sectors.</i></li> </ul>	This proposal was supported.	Proceed with proposal.

### 3 Summary of submissions on proposed new cost recovery regulations for the Food Act 2014

- A separate consultation process was held early in 2015 about proposed new cost recovery regulations under the Food Act 2014. The consultation asked a set of four general questions about cost recovery under the Food Act 2014. Submitters' comments are summarised below.
- There were wide differences of opinion about the proposed regulations, with particular concerns that charges be realistic and sectors treated equitably.

	Comments from submitters	Actions taken
Do you feel that territorial authorities (TAs) are able to develop cost recovery systems without an immediate requirement for regulations prescribing methodologies to be used?	<p>There was general support for the rationale behind MPI proposals and suggestions that revisions be scheduled on a more regular basis. Territorial Authorities (TAs) generally considered they were able to develop cost recovery systems without an immediate requirement for regulations prescribing methodologies, provided overall boundaries and guidelines are in place to prevent cost recovery with excessive profit margins.</p> <p>Specific concerns included that:</p> <ul style="list-style-type: none"> <li>• The proposed cost recovery measures would have a heavy impact on small food producers and subsidise large producers.</li> <li>• All should be treated equitably across both the Animal Products and Food Acts.</li> <li>• A deadline should be set for TAs to decide and publish their cost recovery/fee system so food businesses can consider the costs when deciding whether to have a template food control plan or custom food control plan.</li> <li>• One submitter was aware that both TAs and businesses have raised concerns regarding the transparency and consistency of fees and charges. There are currently variations in the percentage of cost recovery and overhead allocation approaches undertaken by TAs. The submitter noted that: <ul style="list-style-type: none"> <li>○ TAs make decisions about cost recovery, and consequently the fees they charge, across a wide range of services they provide and will typically work toward consistency of approach across the TA.</li> <li>○ The cost of implementing regulations will vary between areas, so if a cost recovery model is applied, fees will subsequently vary.</li> <li>○ A TA may choose to subsidise its fees.</li> </ul> </li> </ul>	<p>Noted –the need for a methodology will be reviewed as the Act and associated regulations and TA's fees and charges for services are implemented. MPI will monitor implementation.</p>

<p>What, if any, issues do you think may arise from maintaining the status quo in relation to Crown funding for the development of standards?</p>	<p>Submitters in general favoured the status quo. Reasons included the multitude of small businesses involved, the wide range of operations from non-profit to profit, avoiding added cost or compliance, the range in operating times, the importance of nurturing small business, the high turnover in business ownership, benefits accruing asymmetrically to businesses and consumers, the basis for standards and range of standards.</p> <p>Potential issues raised by submitters included:</p> <ul style="list-style-type: none"> <li>• Anything other than Crown funding would have implications for TAs to potentially assist in the collection of the costs. This would add resourcing and administration costs for TAs [two submitters].</li> <li>• Should be Crown-funded except where industry requests a standard when it is appropriate that industry meets funding requirements.</li> <li>• While funding mechanisms are being determined, industry should have the option of funding standards if they consider there is an urgent need.</li> <li>• The sector should have certainty about the costs they will be likely to face- via levies or annual fees – to fund standards. These costs need to be signalled as soon as possible so that the sector can incorporate them into planning.</li> <li>• Cost of obtaining and updating standards is prohibitive for customers who need to access these documents to assist in ensuring compliance.</li> <li>• Industries that have already invested in developing and implementing NZFSA recognised standards should not be required to fund the cost of development of standards for other industries.</li> </ul>	<p>These comments will be considered as part of first principles review.</p> <p>Some of these issues will be considered as part of the first principles review, to avoid possible repeated changes to the administrative inconvenience of the sector.</p>
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<p>Do you agree that fees and charges are generally the most appropriate systems for cost recovery for services provided under the Food Act? Do you have any alternative suggestions?</p>	<p>Most submitters on this topic agreed with the question, but there was concern about the high level of the proposed fees. There were calls for fee structures to be simple and transparent and provide for the wide variety of uses of the Act. One submitter considered there is a need for registration applications for variation, renewals and minor variations to food control plans/national programme registrations as is in place/proposed for the Animal Products regime.</p> <p>TAs signalled that cost increases would be passed on to ratepayers. This could impact adversely on auditing revenue as businesses may no longer be able to be audited by the TA or may choose to have their premises audited by a third party. This is likely to result in significant budget risks for many TAs.</p> <p>TAs sought clarity as to whether s215 of the Act (penalties for failure to pay statutory fees etc.) would apply to situations where the debt is due to the TA, and whether TA is a holder of a specified office under the Act. One submitter recommends regulations include provision for TAs to apply penalty charges. Infringement fees related to food premises subject to TA engagement should be payable. Licensed childcare services sought an exemption from regulations.</p>	<p>The fees and charges structure is intended to be transparent and efficient as required by the Food Act 2014.</p> <p>The proposed fees and charges structure has been amended to give more differentiation of services and as a consequence more relevant costs.</p>
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<p>Are there any methods in addition to management monitoring you can suggest to make sure that processes are delivered in a timely and cost-effective fashion?</p>	<p>Submitters asked that the Ministry provides information on reviews of fees and charges in a timely manner and that the results of a review, and any consequent changes, be transparent.</p> <p>Submitters were concerned at the level of proposed fees and the lack of commercial constraints on the measurement of the efficiency of the processes which lead to those fees being set.</p> <p>Food safety at licensed childcare services is already monitored by the Ministry of Education and by the Education Review Office as part of the licencing criteria for childcare centres. Submitters considered the proposed process adds another layer and is unnecessary.</p> <p>Methods suggested included:</p> <ul style="list-style-type: none"> <li>• MPI communication directly with industry, e.g., solicited feedback – in the context of consistency.</li> <li>• Audits and peer reviews.</li> <li>• Monthly reporting from TAs and web portal reports of the TAs activity, which would allow for comparison of work undertaken and fees collected.</li> <li>• Stakeholder satisfaction e.g. customer satisfaction, TAs feedback on MPI's processes.</li> <li>• Increasing targets for timeframes of completion of applications for registration from 85 percent to 100 percent. MPI could review the processes and requirements of the Building Act/Building Consent Authority accreditation.</li> <li>• A process to help achieve improved targets.</li> <li>• A resolution time for complaints.</li> <li>• A resolution processing time for issuing decisions and outcomes of audits.</li> <li>• Charging by the hour to help ensure processes are delivered in a timely and cost-effective fashion.</li> <li>• Publishing the factors applied to arrive at fees.</li> </ul>	<p>These comments are being considered in MPIs development of monitoring arrangements.</p>
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