



# **Consultation Paper on Proposed Revisions to the Cost Recovery Regimes**

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

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## Glossary

**ACVM** – Agricultural Compounds and Veterinary Medicine Act 1997. The purpose of this Act of Parliament is to reform and restate the law relating to agricultural compounds.

**APA** – Animal Products Act 1999. The purpose of this Act of Parliament is to reform and restate the law relating to the processing of animal material into products for use, trade and export.

**APEC** – Asia Pacific Economic Co-operation. This is a forum for 21 Pacific Rim member economies that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region.

**AWA** – Animal Welfare Act 1999. The purpose of this Act of Parliament is to reform the law relating to the welfare of animals and the prevention of their ill-treatment.

**AWEC** – Animal Welfare Export Certificate. A certificate issued under the Animal Welfare Export Certificate Regulations 1999 to ensure that any animal welfare risks during travel are minimised.

**BSEL** – Biosecurity System Entry Levy. This levy paid by stakeholders funds a proportion of the fixed costs common to all activities associated with managing biosecurity risks at the border.

**CODEX** – Codex Alimentarius Commission. A collection of internationally recognized standards, codes of practice, guidelines and other recommendations relating to foods, food production and food safety.

**DIRA** – the Dairy Industry Restructuring Act 2001. The purpose of this Act of Parliament is to provide for the transition of the New Zealand Dairy Board to a wholly owned subsidiary of new co-op and its conversion into a company.

**EU** – European Union.

**FTE** – Full-time equivalent.

**GIA** – Government and Industry Agreements are agreements between government and industry sectors to share management of risk.

**GMP** – Good Manufacturing Practice certificate.

**GST** – Goods and Services Tax. Most fees are shown on a GST-exclusive basis. The current rate of GST is 15%.

**IRD** – Inland Revenue Department.

**JBMS** – Joint Border Management System A set of integrated information technology products that New Zealand Customs Service and MPI use jointly to manage risk at the border

**MAF** – Ministry of Agriculture and Forestry, one of the agencies that were merged to form MPI.

**MPI** – the Ministry for Primary Industries, the government department undertaking the present consultation.

**MPI VS** – Ministry for Primary Industries Verification Services.

**NCCP** – National Chemical Contaminants Programme.

**NZFSA** – New Zealand Food Safety Authority, one of the agencies that were merged to form MPI.



**OECD** – Organisation for Economic Co-operation and Development is an international economic organisation of 34 countries founded in 1961 to stimulate economic progress and world trade.

**OIA** – Official Information Act 1982. The purpose of this Act of Parliament is to make official information more freely available, to provide for proper access by each person to official information relating to that person, to protect official information to the extent consistent with the public interest and the preservation of personal privacy.

**OMARs** – Overseas market access requirements. Notices issued by MPI with standards for exporters.

**RMP** – Risk management programme that is registered under the APA.

**RTT** – Research, teaching and testing sectors.

**T&CFs** – Transitional and Containment Facilities. Border and other facilities that accept imported goods and organisms.

**VICH** – Veterinary Co-operation on International Harmonisation.

**WECS** – Wine Export Certification Service. MPI processes applications to determine whether wine is eligible for export and issues Export Eligibility Statements for each consignment of wine to confirm that it is eligible for export.

**WPC** – Whey Protein Concentrate.



# 1 Introduction

## 1.1 OVERVIEW

The primary industries earned New Zealand \$38.3 billion in exports in the year to June 2014. Our biosecurity and food safety systems are critical to the operation and viability of the primary industries. They provide the basis for New Zealand's official assurances to its trading partners about the safety and provenance of exports, protect consumers in New Zealand and overseas, and help prevent biosecurity incursions which could damage people, primary production and the environment. The systems add significant value to the returns New Zealand producers receive for their exports.

This is the first review of biosecurity and food safety fees since the creation of the Ministry for Primary Industries (MPI or "the Ministry") on 1 July 2011. Biosecurity fees were last reviewed in 2010 and the food safety fees were reviewed in 2008.

Since the last review, demand for services has increased, driven by increasing trade volumes as well as a greater number of food businesses. A rising volume of services, improvements to services, and cost pressures (price inflation), have increased the cost of delivering services.

The Government has responded to the increased demand for services by raising efficiency and by making significant improvements, these include:

- savings of \$23.6 million from the merger of the Ministry's predecessor agencies, of which \$2.8 million is attributable to industry and has been used to offset additional cost increases for industry;
- absorbing biosecurity response costs;
- introducing a Joint Border Management System;
- increasing the roster of dogs for cargo inspections; and
- increasing Ministry staff numbers in China.

The Ministry has been under-recovering from about half of the sectors in provides services to for several years. The Government is required to ensure that it neither overcharges nor undercharges for its services, and therefore a review of fee rates is now overdue. This update is also an opportunity to look at current policy settings for cost recovery and, where appropriate, to refresh these settings.

This consultation document sets out proposals for changing the way that MPI recovers costs from individuals and industries. Most of these changes are simple fee rate updates to reflect changes to costs, new services or expanded services since the last review. In all, the Ministry is proposing to change 254 fees across five sectors.

Other proposals propose improvements to how we recover costs, to improve the efficiency, equity, effectiveness, or transparency of charging regimes.

We are seeking your views on any and all changes that interest you. Section 2.4 explains how to provide feedback on the proposals.

The document is divided up by sector (Biosecurity, Animal Products, Agricultural Compounds and Veterinary Medicines, Animal Welfare, and Wine). Issues that affect all five sectors are listed in a separate section.

The deadline for feedback is **20 February 2015**.

## 1.2 MINISTRY FOR PRIMARY INDUSTRIES

MPI is the Government agency charged with administering Vote Primary Industries and Vote Food Safety. The Ministry was formed on 1 July 2011 from the merger of:

- Ministry of Agriculture and Forestry (including Biosecurity New Zealand);
- Ministry of Fisheries;
- New Zealand Food Safety Authority.

## 1.3 PURPOSE AND STRUCTURE OF THIS DOCUMENT

This consultation document presents the findings of MPI's recent review of cost recovery for animal products, agricultural compounds and veterinary medicines, wine, animal welfare and biosecurity services. It seeks comments from interested parties on a range of cost recovery proposals related to the delivery of those services.

Although the document describes the functions performed by MPI under the various Acts, we are not seeking submissions on the nature and level of those functions. Such consultation is carried out when establishing work programmes and setting standards and specifications that apply to a specific industry, through the relevant industry-MPI consultation forums.

This document is presented in several parts:

- **Part 1** contains important introductory information about cost recovery for MPI services.
- **Part 2** gives instructions and information for making submissions.
- **Part 3** gives a high-level of overview of the cost recovery proposals.
- **Part 4** describes and seeks feedback on cost recovery proposals relating to the Biosecurity Act 1993.
- **Part 5** describes and seeks feedback on cost recovery proposals relating to the Agricultural Compounds and Veterinary Medicines Act 1997.
- **Part 6** describes and seeks feedback on cost recovery proposals relating to the Animal Products Act 1999. It is subdivided into live animal and germplasm exports (Part 6A), approvals and certification services (Part 6B), charges on animal products (Part 6C), verification services (Part 6D) and dairy industry fees and charges (Part 6E).
- **Part 7** describes and seeks feedback on cost recovery proposals relating to the Animal Welfare Act 1999.
- **Part 8** describes and seeks feedback on cost recovery proposals relating to the Wine Act 2003.
- **Part 9** describes and seeks feedback on proposals that affect multiple cost recovery regimes.

## 1.4 BACKGROUND

As MPI is a result of a merger of different agencies, there is now a lack of consistency of approach to cost recovery across the various sectors.

Because parts of some cost recovery arrangements are the same across different regimes, we propose amending multiple sets of regulation at the same time, to standardise some arrangements and language, and to ensure as much consistency and fairness as possible.

Parts 4 to 9 of this consultation document include the following information for each legislative regime:

- activities undertaken by MPI;
- policy issues identified and considered as part of the review;
- proposed updates for current fees and charges (refer to schedules in appendices);

- details of each cost recovery proposal, including:
  - background information
  - problem definition;
  - proposed fees and charges;
  - questions for consideration in submissions.

## 1.5 STATUTORY FRAMEWORK FOR COST RECOVERY

### 1.5.1 MPI's role as a regulator

MPI is a major central government regulator, with primary responsibility for food safety issues and biosecurity. The cost of delivering some of the functions that MPI undertakes in carrying out its duties can be recovered from users where service provision is not funded by way of Parliamentary appropriation.

The authority for recovering costs from third party users of services is established in a number of pieces of existing legislation:

- Agricultural Compounds and Veterinary Medicines Act 1997;
- Animal Products Act 1999;
- Food Act 1981;
- Wine Act 2003;
- Biosecurity Act 1993;
- Animal Welfare Act 1999.

High-level principles for determining who should pay and the share they should pay are set out in each Act. The principles of equity, efficiency, transparency and justifiability are common themes throughout the Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, Wine Act 2003, and Animal Welfare Act 1999. The Biosecurity Act 1993 refers to the principles of equity and efficiency.

In most cases, fees for cost-recovered activities are set by Regulations. The legislative frameworks for cost recovery are designed to ensure that the Ministry does not over-recover or under-recover the cost of service delivery.

In addition to the existing legislation noted above, the Food Act 2014, which allows for cost recovery of services provided to third parties, will fully come into force in March 2016. The first group of fees is due to take effect from 1 March 2016. Regulations to support the operation of the new Act, including those relating to cost recovery, are being developed.

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

### 1.5.2 Cost recovery principles

The cost recovery principles that must be applied are specified and defined in the individual Acts under which cost recovery is permitted. The principles are, however, consistent across the Animal Products Act, Agricultural Compounds & Veterinary Medicines Act and Wine Act, and are summarised as follows:

- **Equity** – Users or beneficiaries of a function, power or service will generally be required to fund the cost of providing the function, power or service at a level that reflects their use or benefit.
- **Efficiency** – Costs should generally be allocated and recovered in a manner that ensures maximum benefits are delivered at minimum cost.

- **Justifiability** – The costs (including indirect costs) associated with providing a function, power or service should be reasonable and justifiable.
- **Transparency** – The cost of providing a service, function or power should be identified and allocated as closely as is practicable to the period when the service is provided.

The Animal Welfare Act also refers to the principles above but does not have the same detail in explaining what they mean. The Biosecurity Act requires that the principles of equity and efficiency be applied in the cost recovery area.

MPI applies all four principles to all cost recovery, whether or not they are specified by the legislation for individual cost recovery regimes.

MPI follows the guidelines set out in the Treasury's *Guidelines for Setting Charges in the Public Sector* ('Treasury guidelines')<sup>1</sup> and the Office of the Auditor-General Good Practice Guide *Charging fees for public sector goods and services* ('Auditor-General guide')<sup>2</sup>. A more complete description of the guidelines for undertaking cost recovery is provided in section 1.11, Appendix 1.

### 1.5.3 Periodic cost recovery reviews

The fees set in regulations must be regularly reviewed and refreshed to ensure charges, fees and levies are accurate and they correctly reflect the cost of delivering services to third party users. Revenue generated under the current fee levels is now insufficient to meet the costs incurred by the Ministry for delivery of services to third party users in these areas.

In most instances the principal Acts also specify the minimum frequency with which cost recovery reviews must be undertaken:

- Agricultural Compounds and Veterinary Medicines, Animal Products, and Wine – three-yearly;
- Biosecurity – not specified;
- Animal Welfare – not specified.

Periodic review of cost recovery regulations is also consistent (and recommended) under the relevant guidelines published by the Treasury and the Office of the Auditor-General. Review of all cost recovery for food safety, animal welfare and biosecurity is now overdue.

Periodic cost recovery reviews for the food safety and biosecurity systems were due to be undertaken at the time MPI was created from the merger of the three earlier agencies. The reviews were deferred to allow for the bedding down of the changes and for the financial implications of the merger to be properly sorted through and factored into cost recovery reviews. The delay also allowed MPI to complete redevelopment of the overhead cost allocation model. At the time of the merger it was expected there would be impacts on cost recovery for the new Ministry, including beneficial impacts for third party service users.

The current fee structures for food safety, biosecurity and animal welfare are therefore based on costs of the Ministry and other agencies from the 2009/10 financial year or earlier, typically five to seven or more years ago.

### 1.5.4 Memorandum accounts

MPI uses memorandum accounts to monitor cost recovery revenue and expenses for food safety and biosecurity. There are four memorandum accounts for this purpose:

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<sup>1</sup> *Guidelines for Setting Charges in the Public Sector*, The Treasury, December 2002. <http://www.treasury.govt.nz/publications/guidance/finmgmt-reporting/charges>

<sup>2</sup> *Charging Fees for Public Sector Goods and Services*. Good Practice Guide. Office of the Auditor-General, June 2008. <http://www.oag.govt.nz/2008/charging-fees/>

- verification of the food regulatory programme;
- approvals, accreditations and registrations;
- standards setting for the food industry;
- border biosecurity clearance fees.

The verifications, approvals and standards setting memorandum accounts were all established prior to the 2006/07 financial year. The border biosecurity clearance fees memorandum account was created on 1 July 2010 from the consolidation of four previous memorandum accounts that were created on 1 July 2007.

Memorandum accounts must be reported as part of MPI's annual report.

## 1.6 CURRENT STATUS OF COST RECOVERY

### 1.6.1 Market developments since the last review

Demand for MPI's services has increased substantially since the last cost recovery reviews were undertaken. Table 1 provides brief snapshot of increases in market activity since 2009.

**Table 1: Activity levels in key service areas**

Activity area	2009	2014	% increase
Vehicle imports - excl. rolling stock (billion \$)	3.72	6.36	+71
Wine export volume (million L)	205	320	+56
Export cargo volume – sea (million T)	25.3	38.3	+51
Dairy exports milk solids (billion kg)	2.1	3.0	+43
Harmonised trade imports – China (billion \$)	6.3	8.1	+29
Export cargo volume – air (thousand T)	92	104	+13

Source: Statistics New Zealand, New Zealand Winegrowers, and New Zealand Customs Service.

This increased demand has resulted in pressure on the quality and quantity of services provided, and the costs of delivering services.

MPI has endeavoured to ensure that cost increases are reasonable, it is operating efficiently, and efficiency gains are factored into the budgeted costs for service delivery. It has benchmarked its operating efficiency as follows:

- Of the proposed revenue increases since fee rates were last updated, the portion attributable to Ministry cost pressures is \$3.5 million. This is less than half the \$9 million increase that would have occurred if costs had risen at the rate of general inflation.
- The 2013/14 Benchmarking Administrative and Support Services (BASS) survey places the Ministry's corporate services' costs at 12.3 percent of total running costs. This has improved from 13.7 percent last year and is below the 13.6 percent median (2012/13 median of 14.4 percent) of comparable public sector agencies<sup>3</sup>.
- The Ministry's procurement function received the highest rating of the 16 agencies (as at 2012/13) that had participated in the ArcBlue Procurement Review.

<sup>3</sup>Benchmarked against the Department of Conservation, Department of Internal Affairs, Land Information New Zealand, Ministry of Foreign Affairs and Trade, Ministry of Health, New Zealand Customs Service, New Zealand Transport Authority, New Zealand Trade and Enterprise, and Statistics New Zealand.

- The Ministry realised savings from the mergers of predecessor agencies of approximately \$23.6 million, including \$2.8 million in savings to third parties. These savings are reflected in the proposed charges.
- The Ministry has absorbed a range of costs across its Crown-funded and cost-recovered activities. This includes absorbing the costs of three fruit fly responses in 2014/15; and in 2015/16 absorbing \$7.9 million in costs for additional observers on foreign charter vessels and increasing airport passenger numbers (especially from countries with a low understanding of New Zealand's biosecurity requirements).
- Proposed professional services hourly rates (from \$109 to \$155) compare favourably with rates for other New Zealand agencies (for example, they are up to \$241 at the Civil Aviation Authority; and also compare favourably with border clearance services and agricultural verification rates in Australia (from AUD132 to AUD306).
- Market feedback suggests the Ministry costs for verification services are the same or lower than those of private sector competitors.

### 1.6.2 The need for change

MPI is required by most of the legislation it administers (the Biosecurity, Agricultural Compounds and Veterinary Medicines, Animal Products and Wine Acts) to recover the costs of providing services that are not Crown-funded. These fees are set through cost recovery regulations that have not been amended for a number of years. This has resulted in under-recovery, as the costs of providing these services have risen owing to changes to improve service delivery and general cost pressures.

These increased costs are financially unsustainable and will put pressure on the level of service MPI can offer.

Furthermore, when the three agencies merged into MPI, a number of inconsistencies in the fees charged became evident. The result is that some users pay more than others for similar services, while some others pay nothing at all.

### 1.6.3 Options for change

We are inviting feedback on the four main options for cost recovery (Table 2). They are to maintain the status quo, increase the fees for activities, increase fees and enact smaller policy proposals, or undertake a 'first principles' review of MPI's cost recovery.

**Table 2: Options for cost recovery**

Proposal	Analysis
<b>Status quo</b>	MPI continues to under-recover for the services it offers under regulation.
<b>Update existing fees for services provided under regulation</b>	MPI recovers costs for the services it offers, in line with relevant legislation, by 1 July 2015. Opportunities to improve services or flexibility through policy changes deferred.
<b>Update existing fees &amp; enact policy proposals</b>	MPI recovers costs for the services it offers, in line with relevant legislation, by 1 July 2015. Proposed policy changes implemented within same timeframe.
<b>Completion of a first principles review of cost recovery, followed by an update to fees and policies</b>	MPI defers fees updates until it completes a first principles review of cost recovery across all its services. Changes would not be in place for 1 July 2015. This would result in substantial, unrecoverable deficit, and the quantum of fee increases would ultimately be larger.



#### **1.6.4 A first principles review of MPI cost recovery**

A first principles review of MPI cost recovery is scheduled for completion later in 2015. That review has a much broader scope than the current consultation, including a consideration of:

- harmonising cost recovery regimes across the Ministry;
- the overall cost of Ministry fees to businesses and others;
- further analysis of practical trade-offs between volumes, prices and standards (including risk);
- appropriate funding sources for all Ministry services;
- timeframes for fee updates;
- optimal timeframes for recovering historic debts;
- alignment with other cost recovery regimes.

The first principles review will also consider any issues identified through the current consultation process that are outside the scope of this consultation document, and will ensure the Ministry's cost recovery frameworks are operating in accordance with the underlying statutory frameworks and the high-level principles and guidance provided by the Treasury and Office of the Auditor-General.

#### **1.6.5 Cost recovery regimes excluded from the current review**

The current review does not include cost recovery under the following legislation:

- Climate Change Response Act 2002;
- Commodity Levies Act 1990;
- Forests Act 1949;
- National Animal Identification and Tracing Act 2012.

Cost recovery under the Fisheries Act 1996 is also not covered by this review, as it is reviewed annually in accordance with the requirements of that Act.

Cost recovery under the Food Act 1981 has not been included in the current review. Cost recovery under this Act is relatively minor in terms of the amounts involved. Furthermore, the enactment of the Food Act 2014 requires cost recovery and other regulations to be developed and implemented as part of the gradual commencement of the provisions of this Act. Once implemented, the cost recovery provisions of the Food Act 2014 will supersede those of the Food Act 1981.

Funding and cost recovery issues relating to the Government Industry Agreement (GIA) on Biosecurity Readiness and Response, and to pest management, have not been included in the current review of biosecurity cost recovery. Work on GIA cost recovery arrangements is progressing separately. (See section 4.5.1, for further details.)

The development of cost recovery regulations under the Airports (Processing of International Travellers) Act 2014 is also not included in the scope of the current fee reviews.

#### **1.6.6 Cost recovery under the Food Act 2014**

MPI is developing cost recovery proposals for services that will be delivered under the Food Act 2014.

The consultation process for Food Act 2014 cost recovery is being dealt with separately from the process for services covered by this document.

### **1.7 FEE CHANGES NOT SUBJECT TO DETAILED POLICY PROPOSALS**

The proposals discussed in detail in this document do not cover updates to existing fees, charges and levies where no change to the basis of calculation or applicability of the fees,

charges and levies is proposed. Rates for most items have been updated to reflect current cost structures and anticipated demand for services. The updated rates are included in the Appendices at the end of each section.

Your comment on these updates is invited as part of any feedback you provide.

## **1.8 USE OF FORMULAE TO CALCULATE FEES, CHARGES AND LEVIES**

In some instances MPI has chosen to propose fees, charges and levy calculations based on formulae. The use of formulae will allow fees to rise (and potentially fall) in line with changes in the actual cost of providing the service. In some cases the formulae will rely on MPI internal cost assessments. We recognise that there may be some concern about the transparency of costs in these cases and propose to take the following steps to safeguard against cost rises that are not transparent or justifiable. These measures could include:

- benchmarking internal cost rises against a published target linked to general inflation;
- subjecting the service area to periodic external audits;
- allowing for a targeted, case-by-case, review of proposed fee levels by portfolio Ministers.

### **1.8.1 Questions for consideration**

Question 1.8:

- 1) In principle, do you support the use of formulae for setting charges for some activities, or would you prefer a 'prescribed fee' basis?
- 2) Do you think the safeguards are sufficient in ensuring the fees, levies and charges set by way of formulae are fair and reasonable?

## **1.9 USE OF HOURLY RATE CHARGES**

Hourly rate charges are one of a number of available options for recovery of costs incurred in delivering services to users. When determining the most appropriate method for cost recovery (for example, fixed fee, hourly rate charges and levies) a number of factors are taken into consideration. These include factors influencing the likely demand for the services and both the Ministry's and users' ability to manage the demand – such as volume, frequency and timing. The mandated principles (where applicable) of equity, efficiency, justifiability and transparency are also taken into consideration.

Other factors taken into consideration include the method and location of service delivery – for example, whether site visits are required or whether the service is office-based – and the technical expertise required for service delivery.

The Ministry is in agreement with recent comments from the Treasury and the Productivity Commission that hourly fees can be useful for recovering costs where the costs associated with individual cases are highly variable and the fee-payer can take action to reduce these costs.

In some instances, the Ministry is proposing to use fixed fees that are based on hourly rate charges. Where this approach is being proposed, an explanation of the basis of calculation is included as part of each proposal. This approach is proposed where a service is typically provided on the basis of a number of process steps throughout the year. The total time assigned to each process step has then been aggregated to help determine the total costs being incurred by the Ministry. In these instances charging a single 'unit' fee is administratively more efficient for both the Ministry and the service user than charging for each process step individually as process steps are performed.

## 1.10 GOODS AND SERVICES TAX (GST)

Fees, charges and levies in the current regulations were put into effect on both a GST-inclusive and GST-exclusive basis. This document shows fees, charges and levies on a GST-exclusive basis. This approach has been taken:

- to ensure consistency and comparability within and between cost recovery regimes;
- to recognise that the majority of the Ministry's fee-paying customers are businesses that are likely to be registered for GST, so they can offset any GST paid in their GST returns.

At the time current fees, charges and levies were put into effect, the rate of GST was 12.5%. The GST rate subsequently increased to 15%, and fees, charges and levies were restated to reflect the increased rate. This means that where fees published in regulations are 'GST-inclusive' they will not always correspond to the actual GST-inclusive fee being charged.

The Ministry is seeking to promulgate revised and/or new fees, charges and levies on a GST-exclusive basis. This will ensure consistency across all fee regimes, and will also help to ensure that the published rates for fees, charges and levies remains correct should there be future changes to GST rates. All figures in this consultation document are *GST-exclusive* unless otherwise stated.

## 1.11 APPENDIX 1 - GUIDELINES FOR SETTING CHARGES AND FEES

MPI follows the guidelines (subject to relevant legislation) set out in the Treasury's *Guidelines for Setting Charges in the Public Sector* ('Treasury guidelines')<sup>4</sup> and the Office of the Auditor-General Good Practice Guide, *Charging fees for public sector goods and services* ('Auditor-General guide')<sup>5</sup>.

### 1.11.1 The Treasury guidelines for charging fees

The Treasury guidelines outline policy considerations such as who should be charged a fee and whether a public entity should recover less than the full costs of providing a good or service. The guidelines state that:

- Charges should, in general, be set at the full cost of providing the service, where full cost includes all overheads and non-cash (such as capital charges), measured in accrual accounting terms.
- Charges should not be excessive in relation to the costs incurred.
- Charges can be set to vary by the location where the service is provided or by the time at which the service is provided, but a balance needs to be struck between the gains from complex fee structures and the costs in terms of a loss of simplicity.
- The process for setting charges should be clear and appropriate.
- Transaction costs in setting and collecting the charges should be kept as low as practicable.
- Appropriate consultation with those affected should be undertaken when setting and changing the charges.
- There should be a robust basis for any charges.
- There should be fair treatment for taxpayers, beneficiaries of the service and 'risk exacerbators'.

### 1.11.2 Auditor-General guide for charging fees

The Auditor-General guide directs and government departments and other public entities to apply three principles when setting fees for providing services to third parties:

- **Authority** – There must be legal authority to charge a fee for the services that a public entity is legally obliged to provide to third parties. MPI's authority to charge for service provision is contained in the Acts listed in section 1.5.1 of this document.
- **Efficiency** – Services should be provided to the desired level of quality from a given quantity of resources, thereby achieving value for money. For service provision to be efficient, MPI needs to have an adequate understanding of the costs (both direct and indirect) of providing third party services, and have appropriate systems in place to monitor costs.
- **Accountability** – An entity must ensure that its processes for identifying costs and setting fees are transparent. MPI achieves this through consulting affected parties on any proposed fee changes and by separate disclosure of revenue and expenses for third party service provision through memorandum accounts.

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<sup>4</sup> *Guidelines for Setting Charges in the Public Sector*, The Treasury, December 2002.  
<http://www.treasury.govt.nz/publications/guidance/finmgmt-reporting/charges>

<sup>5</sup> *Charging Fees for Public Sector Goods and Services*. Good Practice Guide. Office of the Auditor-General, June 2008.  
<http://www.oag.govt.nz/2008/charging-fees/>

### 1.11.3 Economic description of services

In economic terms, services can be characterised as public, ‘club’ or private goods.<sup>6</sup> Club goods are also known as industry goods. In practice, there is often no clear delineation of boundaries between them, and a product or service can have elements of all three. A key question then becomes the degree to which practical considerations of how costly it is to charge the user of a service outweigh the benefits of charging.

MPI has adopted the following definitions to help determine the most appropriate source of funding for services delivered to users:

- **Public good** – A good is considered public when excluding users from its benefits is either difficult or costly (meaning it is ‘non-excludable’, in economic terms) and its use by one person does not detract from its use by another (making it is ‘non-rivalrous’). In practice, pure public goods are rare. Many government-provided services share the characteristics of public goods to some extent. There is a good case for recovering the costs of a public good from the community as a whole by general taxation (that is, through government funding for delivery of these services to users).
- **Club good** – In the case of a club good, in contrast, users can be excluded from the benefits of use at low cost, but its use by one person does not detract from its use by another (making it non-rivalrous). The key difference is that the ability to exclude users implies that it is feasible to charge for use. Charging club members can be an efficient way of recovering costs. An example of a club good is activities undertaken by MPI to promote an industry, such as dairy residue monitoring.
- **Private good** – Users can be excluded from benefits at low cost, and its use by one person conflicts with use by another (meaning it is both excludable and rivalrous). There is a strong case for recovering the costs of private goods from those who benefit directly from their provision. An example of a private good is certification that a company’s goods comply with all relevant export requirements.

### 1.11.4 Cost basis for fees and charges

MPI uses full accrual accounting to determine the cost of providing services, an approach that is consistent with generally accepted accounting practice:

- **Direct costs** include personnel and operating costs (and can include fixed and variable costs).
- **Indirect costs** include management and support services and corporate overhead costs, which include accommodation, equipment and communications. MPI’s fixed costs form part of the cost of producing its outputs, and are apportioned across all outputs each year. The ‘drivers’ for allocating indirect costs across activities and functions for outputs are selected to best represent a fair use of the particular function or service.

This approach ensures that the full cost of providing services is considered when determining the level of cost recovery that will be required.

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<sup>6</sup> A fourth category, “merit goods”, are goods desired by the community as a whole at higher rates of consumption than if they were supplied at full cost. Merit goods may involve a mixture of Crown and third party funding, and the loss in public benefits from charging at full cost has to be significant. No merit goods were identified and they have not therefore been included in the current review.

## **2 Making submissions on the proposals**

### **2.1 CONSULTATION**

Individual legislative frameworks and government guidelines require MPI to consult with affected parties on cost recovery mechanisms that best meet government guidelines while taking into account the parties' expectations and needs.

We will meet with key industry representative groups to seek their views on the cost recovery proposals presented in this document.

Feedback from individuals, businesses and other organisations is also invited.

### **2.2 DEADLINE FOR SUBMISSIONS**

We must receive submissions on the cost recovery proposals contained in this document no later than **5 pm on 20 February 2015**. We may not be able to accept or consider submissions received after this time.

### **2.3 HOW SUBMISSIONS WILL BE USED**

#### **2.3.1 Analysis of submissions**

We will analyse all feedback received from submissions. We will take that feedback into account when finalising proposals for the Government to consider.

We may follow up with some of those who make submissions if further discussion or clarification is needed.

We will produce a summary of all submissions and make it publicly available on our website.

#### **2.3.2 Official Information Act 1982**

The Official Information Act 1982 (the OIA) states that information should be made available unless there are grounds for withholding it. The grounds for withholding information are outlined in the OIA.

Reasons for withholding information could include information that is commercially sensitive or personal information such as names or contact details. Those making submissions should indicate any grounds for withholding information included in their submissions.

We will take any such indications into consideration when determining whether or not to release information or to include specific submission information in the published summary of submissions. The final decision on what will be released will remain with MPI.

Any decision by MPI to withhold information requested under the OIA may be reviewed by the Ombudsman.

### **2.4 HOW TO COMMENT ON PROPOSALS OR ANSWER QUESTIONS**

We invite submissions from all interested parties affected by the cost recovery proposals included in this document and on the questions that accompany each proposal.

#### **2.4.1 Preparation of submissions**

The following points may assist in preparing a submission:

- When commenting on a specific item or question, please include the reference information (for example, "Common#1"), section number, paragraph number or Table/Figure number that clearly identifies the item being discussed.

- Be as specific as possible in your statements. For example, use phrases such as ‘I support the fee increase in Wine#... for the following reasons...’ and ‘I disagree with the fee increase proposed in APA#...for the following reasons...’. In that way, you will help us to report your views accurately and enable us to gauge the level of support for individual proposals.
- Please focus your submission on cost recovery for MPI services as discussed here. This submission process is not the most effective channel to raise broader policy issues or challenges affecting your sector.
- You may find it helpful to present your feedback in terms of the key cost recovery principles (section 1.5.2) and the potential impact on your business or sector.
- Where possible, please use examples, or data, to illustrate your points.

### **2.4.2 What to include in your submission**

Please include the following information in your submission:

- the title of this document;
- your name, and title;
- your organisation’s name (if applicable);
- your contact details – mailing and email addresses, and telephone numbers (cell phone and landline).

### **2.4.3 Format for submissions**

Typed submissions are preferred, although submissions in clear handwriting will be accepted.

Typed submissions should be sent in Microsoft Word or email format. PDF documents are not compatible with our submission processing systems.

## **2.5 ADDRESS FOR SUBMISSIONS**

- 1) Submissions, queries and other feedback can be emailed to:

costrecovery@mpi.govt.nz

- 2) Paper documents should be posted to:

Cost Recovery Review Consultation  
Policy & Trade Branch  
Ministry for Primary Industries  
PO Box 2526  
Wellington 6140

All submissions must be emailed or sent in time to reach us by the deadline. We cannot accept responsibility for submissions that are not received by the required deadline or where transmission is delayed because of reasons beyond our control.

## 3 Overview of cost recovery proposals

### 3.1 WHY THE COST RECOVERY REGIME IS BEING REVIEWED

This is the first review of Biosecurity and Food Safety fees since the creation of the Ministry on 1 July 2011. The current fee regime is based on the cost structures of the Ministry's predecessor agencies from 2010, or earlier, and is consequently overdue for revision.

The Government is legally required to ensure that it neither overcharges nor undercharges for its services. The Ministry is mindful that increasing charges can, in some instances, add a significant financial burden on smaller, more marginal businesses.

In the lead-up to this review the Ministry has redeveloped its overhead cost allocation model for fees, levies and charges, and subsequently received independent verification of the model's validity from Deloitte. The Ministry then undertook an internal review and stock-take of the services it provides and the level of resources required to meet the demand for those services. It has been an opportunity for the Ministry to refresh policy settings, review existing fee structures, and check that the cost recovery regime is fit for purpose, namely:

- Fees do not under, or over, recover costs.
- Fees are updated to reflect changes in activity, cost drivers and industry structure.
- The policy underlying fees remains appropriate.

Implementation of the proposals from the cost recovery review will ensure that third-party users of the Crown's Biosecurity and Food Safety services pay an equitable share of the cost of delivering the services they use.

The operational environment has changed significantly since the fees were last set (five to seven years ago). These changes include:

- evolving and emerging biosecurity risk pathways;
- the increased sophistication and range of services provided (in response to increasingly exacting requirements of our international trading partners);
- growth in industry sectors (such as the trebling of wine industry production since 2005);
- the increasing cost of specialised technical services (such as an estimated 10 percent uplift in veterinarian salary costs since 2007<sup>7</sup>);
- expanded and improved services (such as the use of dogs in cargo handling), and increasing service expectations and standards.

As a consequence of changes to the operational environment, fee levels are no longer meeting the cost of their delivery and MPI proposes to increase fees in most areas to reflect true costs. Some of the new fees are not directly comparable with the existing fees because the nature of the services and activities has changed significantly since the fee settings were last reviewed.

### 3.2 A SUMMARY OF PROPOSED CHANGES TO COST RECOVERY<sup>8</sup>

Table 3 summarises the proposed overall changes in cost recovery across biosecurity and food safety. The revenue is currently collected under 254 different fees and charges. Of note is the change from a deficit of at least \$5.0 million in 2014/15 to a surplus of \$3.9 million in 2015/16. This surplus is necessary to correct for deficits in the associated memorandum accounts owing to the under-recovery of costs over the last three years. In future years the

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<sup>7</sup> MPI participates in the New Zealand Veterinary Association veterinary salary bench marking surveys, to ensure total MPI veterinary remuneration remains comparable to the general market.

<sup>8</sup> All figures are exclusive of GST.



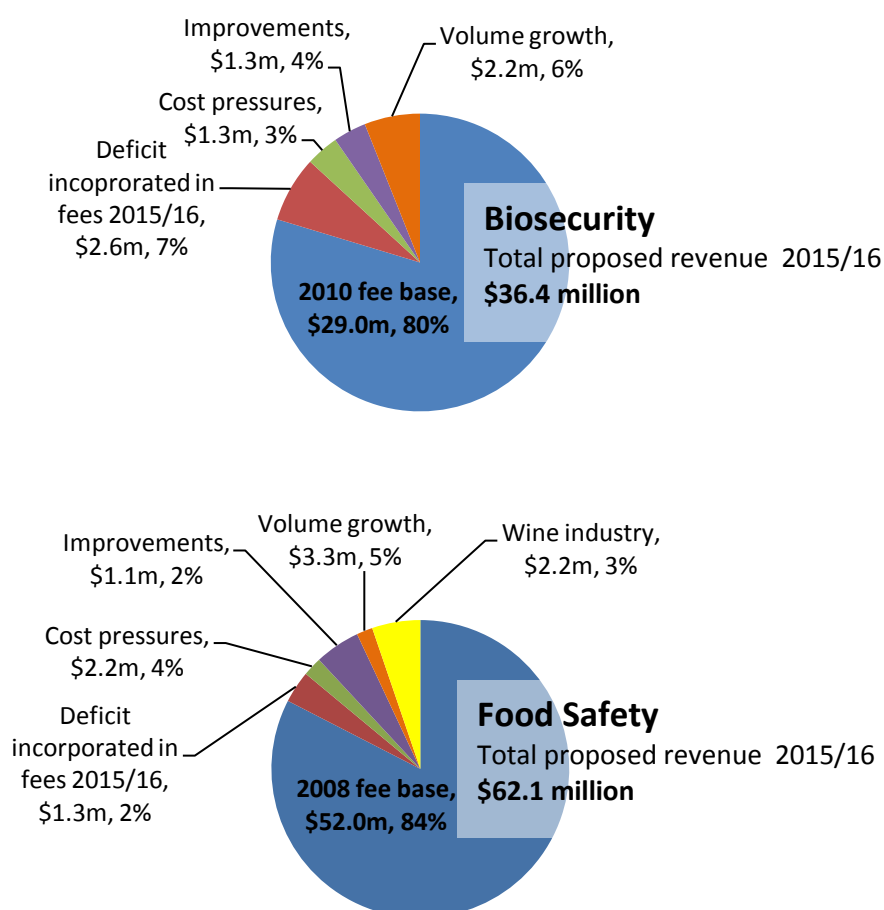
level of surplus or deficit will be carefully managed to ensure that, on average, the value of the memorandum accounts remains close to zero.

**Table 3: Impact of proposed new fees on cost-recovered revenue and expenditure**

Area	Current 2014/15 (\$million)			Proposed 2015/16 (\$million)		
	Revenue	Expenditure	Surplus /(Deficit)	Revenue	Expenditure	Surplus /(Deficit)
Food safety	55.3	57.7	(2.4)	62.1	60.8	1.3
Biosecurity	30.4	33.0	(2.6)	36.4	33.8	2.6
Total	85.7	90.7	(5.0)	98.5	94.6	3.9

The key components of cost recovery revenue and expenditure are summarised in Figure 1.

**Figure 1: Breakdown of proposed cost recovery revenue in 2015/16, relative to when the fees were last updated.**



Costs have been allocated to activity areas on the basis of surveys of ‘assessed effort’ in undertaking particular tasks, assessed standard times for completing tasks, and billing information. Once the cost of improved services and volume growth has been accounted for, cost growth has been less than the rate of inflation since the fees were last reviewed (2010 for Biosecurity and 2007/08 for Food Safety).

### 3.2.1 Proposed changes to biosecurity fees

The total forecast revenue (based on proposed fees and charges) in the 2015/16 financial year of \$36.4 million comprises:

- Biosecurity System Entry Levy (BSEL) at \$19.2 million: rates will increase by 18 percent, from \$11.11 to \$13.15<sup>9</sup>;
- hourly rate charges at \$5.7 million: the hourly rate for quarantine inspectors will increase by 15 percent, from \$88.89 to \$102.27;
- zone charges: \$2.1 million;
- transitional facilities: \$1.8 million;
- animal import permits: \$0.9 million;
- personal effects: \$0.5 million;
- vehicle imports: \$0.06 million.

Improvements to the biosecurity system include:

- enhanced risk management of transitional and containment facilities;
- increasing use of detector dogs on the cargo pathway.

### 3.2.2 Proposed changes to food safety fees

The total expected revenue in the 2015/16 financial year of \$62.1 million consists of fees derived from:

- common programme charge across establishment and circuits of \$44.90, compared with current charges of \$41.04 and \$20.97 respectively;
- increases in veterinary inspection rates of approximately 3.5 percent in establishment, 29 percent in circuit and 105 percent in live animal — official assurance certificate fee unchanged at \$32;
- main food safety hourly rate increases from \$122 to \$155;
- approximately \$0.01 increase in lamb equivalent meat levy;
- approximately a 45 percent decrease in seafood and shellfish levies owing to memorandum account surpluses, in years one and two only;
- increases in levies for egg sector, bees and honey, animal feeds, hides and skins, in years one and two only;
- new activities and cost recovery for exportation and risk management of infant formula manufacture;
- introduction of new wine levies comprising a \$330k domestic levy on New Zealand Winegrowers, and an export levy of around \$0.01 per litre of export wine, with annual exports < 10,000 litres per business exempt;
- ceasing rebates for the cost of laboratory fees wine export samples, which will increase wine industry costs by a further \$0.8 million.

Improvements and refinements to the Food Safety system include:

- food assurance systems to match the rapid growth of infant formula exports;
- increased expenditure of \$1.1 million relating to dairy and animal products residue programmes;
- alignment with European Union/Swiss veterinary inspection rates;

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<sup>9</sup> The BSEL payable in relation to import entries, that includes the fixed JBMS component of \$4.22, will increase from \$15.33 to \$17.37.

- alignment of veterinary inspection rates across Biosecurity and Food regulations;
- introducing a one-hour minimum charge rather than invoicing in 15-minute intervals;
- alignment of hourly rate charges;
- improved dairy residue monitoring;
- more equitable treatment of small and large dairy exporters and processors.

### 3.2.3 Questions for consideration

#### Question 3.2

- 1) After reading the policy proposals and schedule of proposed fees, do you think that the impacts on your business and sector are fair and reasonable?
- 2) Are the proposed fees, charges and levies likely to adversely affect the viability of your business or sector? If you believe this to be the case, please give examples to support this.

## 4 Cost recovery under the Biosecurity Act 1993

### 4.1 OVERVIEW

The New Zealand biosecurity system provides the basis for New Zealand's official assurances to its trading partners about the safety and provenance of exports, and helps protect against biosecurity incursions which could damage the environment and the primary industries. The biosecurity system adds significant value to the returns New Zealand producers receive for their exports.

This is the first review of fees since 2010. The review covers 40 fees under the Biosecurity regulations, as well as seven policy proposals.

MPI provides a range of services under the Biosecurity Act 1993, including screening incoming cargo for risk goods and surveillance activities. Revenue for 2014/15 in the biosecurity sector is \$30.4 million, and the total proposed increase is \$6.0 million. This covers improvements such as the use of dogs in cargo pathways, and better controls around transitional and containment facilities.

### 4.2 ACTIVITIES UNDER THE BIOSECURITY ACT 1993

Under the Biosecurity Act, MPI is the lead agency for the New Zealand biosecurity system. The biosecurity system consists of overlapping 'layers' of activities that manage risk at different points, including offshore, en route, and at the border itself, and through biosecurity activities within New Zealand (including transitional and containment facilities, readiness activities, incursion response, and pest management). These layers are described in Table 4.

**Table 4: Layers of the biosecurity system**

<b>International plant and animal health standards</b>	Developing international standards and rules under the World Trade Organisation Sanitary and Phytosanitary Agreements
<b>Trade agreements and bilateral arrangements</b>	Negotiation of agreements and processes for future biosecurity cooperation and trade
<b>Risk assessment and import health standards</b>	Identification of risk, and specification of requirements, for people and goods coming into New Zealand
<b>Border interventions</b>	Educating and auditing to encourage compliance, inspecting to verify compliance and taking action to manage non-compliance
<b>Surveillance</b>	General and targeted programmes to detect harmful pests and diseases
<b>Readiness and response</b>	Regular testing of the biosecurity system's capability to respond, responding to detected harmful pests and diseases
<b>Pest and disease management</b>	National, regional & industry actions to manage established pests and diseases

The biosecurity system is constantly evolving to protect New Zealand from changing and increasing risks.

The Ministry's biosecurity activities and services are largely funded by the Crown. In essence:

- All policy work, public good research, enforcement, audit, most international work, and most import health standard development is Crown-funded.
- Exporters pay for most but not all export accreditation and assurance work.
- Importers pay some of the costs of border services and other prevention work (such as cargo clearances).

- The Crown currently pays for all readiness and response work<sup>10</sup> and most surveillance work.

MPI's biosecurity services and activities are outlined in section 4.15, Appendix 1

### 4.3 LEVIES, FEES, AND CHARGES

Cost recovery for the third party-funded activities that are the subject of this review is given effect through the Biosecurity (System Entry Levy) Order 2010 and the Biosecurity (Costs) Regulations 2010.

#### 4.3.1 The Biosecurity (System Entry Levy) Order 2010

The Biosecurity System Entry Levy (BSEL) funds a proportion of the fixed costs common to all activities associated with managing the biosecurity risks of imported goods at the border. This includes:

- the costs of obtaining and analysing data to develop and monitor risk profiles and place alerts;
- the costs of primary screening of sea and air cargo manifests for biosecurity risk goods;
- the costs of intervention monitoring programmes, slippage surveys, and baseline auditing of the compliance of imported goods with import health standards;
- the costs of certain surveillance activities around sea and air ports and high-risk places (such as for the Asian gypsy moth);
- the costs of the 15 minutes of secondary risk assessment for consignments identified in primary screening, and issuing authorisation of movement and biosecurity clearance documentation.

These activities are considered to be 'industry goods'.

#### 4.3.2 The Biosecurity (Costs) Regulations 2010

The Biosecurity (Costs) Regulations 2010 (the Regulations) set charges for a range of activities and services provided by the Ministry to third parties, including:

- inspection of imported biosecurity risk goods, including unaccompanied personal baggage and effects, used vehicles and machinery;
- inspection of offshore craft and shipping containers that do not meet entry requirements;
- testing, treatment, destruction and disposal of risk goods;
- call-outs and other work outside standard working hours, travel and waiting time for MPI inspectors to carry out biosecurity clearance activity;
- monitoring controls on new organisms in containment facilities;
- approval and audit of transitional and containment facilities and facility operators;
- approval of permits issued under Import Health Standards.

The proposed biosecurity levy, fees and charges are stated in section 4.15, Appendix 2.

### 4.4 COST RECOVERY FOR THE JOINT BORDER MANAGEMENT SYSTEM

The Joint Border Management System (JBMS) is a set of integrated information technology products that New Zealand Customs Service and MPI use jointly to manage risk at the border. It will provide greater consistency and certainty in the end-to-end border clearance process for all goods, and will allow border agencies to target risk more accurately.

<sup>10</sup> Though this will change under the Government Industry Agreement on Biosecurity Readiness and Response (GIA).

The JBMS will also ultimately provide a single channel, the Trade Single Window, for local and international traders and carriers to comply with New Zealand's border requirements.

In 2012, following public consultation, the Government agreed to increase certain New Zealand Customs Service transaction fees and the biosecurity levy to meet industry's share of the operating costs of the first tranche of the JBMS through to 30 June 2016.

The biosecurity levy is currently charged at the following rates:

- \$15.33 per importation for which an import entry transaction fee is payable, including a JBMS component of \$4.22;
- \$11.11 per importation for which an inward cargo transaction fee is payable in respect of cargo or goods carried on a ship or boat;
- \$11.11 per importation for which an inward cargo transaction fee is payable in respect of goods or cargo carried on an aircraft.

The lower levy rate of \$11.11 is payable in relation to sea and air inward cargo transaction fees because the JBMS functionality associated with the inward cargo report transaction type is not yet available. This rate, therefore, does not include the JBMS component of \$4.22.

The JBMS component of the biosecurity levy payable for import entries will remain unchanged until the end of the first cost recovery period on 30 June 2016. Further JBMS cost recovery arrangements will be considered in the next review of biosecurity cost recovery, which will take place over 2015/16 and result in new fees from 1 July 2016.

## **4.5 RELATED BIOSECURITY COST RECOVERY WORK**

### **4.5.1 Cost recovery under the GIA on biosecurity readiness and response**

The Biosecurity Act 1993 was amended in 2012 to provide a framework that enables government and industry to work together in partnership through the GIA to achieve the best possible outcomes from readiness or response activities by:

- making joint decisions on the activities;
- jointly funding the costs of the activities in shares that take into account the public benefits and industry benefits that the activities deliver.

This review of biosecurity cost recovery does not include funding and cost recovery issues relating to the GIA. That work is progressing separately and will cover:

- Development of levy orders to fund particular industry organisations' commitments to readiness and response activities under the GIA.
- A proposal to recover, where equitable and efficient to do so, the costs of GIA readiness or response programmes from non-signatories. MPI anticipates that consultation on the proposal will take place in the first half of 2015.
- A proposal to recover, where practicable and equitable to do so, the costs of GIA readiness or response programmes attributable to exacerbators of incursions of unwanted organisms. Consultation on this proposal may take place in the second half of 2015.

### **4.5.2 Cost recovery regulations under the Airports (Processing of International Travellers) Act 2014**

The Airports Act 2014 provides for the recovery, for an initial period, of the costs of border processing at new and re-starting international airports. The development of cost recovery regulations under the Airports Act 2014 is not included in the scope of the current fee review.

## 4.6 POLICY PROPOSALS

*Biosecurity#1 – Recover for activity outside standard working hours*

*Biosecurity#2 – Update charges for import permit applications*

*Biosecurity#3 – Recover for biosecurity advisor time*

*Biosecurity#4 – Amend charges for additional travel zone and travel costs for veterinary professionals*

*Biosecurity#5 – Align veterinary professional rates for goods imported from the European Union*

*Biosecurity#6 – Update cost recovery for transitional and containment facilities*

*Biosecurity#7 – Increase maximum rate of system entry levy*

## 4.7 BIOSECURITY#1 – RECOVER FOR ACTIVITY OUTSIDE STANDARD WORKING HOURS

### 4.7.1 Background

Activities that take place outside standard working hours impose a higher cost on MPI as we must pay staff over-time and penal rates.

While the Regulations allow for call-outs (when staff are called back to work) to be recovered for at higher hourly rates to reflect the additional costs, other activity outside standard working hours that does not constitute a call-out is currently recoverable only at the standard hourly rates.

### 4.7.2 Problem definition

Activities undertaken by staff outside of standard working hours (those that are not call-outs) impose a higher cost than MPI currently recovers because staff must be paid overtime and penal rates. Out-of-standard-working-hours services for border clearance staff (quarantine inspectors) are infrequent. There is, however, substantial under-recovery (about \$0.3 million a year) currently occurring for veterinary professional services undertaken to clear live animals at the border and in transitional and containment facilities.

The options considered to address this under-recovery were:

- increasing the BSEL or (standard) hourly rates to recover the higher costs;
- increasing quarantine inspector and veterinary inspector rates;
- increasing veterinary inspector rates only;
- ceasing to provide rostered veterinary professional services outside of standard working hours.

Changes to the BSEL or hourly rates are not considered appropriate solutions since both would result in cross-subsidisation and would therefore be inequitable. Providing the veterinary professional services in question outside of standard working hours where required is also not considered to be discretionary.

### 4.7.3 Proposed charges

MPI proposes to amend the Regulations to allow recovery at the higher rates that MPI pays veterinary professionals for rostered work outside of standard working hours (being either 1.5 times or 2.0 times normal rates). These rates would equally apply to any periods of 'waiting time' experienced during a call-out. This would apply to both veterinary inspector services provided, and to veterinary inspector travel during this time (see also Biosecurity #4 –

Additional travel zone and travel costs for veterinary inspectors). The proposed veterinary inspector hourly rates are:

- standard T1.0 hourly rate — \$186.30;
- hourly rate incorporating T1.5 staff costs — \$252.17;
- hourly rate incorporating T2.0 staff costs — \$318.04.

Given the administrative complexity associated with differential charging and the relatively low volume of work that is done outside standard working hours by (non-veterinarian) border clearance staff, we propose that the hourly rate for quarantine inspectors undertaking rostered work outside standard working hours remains the same as now (that is, at the regular hourly rate).

The proposal to recover costs at higher rates for veterinary inspectors would support efficiency, as it would mean the users of these services would be paying their actual costs, and would be equitable, as it would not involve cross-subsidisation by BSEL payers and/or those requiring services during standard working hours.

#### **4.7.4 Questions for consideration**

Question 4.7:

- 1) Should these out-of-hours services be offered as standard and instead recovered through the BSEL or standard hourly rates?
- 2) What is your preferred option for cost recovery of outside of standard working hours for veterinary services?

## **4.8 BIOSECURITY#2 – UPDATE CHARGES FOR IMPORT PERMIT APPLICATIONS**

### **4.8.1 Background**

Importers of certain goods require an ‘import permit’ under the relevant import health standard. Applications for import permits are submitted to and processed by MPI.

The Regulations currently provide for a unit charge that incorporates a standard amount of time allotted to the processing of applications.

### **4.8.2 Problem definition**

Some applications for import permits require MPI staff time beyond that anticipated by the current unit charge of \$144.89, either because of problems with the standard of the application (requiring additional time to resolve) or complexity.

While most permits take around the standard time, a significant minority exceed this, with approximately five percent taking around eight hours.

Options considered were:

- introducing an hourly charge for those permits that exceed the standard time;
- setting a maximum charge of eight hours staff time above the unit charge;
- introducing a higher unit charge or a second unit charge for other more complex ‘classes’ of application.

Introducing an hourly charge would mean those cases where applications take much longer than the standard time could be cost recovered on the basis of the actual time taken. That would provide an incentive for applicants to ensure their applications are in order when they are submitted.



Setting a maximum charge of eight hours additional above the unit charge time would provide some of the assurance associated with a fixed unit charge. However, it would still mean that some permit application processing costs could be under-recovered.

A higher unit charge would over-recover from most applicants and not provide an incentive to ensure applications were completed correctly. There was also no consistently identifiable ‘class’ of permit that would suit a second tier of unit charge.

#### 4.8.3 Proposed charges

The Ministry proposes to retain the single unit charge, at the proposed new rate (reflecting increased costs) of \$191.95, and introduce charging at the proposed new inspector/advisor hourly rate of \$102.27 after the standard allotted time is exceeded.

#### 4.8.4 Questions for consideration

Question 4.8:

- 1) Would you prefer the certainty of a second unit charge instead of an hourly rate, even if it would over-recover costs on many applications?
- 2) Would you prefer all applications to be charged on an hourly rate basis (that is, no unit charge)?

### 4.9 BIOSECURITY#3 – RECOVER FOR BIOSECURITY ADVISOR TIME

#### 4.9.1 Background

MPI biosecurity advisors undertake a range of activities, including risk analysis, import health standard development, processing of import permit applications, approving and providing advice on transitional and containment facilities and their operators, and providing advice on Chief Technical Officer Directions under section 27 of the Biosecurity Act.<sup>11</sup>

#### 4.9.2 Problem definition

At present, MPI has no clear mechanism in the Regulations to recover the costs of certain activities undertaken by biosecurity advisors that constitute ‘private goods’. This includes time spent working on Chief Technical Officer Directions and other cases of non-compliance, and on answering queries and providing advice to importers. This is time that biosecurity advisors cannot spend on ‘public goods’ such as biosecurity risk analysis and import health standard development.

Importers often seek advice from biosecurity advisors directly, instead of liaising with front-line border clearance staff because quarantine inspector time is cost-recovered, while biosecurity advisor time is not.

Not charging for biosecurity advisor time in relation to cases of non-compliance also means importers may not carry out required measures (including obtaining all the requisite documentation) prior to import, as they may feel any non-compliance can be resolved at the border. This takes up biosecurity advisor time, and does not deal with risk offshore.

The options considered were charging for:

- certain types of biosecurity advisor time;
- ‘abuse’ of biosecurity advisor time;

<sup>11</sup> These “directions” refer to directions or guidelines issued by a Chief Technical Officer on measures that may be applied to effectively manage the biosecurity risks arising from an importation of goods that is non-compliant with the requirements of the relevant import health standard.

- biosecurity advisor time taken beyond the first 15 minutes.

It has not been possible to formulate a satisfactory definition of ‘abuse’ of advisor time that did not either over-capture or under-capture costs. A similar problem exists for attempting to specify only certain types of advisor activities.

#### 4.9.3 Proposed charges

We propose amending the Regulations to allow cost recovery for biosecurity advisor time at the proposed new rate of \$102.27 where time is spent:

- a) working on equivalences or Chief Technical Officer Directions owing to an individual’s or company’s non-compliance with import health standards or other import requirements;
- b) providing advice in relation to the importation of goods in excess of 15 minutes.

Where possible, those involved would be alerted before incurring a charge. Judgement would be required, and there will always be cases where charges may be waived.

#### 4.9.4 Questions for consideration

##### Question 4.9

- 1) Should all time spent providing advice on importations be recovered for instead of providing the first 15 minutes free?
- 2) When should the 15-minute period ‘reset’ on a particular issue or query about which advice is being sought – daily, weekly, or monthly?

### 4.10 BIOSECURITY#4 – AMEND CHARGES FOR ADDITIONAL TRAVEL ZONE AND TRAVEL COSTS FOR VETERINARY PROFESSIONALS

#### 4.10.1 Background

The Regulations currently provide for fixed charges (zone charges) to recover the travel costs of quarantine inspectors, biosecurity advisors, and veterinary inspectors travelling to undertake activities at sites away from base. The current zone charges are:

- 0 to 10 kilometres from base — \$64.00 (Zone 1);
- 10 to 25 kilometres from base — \$88.89 (Zone 2);
- 25 to 50 kilometres from base — \$144.89 (Zone 3).

The travel costs of trips 50 kilometres or more from base are recovered via a charge per hour for time away from base, plus a per kilometre charge, plus the actual and reasonable costs associated with the activity being undertaken (such as accommodation costs).

The zone charges include a staff time component and a vehicle mileage component.

#### 4.10.2 Problem definition

MPI considers the Zone 1 charge applying to trips of 0 to 10 kilometres (\$64.00) to be too high in many cases where trips are of a shorter duration (for example, only one or two kilometres). As a consequence, the charge is often waived (with the result that MPI is under-recovering some of its travel costs).

MPI also considers a zone charging approach for the biosecurity-related verification functions of veterinary professionals is not appropriate. Veterinary professionals undertaking biosecurity inspections of live animal imports often undertake food safety-related activities on the same trips. Travel costs for veterinary professionals under the food safety legislation are calculated on a ‘time plus mileage’ basis. A travel zone approach for biosecurity (import)

activities is therefore not consistent with the approach for exports, and often involves calculating travel costs for, and invoicing, the same customer in two different ways for the same travel undertaken.

Also, a lot of biosecurity-related veterinary inspection is done outside of standard working hours (on a call-out or other basis). The current zone charges do not incorporate, and cannot readily incorporate, the higher rates paid to veterinary professionals during this time (1.5 and 2.0 times hourly rate).

Options considered:

- maintaining the status quo.
- introducing a 0 to 2 kilometre zone charge and maintaining a zone charge approach for quarantine inspectors, biosecurity advisors, and veterinary professionals.
- maintaining the current zone charge approach (including a new 0 to 2 kilometre zone charge) for quarantine inspectors and biosecurity advisors, but moving to a ‘time plus mileage’ approach for veterinary professionals.

#### **4.10.3 Proposed charges**

*For quarantine inspectors and biosecurity advisors*

MPI proposes to amend the Regulations to provide for an additional travel zone charge for activity at a site 2 kilometres radius or less from base, and amend the current 0 to 10 kilometre to a 2 to 10 kilometre charge.

The other existing zone charge categories will remain (10 to 25 kilometres, 25 to 50 kilometres), as well as the ‘time plus mileage’ charging approach for trips of over 50 kilometres.

The proposed revised zone charges are:

- Zone 1: 0 to 2 kilometres from base — \$34.86;
- Zone 2: 2 to 10 kilometres from base — \$70.75;
- Zone 3: 10 to 25 kilometres from base — \$109.24;
- Zone 4: 25 to 50 kilometres from base — \$149.19.

A zone charge approach for quarantine inspectors and biosecurity advisors is simpler administratively, both for importers and MPI, and better suits the nature and frequency of the trips they undertake

*For veterinary professionals*

MPI proposes to amend the Regulations to provide for a ‘time plus mileage’ approach to recovering all travel costs of veterinary professionals. This would better suit the nature of veterinary professional activities, align with the charging approach for exports under food safety legislation, and allow MPI to fully recover travel costs. The basis for calculating charges would be:

- a charge per hour for time spent away from base (at the normal, time and a half, or double time rate, as appropriate), plus
- a per kilometre charge for distance travelled — being the per kilometre rate published by the Commissioner of Inland Revenue in accordance with section DE 12 (3) of the Income Tax Act 2007, currently \$0.77. See section 9.4 for further information on a proposal to link all vehicle mileage rates to the rate calculated by the Inland Revenue Department (IRD), plus
- the actual and reasonable costs associated with the activity being undertaken.

#### 4.10.4 Questions for consideration

##### Question 4.10:

Should the fixed zone charge for quarantine inspectors and biosecurity advisors be replaced by 'time plus mileage' approach for travel costs?

### 4.11 BIOSECURITY#5 – ALIGN VETERINARY PROFESSIONAL RATES FOR GOODS IMPORTED FROM THE EUROPEAN UNION

#### 4.11.1 Background

The Agreement between the European Community (EU) and New Zealand on sanitary measures applicable to trade in live animals and animal products (the EU-NZ Sanitary Agreement) provides for agreed rates for veterinary inspection and other charges for activities in relation to animal and animal products imported into New Zealand from the European Union.

These provisions, and the associated proposals below, also apply to Switzerland. For brevity, references to the EU-NZ Sanitary Agreement should be taken to include Switzerland.

#### 4.11.2 Problem definition

The EU-NZ Sanitary Agreement is due to be updated, and revised rates will be in place by 1 July 2015. MPI's fees for veterinary inspection and other activities involved in clearing animal and animal products imported from the EU need to be increased in line with accumulated inflation since they were last set in 2010.

#### 4.11.3 Proposed charges

We propose updating the fees in the Regulations to align with the re-negotiated rates in the EU-NZ Sanitary Agreement. These proposed rates are:

- \$94.38 per hour for inspecting an animal/animal material imported directly from an EU country;
- \$28.19 unit charge for an animal imported from an EU country;
- \$28.19 unit charge for inspection of documents for a consignment imported from an EU country;
- \$56.37 unit charge for other types of inspection for consignments imported from an EU country.

### 4.12 BIOSECURITY#6 – UPDATE COST RECOVERY FOR TRANSITIONAL AND CONTAINMENT FACILITIES

#### 4.12.1 Background

Transitional facilities and containment facilities are areas that are approved to hold and manage imported risk goods that are brought into New Zealand. Transitional facilities are generally for imported goods such as food products, things made from wood or plant material, sea containers, used machinery or vehicles, and other products that might have some associated biosecurity risk. These goods may undergo an inspection or treatment of some kind at the transitional facility before they can be 'cleared' by MPI.

Containment facilities are places approved for holding organisms (plants or animals) that should not, whether for the time being or ever, become established in New Zealand. For example, zoos are containment facilities for animals. Some laboratories are also containment

facilities that import micro organisms and biological products for testing which are later destroyed.

MPI approves applications for approval as a transitional or containment facility, and undertakes ongoing verification, inspection and auditing of facilities. Facilities are a key component of the biosecurity system and help MPI manage the biosecurity risk associated with cargo. As risk profiles become more dynamic, MPI requires all facilities to be working to an appropriate level of protection.

Cost recovery for transitional and containment facilities covers:

- processing of applications — charge per hour;
- verification, inspection, and auditing — charge per hour;
- overall assessment of the results of inspection and compliance audits and issuing confirmation documentation — an annual fee.

#### **4.12.2 Problem definition**

MPI needs to ensure that the processing of applications for new facilities and new operators is thorough and comprehensive. We are taking a more robust approach to the assessment of such applications to provide national consistency, ensure biosecurity risks will be effectively managed, and facilitate ongoing supervision and inspection by MPI staff.

To ensure biosecurity risks are effectively managed, MPI needs to ensure that the processing of applications for new transitional and containment facilities, and their ongoing verification, inspection, and auditing, is thorough and comprehensive.

MPI has reviewed its approach to transitional facilities and containment facilities. This review has recommended an increased level of MPI activity in relation to these facilities, to ensure that facilities and the potential biosecurity risk associated with them are appropriately managed. A key deliverable of the review was also to ensure that costs are fully recovered for the time and other resources associated with application processing, auditing, inspection, and approval.

The current regime involves activities which the current Regulations did not anticipate and which are therefore not being cost recovered. Costs have also risen since fees were last set, in 2010.

This means current arrangements do not enable full cost recovery of services being delivered, either for current activities or the proposed new activities. This does not support efficiency and is inequitable.

#### **4.12.3 Proposed charges**

MPI proposes to:

- Introduce an application fee of \$887.70 (replacing the current approach of charging at an hourly rate for the time taken to process applications), with provision for further charging at the hourly rate for more complex applications.
- Increase the annual fee to \$298.05 to provide for increased costs and expanded/enhanced activities. These activities include follow up on corrective actions from audits, facility and operator administrative systems and processes, and training and provision of advice to facility staff and operators.

This proposal supports efficiency, in that facility operators will pay the full cost of the services provided by MPI, and equity, in that cross-subsidisation (by taxpayers) of the currently under-recovered costs is eliminated.

MPI is also proposing that the Regulations be amended to clarify that the costs of support staff supporting transitional and containment facilities can also be recovered.

#### 4.12.4 Questions for consideration

Question 4.12:

Would you prefer all fees for transitional and containment facilities to be charged as hourly rates instead of set fees?

### 4.13 BIOSECURITY#7 – INCREASE MAXIMUM RATE OF SYSTEM ENTRY LEVY

#### 4.13.1 Background

The Biosecurity (System Entry Levy) Order 2010 (the Levy Order) provides for a maximum biosecurity levy rate of \$16. This is the maximum rate up to which the Director-General can fix the levy rate or rates prior to the start of each levy year.

The proposed new levy rates from 1 July 2015 are:

- \$13.15 per importation for which an Inward Cargo Transaction Fee (ICTF), sea or air, is payable;
- \$17.37 per importation for which an Import Entry Transaction Fee (IETF) is payable.

As noted above, at some point during the 2015/16 levy year, the \$13.15 levy rate will increase to \$17.37 when the JBMS functionality relating to inward cargo reports becomes available.

#### 4.13.2 Problem definition

The maximum rate (\$17.37) provided for in the Levy Order needs to be amended to provide for the increased levy rate applying to importations for which an IETF (and in due course, an ICTF) is payable.

#### 4.13.3 Proposed charges

MPI proposes to increase the maximum levy rate prescribed in the Regulations to \$18.00.

The Levy Order provides that any proposed increase to the levy, or change to the things on which the levy is spent, by the Director-General requires consultation, and must be in accordance (as per statutory requirements) with the principles of equity and efficiency. Increasing the maximum levy rate in the Levy Order to \$18.00 does not mean the levy *will* increase to that amount, but only that it *can* — after consultation — in accordance with statutory obligations, with industry and other affected parties.

#### 4.13.4 Questions for consideration

Question 4.13:

Do you agree that the *maximum* rate for the Biosecurity Entry Levy should be set at \$18.00?

### 4.14 CROSS-CUTTING PROPOSALS AFFECTING THE BIOSECURITY AREA

There are also a number of ‘cross-cutting’ proposals impacting across multiple cost regimes that are relevant to biosecurity. These are:

- use of Inland Revenue Department vehicle mileage rates (Common#2);
- cost recovery for support staff involved in specialist services (Common#3);
- other costs (Common#4);

- alignment of veterinary professional rates across biosecurity and food regulations (Common#8).

Further information on these proposals is contained in Part 9 of this document.

## **4.15 APPENDIX 1- BIOSECURITY ACTIVITIES**

### **4.15.1 Policy advice, publicly funded research, and law enforcement programmes**

Policy advice includes advice on legislation and decision-making frameworks, interventions, and how services should be delivered operationally. It also includes ministerial services and various other administrative functions. Law enforcement refers to the investigation and prosecution of those in breach of biosecurity laws and regulations.

### **4.15.2 International standard setting and market access work**

International standard setting relates to work undertaken by MPI staff in multi-lateral or international forums to influence or determine international sanitary and phytosanitary standards affecting the trade of goods and services. Market access work refers to bilateral work with specific foreign governments relating to trade access.

### **4.15.3 Laboratory diagnostic work**

This work includes testing of export animals to assure their freedom from particular pests or diseases that are unwanted in the importing country, as well as virology testing for veterinary practitioners, and testing of some export animal products.

### **4.15.4 Import health standards**

Under the Biosecurity Act, MPI regulates, through import health standards, what may be imported into the country and how. International sanitary and phytosanitary and trade laws require any prohibitions or import health standards to be supported by scientific or technical evidence of a perceived biosecurity risk.

Every year MPI prepares new risk analyses and import health standards at the request of importers seeking the importation of new products. We also review existing import health standards as a result of requests from importers and foreign governments or changes in international or domestic circumstances.

### **4.15.5 Border inspection and transitional and containment facility standards**

MPI develops and maintains standards for the delivery of border inspection services, for transitional and containment facilities and for facility operators.

### **4.15.6 Border inspection services**

MPI risk screens all cargo entering New Zealand and ensures that any biosecurity risk goods are treated in accordance with the relevant standards. Inspection and clearance activity includes:

- **Cargo and container clearances** – This work includes inspection and clearances of containers, personal effects, and used vehicles and machinery, and offshore inspections (primarily of used vehicles and machinery) before they are shipped to New Zealand.
- **Vessel clearances** – MPI inspects vessels on arrival at, or on their way to, a New Zealand port, to ensure any biosecurity risk goods on board (including those carried by passengers and crew) are treated in accordance with the relevant standards, and that ballast water is exchanged in accordance with relevant standards.
- **Mail clearances** — MPI screens all letter post and international mail parcels entering New Zealand and intercepts and treats restricted or prohibited goods. Mail clearance includes detector dog and X-ray screening of mail, physical inspection of mail containing suspected risk goods, treatment of risk goods, and management of treated mail.



#### **4.15.7 Transitional and containment facility services**

These services include approval and inspection of transitional and containment facilities and their operators against the relevant standards, regular audits of facilities and operators to ensure continued compliance with standards, and clearances of plants and plant material.

#### **4.15.8 Diagnostic testing for border interceptions on imports**

This work involves testing to identify a suspected unwanted organism or disease found on goods being imported, on packaging or on a container. It primarily involves identifying insects detected on commercial consignments of fresh produce and timber and, occasionally, air passenger baggage.

#### **4.15.9 Surveillance programmes**

Biosecurity surveillance is the process of systematically collecting, analysing and interpreting information about the presence or absence of pests, diseases and unwanted organisms. That means finding out whether they are already present — and if they are, where exactly they are — and if they are not, being able to detect them early if they arrive. The Ministry's surveillance programmes include:

- targeted surveillance programmes designed to look for a specific organism (or sometimes a group of related organisms) in specified hosts or regions;
- pathway surveillance programmes that target high-risk sites;
- passive surveillance, or keeping watch for unwanted pests and diseases, which involves investigating notifications of suspected unwanted pests and diseases, and monitoring and analysing trends in information relating to pests and diseases.

#### **4.15.10 Incursion response programmes**

These programmes involve the investigation and control of specific pests or diseases that have been discovered in New Zealand. They include:

- the development of standards related to pest and disease responses;
- initial incursion investigation and response to suspected unwanted pests and diseases newly detected in New Zealand;
- preparedness capability, or maintaining and continually improving our ability to diagnose and respond to unwanted organisms — includes both generic capability that can be used to respond to any pest or disease, and capability specific to particular high-risk pests and diseases (such as foot and mouth disease);
- specific incursion response — includes all specific programmes that are individually funded to eradicate particular organisms, plus the associated support programmes.

#### **4.15.11 Pest management programmes**

Pest management includes the eradication, containment or management of pests that are established in New Zealand. There are a number of programmes in operation in New Zealand, the most significant of which have conservation purposes (pest and weed management) or agriculture purposes (bovine Tb and Psd-v).

## 4.16 APPENDIX 2 - BIOSECURITY FEES AND CHARGES SCHEDULE

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.

### Biosecurity (Costs) Regulations 2010

#### Schedule – Fees and charges

	Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
<i>Travel costs for activity at a site</i>					
Travel costs are payable for an activity that requires an inspector or a biosecurity adviser to leave his or her base or, in the case of a call-out, any other place.					
<i>Quarantine inspectors and biosecurity advisors</i>					
1	For an activity at a site that is 2 km radius or less from base		Importer	\$34.86	New fee – refer to Bio#4
2	For an activity at a site that is more than 2 km, but not more than 10 km, from base	\$64.00	Importer	\$70.75	Amended zone – previously 0-10 km from base
3	For an activity at a site that is more than 10 km radius, but not more than 25 km radius, from base	\$88.89	Importer	\$109.24	Updated rate
4	For an activity at a site that is more than 25 km radius, but not more than 50 km radius, from base	\$144.89	Importer	\$149.19	Updated rate
5 6 7	For an activity at a site that is more than 50 km radius from base	The sum of: - charge per hour for time away from base (\$88.89), plus - per km charge (\$0.6133), plus  - actual and reasonable costs associated with the activity	Importer	The sum of: - hourly rate \$102.27, plus - 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, plus - actual and reasonable costs associated with the activity being undertaken	Updated rate Refer to Common#2  Refer to Common#4

Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment
Veterinary inspectors					
8	For activity at a site		Importer	The sum of: - charge per hour for time spent away from base (at relevant EU/Switzerland or non-EU rate, and at normal time, time and a half, or double time rate, as appropriate), plus - 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, plus - actual and reasonable costs associated with the activity being undertaken.	Updated rates for veterinarians.
9					
10					
	Waiting-time costs for inspectors and biosecurity advisors Waiting-time costs are payable for an inspector or a biosecurity adviser who arrives at a site, at a designated time, to undertake an activity; and discovers that the goods that are to be the subject of the activity are not available. Waiting-time costs are payable, at the applicable hourly rate, for each inspector or biosecurity adviser involved in the activity, and for the time each inspector or biosecurity adviser spends in waiting for the goods to become available.				
11	Time waiting for goods to become available	\$88.89 per hour for each inspector or biosecurity advisor involved	Person responsible for paying for the costs of the activity.	- General inspectors and biosecurity advisors – hourly rate \$102.27 for each inspector or biosecurity advisor involved - Veterinary inspectors – hourly rate \$186.30 for each inspector involved	Updated rate
12					
	Call-out costs for inspectors and biosecurity advisors Call-out costs are payable for an inspector or a biosecurity adviser who, having left his or her place of work, has been recalled to duty for the purpose of carrying out an activity.				
13	Left place of work and recalled to duty for the purpose of carrying out an activity – inspector or biosecurity adviser working at 1.5 times his or her hourly rate	\$101.33 per hour for each inspector or biosecurity advisor involved	Person responsible for paying for the costs of the activity.	- General inspectors and biosecurity advisors – 1.5 hourly rate \$116.16 for each inspector or biosecurity advisor involved - Veterinary inspectors – 1.5 hourly rate \$252.17 for each inspector involved	Updated rate
14					

	Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment	
15		Left place of work and recalled to duty for the purpose of carrying out an activity – inspector or biosecurity advisor working at 2 times his or her hourly rate	\$113.78 per hour for each inspector or biosecurity advisor involved	Person responsible for paying for the costs of the activity.	- General inspectors and biosecurity advisors – 2.0 hourly rate \$130.05 for each inspector or biosecurity advisor involved - Veterinary inspectors – 2.0 hourly rate \$318.04 for each inspector involved	Updated rate	
16							
17		Additional charge when recalled to duty for the purpose of carrying out an activity on a public holiday	\$199.11 per day	Person responsible for paying for the costs of the activity.	- General inspectors and biosecurity advisors - \$222.28 per day for each inspector or biosecurity advisor involved - Veterinary inspectors - \$845.13 for each inspector involved	Updated rate	
18							
Other activity outside standard working hours							
19		Carrying out an activity outside standard working hours - veterinary inspector working at 1.5 times his or her hourly rate		Person responsible for paying for the costs of the activity.	Veterinary inspectors – 1.5 hourly rate \$252.17	Refer to Bio#1	
20		Carrying out an activity outside standard working hours - veterinary inspector at 2.0 times his or her hourly rate		Person responsible for paying for the costs of the activity.	Veterinary inspectors – 2.0 hourly rate \$318.04	Refer to Bio#1	
Inspection of goods generally							
21	1	Inspection of goods (except goods imported for the personal use of the importer) for the purpose of ascertaining whether those goods should be cleared	\$88.89 per hour for each inspector involved	Importer	\$102.27	Updated rate	
Tests, examinations, and treatment of goods that harbour or may harbour organisms							
22	2	Tests, examinations, and treatments of imported goods, that harbour, or may harbour, an organism, that are – (a) carried out by the Ministry; and (b) necessary to identify the organism, so as to enable an inspector to determine whether the goods should – (i) be cleared; or (ii) be moved from a transitional facility to a containment facility; or	\$88.89 per hour for each inspector involved; and	Importer	- \$102.27 per hour for each general inspector involved; and - \$186.30 per hour for each veterinary inspector involved; and - actual and reasonable costs of the tests, examinations, and treatments	Updated rate	
23			actual and reasonable costs of the tests, examinations, and treatments				New rate
24							

		Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
		(iii) continue to be held in a transitional or containment facility (as the case may be)				
<i>Inspection of motor cycles, mopeds, and motor vehicles at ports approved as places of first arrival</i>						
25	3	Inspection, and each re-inspection after treatment, of a consignment of a single used motor cycle or moped carried out at ports approved as places of first arrival under section 37 of the Act for the purpose of ascertaining whether the consignment should be cleared	\$14.22 per motor cycle or moped	Importer	\$18.08 per motor cycle or moped	Updated rate
26	4	Inspection, and each re-inspection after treatment, of a consignment of a single used motor vehicle having a gross laden weight not exceeding 3 500 kg (other than a motor cycle or moped) carried out at ports approved as places of first arrival under section 37 of the Act for the purpose of ascertaining whether the consignment should be cleared	\$36.00 per motor vehicle	Importer	\$49.53 per motor vehicle	Updated rate
27	5	Inspection, and each re-inspection after treatment, of a consignment of a single used motor vehicle having a gross laden weight exceeding 3 500 kg (other than a motor cycle or moped) carried out at ports approved as places of first arrival under section 37 of the Act for the purpose of ascertaining whether the consignment should be cleared	\$50.67 per motor vehicle	Importer	\$60.79 per motor vehicle	Updated rate
<i>Inspection of unaccompanied goods imported for personal use</i>						
28 29 30 31 32 33 34	6	Inspection of unaccompanied goods imported for personal use of the importer for the purpose of ascertaining whether those goods should be cleared	\$22.22 for 1 item \$44.44 for 2 to 4 items \$88.89 for 5 to 12 items \$115.56 for 13 to 29 items \$137.77 for 21 to 28 items \$160.00 for 29 to 36 items \$22.22 for each block or part block of 8 items exceeding 36 items	Importer	- \$25.57 for 1 item - \$51.13 for 2 to 4 items - \$102.27 for 5 to 12 items - \$132.95 for 13 to 29 items - \$158.52 for 21 to 28 items - \$184.08 for 29 to 36 items - \$25.57 for each block or part block of 8 items exceeding 36 items	Updated rates

Function, power, or duty for which fee or charge payable			Current fee or charge	Fee or charge payable by	Proposed fee	Comment
<i>Inspection of goods not prescribed elsewhere in Schedule</i>						
35 36	7	Inspection, and each re-inspection after treatment of any goods (except accompanied goods imported for the personal use of the importer) that are not required to be inspected under the Act for the purpose of ascertaining whether those goods should be cleared	\$88.89 per hour for each inspector involved	Importer	- \$102.27 per hour for each general inspector involved; - \$186.30 for each veterinary inspector involved	Updated rates
<i>Monitoring controls on new organisms and inspection of animals, animal material, or plants</i>						
37 38 39	8	Monitoring controls on new organisms in containment facilities	\$88.89 per hour for each inspector involved \$85.42 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is a member of the European Community	Person holding an approval (issued under the Hazardous Substances and New Organisms Act 1996) to import the organism into containment, or to hold the organism in containment; or (where there is no approval) the importer or owner of the organism or the goods that harbour the organism	- \$102.27 per hour for each general inspector involved; - \$94.38 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from Switzerland or a country that is a member of the European Community; - \$186.30 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Community or from Switzerland;	Updated rates
40 41 42	9	Inspection of an animal that is intended to be cleared, or directed to a transitional or containment facility, on arrival	\$88.89 per hour for each inspector involved in inspecting an animal imported from a country that is not a member of the European Community  \$25.51 per animal imported directly from a country that is a member of the European	Importer	- \$102.27 per hour for each general inspector involved in inspecting an animal or animal material imported from a country that is not a member of the European Community or from Switzerland; - \$186.30 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Union or from Switzerland; - \$28.19 per animal imported directly from Switzerland or a country that is a member of the	Refer to Bio#5 Updated rates  No change proposed for assistance animals

		Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
43			Community		European Community;	
44			\$35.56 per pet animal imported from a country that is not a member of the European Community No fee applies in relation to an assistance animal imported from any country, if the animal is accompanying a person who requires animal assistance		- \$49.61 per pet animal imported from a country that is not a member of the European Community or from Switzerland; - No fee applies in relation to an assistance animal imported from any country, if the animal is accompanying a person who requires animal assistance	
45	10	Inspection of an animal that – (a) is on board a craft within New Zealand territory; and (b) is not intended to be cleared	\$88.89 per hour for each inspector involved	Operator of craft	- \$102.27 per hour for each general inspector involved	Updated rate
46	11	Inspection and monitoring of an animal or plant held in a transitional or containment facility for the purpose of ascertaining whether the animal or plant should –	\$88.89 per hour for each inspector involved	Importer	- \$102.27 per hour for each general inspector involved;	Updated rate
47		(a) be cleared; or	\$85.43 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is a member of the European Community		- \$94.38 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is a member of the European Community or from Switzerland;	Updated rate
48		(b) be moved from a transitional facility to a containment facility; or			- \$186.30 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Community or from Switzerland	New rate
		(c) continue to be held in a transitional or containment facility, as the case may be				

		Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
49	12	Inspection of a consignment of animal material (other than fish meal) for the purpose of ascertaining whether it should be cleared	\$88.89 per hour for each inspector involved in inspecting a consignment of animal material imported from a country that is not a member of the European Community		- \$102.27 per hour for each general inspector involved in inspecting a consignment of animal material imported from a country that is not a member of the European Community;	Updated rates
50					- \$151.60 per hour for each veterinary inspector involved in inspecting an animal or animal material imported directly from a country that is not a member of the European Union or from Switzerland;	
51			\$25.51 for inspection of documents for each consignment imported directly from a country that is a member of the European Community; and		- \$28.19 for inspection of documents for each consignment imported directly from a country that is a member of the European Community; and	
52			\$51.02 for other types of inspection for each consignment imported directly from a country that is a member of the European Community		- \$56.37 for other types of inspection for each consignment imported directly from a country that is a member of the European Community	
<i>Treatment, destruction, or disposal of risk goods</i>						
53	13	Treatment, before being cleared, of risk goods imported – (a) in a person's baggage (whether or not the baggage is accompanied); or (b) through the mail; or (c) among personal effects	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	Importer	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	No change to current basis of cost recovery
54	14	Treatment of imported risk goods, other than risk goods specified in item 13	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	Importer	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	No change to current basis of cost recovery



	Function, power, or duty for which fee or charge payable		Current fee or charge	Fee or charge payable by	Proposed fee	Comment
55	15	Destruction, transportation, re-shipment, or other disposal of goods	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	Importer	Actual and reasonable costs of treatment; and any costs of packaging, storing, forwarding, and returning the goods before and after treatment	No change to current basis of cost recovery
56	16	Supervising, or advising on, destruction, transportation, re-shipment, or other disposal of goods	\$88.89 per hour for each inspector or biosecurity adviser involved	Importer	\$102.27 per hour for each inspector or biosecurity adviser involved	Updated rate
<i>Permits issued under import health standards</i>						
57 58	17	Processing an application for a permit, or amendment to a permit, under import health standards	\$144.89 for each application processed	Applicant	<ul style="list-style-type: none"> <li>- \$191.95 unit charge; plus</li> <li>- \$102.27 per hour for each biosecurity adviser for processing beyond the standard time provided for in the unit charge</li> </ul>	Refer to Bio#2
<i>Transitional and containment facilities</i>						
59 60	18	Processing an application for approval of a transitional or containment facility, or a facility operator	\$88.89 per hour for each inspector or biosecurity adviser involved	Applicant	<ul style="list-style-type: none"> <li>- application fee \$887.70; plus</li> <li>- \$102.27 per hour for each biosecurity adviser for processing beyond the standard time provided for in the unit charge where applicable</li> </ul>	Refer to Bio#6
61	19	Inspection and compliance auditing of a transitional or containment facility, to ascertain whether it should be approved, or continue to be approved, under section 39 of the Act	\$88.89 per hour for each inspector or biosecurity adviser involved	Applicant or facility operator (as the case may be)	\$102.27 per hour for each inspector or biosecurity adviser involved	Updated rate
62	20	Investigation and compliance auditing of a facility operator, or proposed operator, to ascertain whether the operator or proposed operator should be approved, or continued to be approved, under section 40 of the Act	\$88.89 per hour for each inspector or biosecurity adviser involved	Applicant or facility operator (as the case may be)	\$102.27 per hour for each inspector or biosecurity adviser involved	Updated rate

		Function, power, or duty for which fee or charge payable	Current fee or charge	Fee or charge payable by	Proposed fee	Comment
63	21	Assessing results obtained from inspection and compliance auditing of a transitional or containment facility, determining whether to confirm that the facility can continue to be approved under section 39 of the Act and, if appropriate, issuing confirmation documentation. Includes proposed expanded scope of functions.	\$142.23 per annum for each registered facility	Facility operator	\$298.05	Refer to Bio#6 Includes proposed expanded scope of functions

		<i>Auditing a ruminant protein control programme</i>				
64	22	Investigation and compliance auditing of a ruminant protein control programme under regulation 7A of the Biosecurity (Ruminant Protein) Regulations 1999	\$132.99 per hour for each inspector or authorised person involved who is employed under the State Sector Act 1988 or who is an agent of, or contracted to, the Ministry	Operator	\$186.30	Updated rate
		<i>Functions, powers, and duties not prescribed elsewhere in Schedule</i>				
65	23	Performing a function, power, or duty – (a) required to be undertaken under the Act or regulations made under the Act; and (b) not prescribed elsewhere in the Schedule	\$88.89 per hour for each inspector or biosecurity adviser involved	Person whose actions result in the function being required	\$102.27 per hour for each inspector or biosecurity adviser involved	Refer to Common#5 Updated rate
		<i>Disbursements</i>				
66					Actual and reasonable costs of disbursements.	Refer to Common#4
		<i>Other biosecurity advisor time</i>				
67		Carrying out an activity relating to equivalences or Chief Technical Officer directions due to an individual or company's non-compliance with import health standards or other import regulations, or providing advice, beyond an initial 15 minute period, to an importer in relation to the importation of goods.		Importer	\$102.27 per hour for each inspector or biosecurity adviser involved	Refer to Bio#3

## Biosecurity (System Entry Levy) Order 2010

### Schedule – Fees and charges

		<i>Biosecurity (System Entry) Levy</i> The biosecurity levy covers a proportion of the costs common to all activities associated with managing the biosecurity risks of imported goods at the border.	Fee or charge	Proposed fee	Comment
68		Importation for which an inward cargo transaction fee is payable under regulation 13A(2)(a) of the Customs and Excise Regulations 1996 in respect of cargo or goods carried on a ship or boat	\$11.11 per importation	\$13.15	Updated rate
69		Importation for which an inward cargo transaction fee is payable under section 132(2)(b) of those regulations in respect of cargo or goods carried on an aircraft	\$11.11 per importation	\$13.15	Updated rate
70		Importation for which an import entry transaction fee is payable under regulation 24A of those regulations.	\$15.33 per importation	\$17.37	Updated rate
71		<i>Maximum rate of levy</i> The maximum rate of the levy is \$16.00 (exclusive of goods and services tax) per leviable importation.	\$16.00 per importation	\$18.00	Refer to Bio#8

## **5 Cost recovery under Agricultural Compounds and Veterinary Medicines Act 1997**

### **5.1 OVERVIEW**

Agricultural compounds are used through many areas of the primary industries. The setting of appropriate standards, input into international conventions, such as the Codex Alimentarius Commission (CODEX) and Veterinary Co-operation on International Harmonisation (VICH), and regulation of these compounds is an important part of maintaining trade, food safety and biosecurity. MPI provides a range of services under the ACVM Act, including registration of trade name products, compliance activities, setting standards and guidance on agricultural compounds.

This is the first review of fees since 2008.

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 revenue for ACVM 2014/15 of \$1.37 million.

### **5.2 ACTIVITIES UNDER THE AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES (ACVM) ACT 1997**

This section sets out the services provided by MPI under the ACVM Act 1997 to regulated parties and to interested industry parties, and it details the sub-services provided.

#### **5.2.1 ACVM Act functions**

MPI is charged with developing, implementing and confirming compliance with the requirements of the Act, which consist of:

- authorisation of agricultural compounds and monitoring their importation, manufacture, sale and use;
- recognition of persons, classes of persons and organisations such as veterinarians;
- approval of operating plans such as Good Manufacturing Practice (GMP) approvals;
- suspension of registrations;
- recall of agricultural compounds;
- prohibition of agricultural compounds;
- issue of certificates of compliance;
- developing, implementing, evaluation and review of requirements, and guidance relating to agricultural compounds;
- maintaining public registers and lists;
- confirmation of compliance and investigation of non-compliance.

MPI's ACVM Group provides services in several areas, including:

- requirements and guidance;
- authorisation;
- audit;
- compliance and monitoring.

More details of the ACVM Group's activities are provided in Appendix 1, section 5.8

## 5.3 POLICY PROPOSALS

*ACVM#1 – Recover costs for provisionally registering a trade name product*

*ACVM#2 – Clarify that MPI can recover costs for determining what class an imported product falls under when inspecting*

*ACVM#3 – Recover costs for recognition functions under Part 3A of the Act*

*ACVM#4 – Revise uses for which fees and charges payable for setting standards can be used*

## 5.4 ACVM#1 – RECOVER COSTS FOR PROVISIONALLY REGISTERING A TRADE NAME PRODUCT

### 5.4.1 Problem definition

*Fees and charges regulations unclear about whether MPI can recover costs for provisionally registering a trade name product of an agricultural compound*

The current fees and charges regulations state ‘registering’, which has been interpreted to include both provisional and full registration based on the definition of ‘registered’ in the Act. However, we do not consider this to be sufficiently clear.

Our inability to recover costs for this function could result in MPI under-covering on the cost of providing these services. If the current fixed approach is to continue, MPI would need to factor the costs of providing this function into other fees provided for under the Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 and to spread the additional cost over all other fees when fees are next updated. However, this would be inequitable as other users would be penalised with a higher rate because we were unable to charge applicants seeking provisional registration. This outcome would not support efficiency or be justifiable as the charges and fees would be higher than the cost of service delivery.

### 5.4.2 Proposed fee for provisional registration of a trade name product

MPI proposes to establish a new fixed fee of \$155.00 and hourly rate assessment charge (in 15-minute intervals after 1 hour) of \$155.00 for provisionally registering a trade name product of an agricultural compound under section 26. This new item would be inserted into Part 3 of the Schedule of the Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002.

### 5.4.3 Questions for consideration

#### Question 5.4

Do you consider the proposed approach to be fair to those who provisionally register products and other users of the product registration service?

## 5.5 ACVM#2 – CLARIFY THAT MPI CAN RECOVER COSTS FOR DETERMINING WHAT CLASS AN IMPORTED PRODUCT FALLS UNDER WHEN INSPECTING

### 5.5.1 Background

MPI Biosecurity inspectors determine what class imported products fall under when inspecting them for clearance under sections 5 and 6 of the Act. This activity is charged at the Biosecurity Inspectors’ hourly rate, which is currently \$102.27.

### 5.5.2 Problem definition

*Legislation is unclear on whether MPI can recover costs for determining what class an imported product falls under when inspecting.*

It is not clear whether this is a function that can be included in charge 1 in Part 2 of the Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002.

### 5.5.3 Proposed fee for determining a class for imported products

*Clarify that MPI can recover costs when determining what class an imported product falls under when inspecting under the Act.*

MPI proposes to amend the wording in Part 2, item 1, of the Schedule of the Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 to include determining the status of a product.

### 5.5.4 Questions for consideration

#### Question 5.5

- 1) Do you think these product class determinations should be cost-recovered as proposed?
- 2) If not, how should they be recovered?

## 5.6 ACVM#3 – RECOVER COSTS FOR RECOGNITION FUNCTIONS UNDER PART 3A OF THE ACT

### 5.6.1 Background

The Agricultural Compounds and Veterinary Medicines Amendment Act 2012 amended the principle Act by inserting a new Part 3A providing for recognised agencies, persons and classes of persons. Sections 44C, 44E, 44F and 44G of the Act provide for recognition. Section 44I requires applicants to submit applications and pay a prescribed application fee.

### 5.6.2 Problem definition

*MPI has not yet implemented cost recovery for recognition functions under Part 3A of the Act*

Fees and charges under Part 3A of the Act have not yet been implemented. The costs of providing these services are being met by the Crown, but are private or industry goods in nature. The current review is the first available opportunity to promulgate these fees or charges.

### 5.6.3 Proposed fee and hourly rate assessment charges for Part 3A recognition functions

MPI proposes to establish a new fixed fee of \$155.00 and hourly rate assessment charge (in 15-minute intervals after 1 hour) of \$155.00 for:

- applications for recognition under section 44I;
- recognition of certain persons without application under section 44F;
- applications to renew recognition under section 44R;
- applications to substitute recognition under section 44S.

We also propose to establish an annual fee payable by each recognised agency, recognised person or recognised class of person under section 44T.

## 5.6.4 Questions for consideration

### Question 5.6

Would you prefer a different method of cost recovery for recognition functions under Part 3A of the ACVM Act? If so, what?

## 5.7 ACVM#4 – REVISE USES FOR WHICH FEES AND CHARGES PAYABLE FOR SETTING STANDARDS CAN BE USED

### 5.7.1 Background

Part 1 of the Schedule of the Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 provides for annual fees payable by certain persons for:

- (a) *setting standards to identify and evaluate risks and benefits under section 21 of the Act; and,*
- (b) *participating in national and international forums, having regard to New Zealand's international obligations, assurances, and reputation in identifying risks and benefits under section 21 of the Act.*

MPI considers these standard setting services as industry/club goods. The range of standard setting activities is detailed in section 5.8, Appendix 1.

### 5.7.2 Problem definition

#### *Uncertainty about whether legislation provides for recovery of costs for these services*

The regulations prescribe setting standards to identify and evaluate risks and benefits under section 21 of the Act. There is uncertainty about whether the current definition covers the costs of providing the activities described above. The intention when the current regulations were made was for the costs of these activities to be recoverable.

### 5.7.3 Proposal to make the reference to 'standard setting' more general

MPI proposes that the reference to standard setting in Part 1 (a) of the Schedule of the Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 should be amended to clarify that the services described include (as outlined above) the services and provision of related advice in the following policy areas:

- development and review of standards for the regulatory control of agricultural compounds (included generic work relating to general operational standards development under the Act);
- technical contribution to national and international forums on standards for agricultural compounds<sup>12</sup>;
- technical policy advice.

The intention is that the costs for undertaking standard-setting activities would be recoverable.

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<sup>12</sup> Examples of multilateral work are CCPR (Codex Committee on Pesticide Residues), VICH, OECD (harmonisation of pesticides requirements), CCRVDF (Codex Committee on residues of veterinary drugs in food) and the Codex antimicrobial task force. An example of the bi-lateral work is the work that the ACVM Group does to support the Mutual Recognition Agreement with the European Union (EU) on Good Manufacturing Practice for selected veterinary medicine products.

The Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002 currently also provide that the amount payable is a 'fee or charge'. MPI proposes that this be changed to a levy to reflect the fact that the services are 'industry/club' goods.

#### 5.7.4 Questions for consideration

##### Question 5.7

Do you agree with the proposal to make the reference to 'standard setting' in the ACVM (Fees and Charges) Regulations more general?

## 5.8 **APPENDIX 1 – MPI ACTIVITIES UNDER THE AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES ACT**

### 5.8.1 Requirements and guidance function

The setting of requirements and guidance consists of the following services and related policy advice:

- development and review of requirements and guidance for the regulatory control of agricultural compounds (including generic requirements and guidance-setting work relating to general operational requirements and guidance development under the Act);
- technical contribution to national and international forums on requirements and guidance for agricultural compounds;
- technical policy advice.

The key services undertaken under each of these service areas are as follows:

- provision of public information in relation to requirements and guidance and related information for regulated parties;
- representation of the New Zealand position at the CODEX, Organisation for Economic Co-Operation and Development (OECD), VICH and other international forums for setting standards;
- representation at relevant trans-Tasman forums;
- technical support and advice for the development, review and maintenance of the Act and regulations made under it;
- technical support and advice for other parts of MPI;
- technical support and advice on market access issues;
- development and review of requirements and guidance for agricultural compounds and recognised agencies and persons, including managing regulatory, compliance and performance issues;
- support for and co-ordination of the Agricultural Compounds and Veterinary Medicines Advisory Council (AVMAC);
- technical contribution to international forums such as trans-Tasman harmonisation, the New Zealand and European Union mutual recognition arrangements, OECD Pesticides Forum, VICH meetings, CODEX meetings and bilateral relationships;
- consideration of residue and trade implications in relation to applications for registration and for exemption under special circumstances;



- development and maintenance of business systems necessary for the delivery of the activities above.

### **5.8.2 Appraisal services**

Under the Act, MPI provides the following appraisal services to regulated parties:

- consideration of applications for registration and variations to registrations of agricultural compounds and other related approvals such as those related to manufacture, sale and use;
- processing of applications for class determination;
- processing Generally Recognised as Safe requests;
- reassessment of registrations;
- recognition of agencies, persons and classes of persons to undertake some services relating to Act functions;
- maintaining public registers of agricultural compounds and other relevant approvals;
- providing clearance of agricultural compounds at the border;
- consideration of applications for the exemptions from the requirement to register certain products<sup>13</sup>;
- consideration of application for exemptions to register products in special circumstances<sup>14</sup>;
- consideration of applications for the approval of operating plans (including the approval and ongoing audit of GMP premises);
- suspension and cancellation of approvals in certain circumstances;
- issuing and withdrawing certificates of compliance.

Within these areas, MPI provides the following key services:

- processing enquiries relating to regulatory control under the Act;
- processing applications for registration and variations of registrations of trade name products and other approvals;
- providing for clearance of agricultural compounds at the border;
- recognition of agencies and persons to undertake activities related to the Act, such as data assessors, traders, manufacturers, facilities and systems;
- developing and maintaining a public register for registered trade name products and for other approvals;
- providing a service to enable the public to inspect registers.

### **5.8.3 Compliance and monitoring**

MPI provides the following compliance and monitoring services in accordance with the Act:

- border services for controlling the importation of agricultural compounds;
- monitoring activities related to the manufacture, sale and use of agricultural compounds;

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<sup>13</sup>Product groups with known risk factors are assessed and exempted by class. Risks associated with their use are managed through generic conditions of exemption in regulations.

<sup>14</sup>Special circumstances may include drug shortages, and agricultural compound use to control the outbreak of disease.

- provision and operation of compliance programmes for monitoring compliance with legislation and or conditions;
- appointment of ACVM Act Officers;
- investigation and enforcement of the provisions of the Act.

Within this area, MPI provides the following services for regulated parties:

- monitoring importation of agricultural compounds;
- auditing and monitoring ACVM Officers and regulated parties and activities;
- conducting monitoring and audit of manufacturers, distributors, traders, wholesalers, and users of agricultural compounds;
- monitoring and auditing persons approved to provide authorisation for agricultural compounds;
- resolving complaints related to compliance;
- managing recalls of agricultural compound;
- applying appropriate sanctions in the event of non-compliance with the Act;
- investigation and prosecution of illegal activities associated with the use of agricultural compounds.

#### **5.8.4 Standard setting activities**

MPI carries out a range of activities related to setting of standards under the Act and subsidiary regulations and notices.

The setting of standards involves the provision of services and related advice in the following policy areas:

- development and review of standards for the regulatory control of agricultural compounds (including generic work relating to general operational standards development under the Act);
- technical contribution to national and international forums on standards for agricultural compounds;
- technical policy advice.

The key services undertaken by MPI under each of these service areas are as follows:

- providing public information in relation to standards, guidelines and related information for regulated parties;
- representing the New Zealand position at CODEX, OECD, VICH and other international standard setting forums;
- representing New Zealand at relevant trans-Tasman forums;
- technical support and advice for the development, review and maintenance of the Act and regulations made under it;
- technical support and advice for other parts of MPI;
- technical support and advice on market access issues;
- development and review of standards for agricultural compounds and recognised agencies and persons, including managing regulatory, compliance and performance issues;

- support for and co-ordination of the Agricultural Compounds and Veterinary Medicines Advisory Council (AVMAC);
- technical contribution to international forums such as trans-Tasman harmonisation, the New Zealand and European Union, mutual recognition arrangements, OECD Pesticides Forum, VICH meetings, CODEX meetings and bilateral relationships;
- consideration of residue and trade implications in relation to applications for registration and for exemption under special circumstances;
- maintenance of business systems for the delivery of the activities above.

## 5.9 APPENDIX 2 – EXISTING AND PROPOSED FEES UNDER AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES ACT 1997

*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.*

### Agricultural Compounds and Veterinary Medicines (Fees and Charges) Regulations 2002

#### Part 1 – Fees and charges payable for setting standards

	Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
1	For – (a) setting standards to identify and evaluate risks and benefits under section 21 of the Act; and	\$485.00	Payable annually by each – (a) registrant:	\$512.00	Refer to ACVM#4
2	(b) participating in national and international forums, having regard to New Zealand's international obligations, assurances, and reputation in identifying risks and benefits under section 21 of the Act	\$485.00	(b) person who holds an exemption under section 8C of the Act: (c) person who has obtained approval of an operating plan: (d) recognised person	\$512.00	Amend the reference to standard-setting to clarify. Change categorisation to levy to reflect the basis of charging.

## Part 2 – Fees and charges payable for compliance monitoring

	Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
3 4	For an application for an inspector to give authority or clearance under section 5 or 6 of the Act	\$88.89 per hour plus actual cost of disbursements	Payable by the importer	- \$102.27 per hour, plus  - actual cost of disbursements	ACVM#2 Amend wording to include determining the status of a product.
5 6 7	For monitoring compliance with conditions imposed (whether on the registrant, importer, manufacturer, seller, purchaser, or user) under the Act or regulations made under the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the person to whom the conditions apply	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
8 9 10	For inspection for the purpose of enforcing provisions of the Act or regulations made under the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the person being inspected	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
11 12 13	For the recall of an agricultural compound under section 35G of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the person holding the agricultural compound	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4

### Part 3 – Fees and charges payable for applications, accreditations, and registers

	Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
14 15 16	For responding to enquiries about form and content of applications under section 10 of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the enquirer	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
17 18 19	For considering applications for waiver of notice under section 15 of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
20 21 22	For assessing whether an application to register a trade name product complies with section 10 of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
23 24 25	For considering whether to provisionally register a trade name product of an agricultural compound under section 26.		Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	ACVM#1 Common#4
26 27 28	For considering an application to register a trade name product or to vary 1 or more conditions on a registered trade name product	\$132.98 per hour, plus  actual cost of disbursements	Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
29 30 31	For considering an application for approval of, amendment to, or revocation of an operating plan under section 28 of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
32 33 34	For considering applications for recognition under section 44I		Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	ACVM#3 Common#4

	Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
35 36 37	For considering applications for recognition of certain persons without application under section 44F		Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	ACVM#3 Common#4
38 39 40	For considering applications to renew recognition under section 44R		Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	ACVM#3 Common#4
41 42 43	For considering applications to substitute recognition under section 44S		Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	ACVM#3 Common#4
44 45 46	For ongoing recognition		Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	ACVM#3 Common#4
47 48 49	For recognising a person under section 62 of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the recognised person	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
50	For registering a trade name product in the register of trade name products or for varying 1 or more conditions on a registered trade name product	\$432.00	Payable on application by the applicant	\$512.00	Updated rate
51 52 53	For inspecting the register of trade name products	\$132.98 per hour, plus  actual cost of disbursements	Payable at completion of the inspection by the person inspecting the register	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4

	Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
54 55 56	For considering whether to approve under section 8C of the Act the importation, manufacture, sale, or use of an agricultural compound without registration	\$132.98 per hour, plus  actual cost of disbursements	Payable by the person seeking the approval	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
57 58 59	For suspension under section 30A of the Act of the registration of a trade name product registered under section 21 or 27 of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the registrant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
60 61 62	For considering whether to issue a certificate of compliance under section 35A of the Act	\$132.98 per hour, plus  actual cost of disbursements	Payable by the applicant	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#1 Common#4
63 64 65	Performance of a function, power or duty that is: <ul style="list-style-type: none"> <li>• required to be undertaken under the Act, including subsidiary regulations and notices;</li> <li>• not prescribed elsewhere in the relevant cost recovery regulations.</li> </ul>		Payable by the person whose actions resulted in the specific function, power or duty being required.	- \$155.00, plus - \$155.00 per hour, charged in 15-minute increments, after the first hour, plus - actual cost of disbursements	Common#5 Common#4



## **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 options<sup>15</sup>:

#### ***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 5 provides an analysis of two charging options.

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

**Table 5: 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 excluders<sup>16</sup> (and are therefore excludable).
- Performance of the function for an individual will limit MPI's ability to provide the function to another individual<sup>17</sup>.

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.

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

<sup>17</sup> 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 exacerbators<sup>16</sup> (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 6) about their commodity processing to calculate the levies.

**Table 6: 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 6. 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 pricing<sup>18</sup> 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.

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<sup>18</sup> 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 monitoring<sup>19</sup>, 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 levies<sup>20</sup> 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

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<sup>19</sup> 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).

<sup>20</sup> 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 kilograms<sup>21</sup> 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

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<sup>21</sup> 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 7 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 7: Estimated recovery from small processors in 2015/16.**

	<b>New Zealand Standards</b>	<b>Performance Monitoring</b>	<b>Residue monitoring</b>	<b>Total</b>
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 year<sup>22</sup>. 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 businesses<sup>23</sup>.

<sup>22</sup> 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.

<sup>23</sup> 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> $L_{processor}^X = \frac{TC_{annual}^{MPI} \times MS_{last}^{processor X}}{MS_{last}^{total}}$
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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 8), and the total amount to be recovered from larger processors (Table 9).

**Table 8: 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 9: 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 threshold<sup>24</sup> of 636,000 kilograms (Table 11) 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 10 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 10: 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.

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<sup>24</sup> 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 persons<sup>25</sup> who exported more than 636,000 kilograms of dairy products in the previous financial year<sup>26</sup>. 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;

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<sup>25</sup> 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.

<sup>26</sup> 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,

$L_{\text{exporter}}^Y$  = 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 12).

$EM_{\text{last}}^{\text{exporter Y}}$  = 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 11), and the total amount to be recovered from large exporters (Table 12).

**Table 11: 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 12: 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.<sup>27</sup>

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

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<sup>27</sup> 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	Common#4

	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"> <li>- a dairy processor whose business includes buying milk solids from a dairy farmer; or</li> <li>- a person whose business includes buying milk solids from a dairy farmer for supply directly or indirectly to a dairy processor.</li> </ul>	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><math>L_{\text{processor}}</math> = levy payable by processor X:</p> <p><math>TC_{\text{MPI, Annual}}</math> = \$3,420,089;</p> <p><math>MS_{\text{processor last}}</math> = each large processor's milk solids collection for the previous year; and</p> <p><math>MS_{\text{total last}}</math> = 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"> <li>- a dairy processor whose business includes buying milk solids from a dairy farmer; or</li> <li>- a person whose business includes buying milk solids from a dairy farmer for supply directly or indirectly to a dairy processor.</li> </ul>	
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> $LY_{\text{exporter}} = [(ETC_{\text{MPI Annual}} \times EM_{Y \text{ last}}) / EM_{\text{Total last}}]$ <p>Where:</p> <p><math>LY_{\text{exporter}}</math> = levy payable by exporter Y;  <math>ETC_{\text{MPI Annual}} = \\$1,258,824</math>  <math>EM_{Y \text{ last}}</math> = exporter's dairy export mass for the previous year  <math>EM_{\text{Total last}}</math> = 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$32.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$465.00 per replacement certificate, plus</li> <li>- \$155 per hour after the first three hours, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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:  <math>Fee_1 = (TAC_1 / TED_1)</math>  Where:  <math>Fee_1</math> = Fee per declaration in first year;  <math>TAC_1</math> = Estimated total approval costs; and  <math>TED_1</math> = Estimated total number of export declarations</p> <p>The formula in subsequent years would be:  <math>Fee_p = (TAC_p / TED_p)</math>  Where:  <math>Fee_p</math> = Fee per declaration;  <math>TAC_p</math> = Total approval costs for previous year; and  <math>TED_p</math> = Total number of export declarations for previous year.</p> <p>and:</p> <ul style="list-style-type: none"> <li>- approval costs are the costs of staff time processing and approving export declarations in a given year including overhead costs.</li> <li>- 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.</li> </ul>	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			<b>Director-General may grant exemption or waiver</b> <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 – <b>cost per request</b> 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 <b>cost per second</b> 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 <b>appropriate percentage</b> 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 (<b>services</b>).</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 (<b>payment date</b>).</p> <p>The fee is calculated as follows:</p> <p>Fee = <math display="block">\frac{\text{amount to recover for year}}{4} \times \frac{\text{holder's allocated quantity}}{\text{total allocated quantity}}</math></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



		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
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"> <li>- \$102.27, plus</li> <li>- \$102.27 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> Payable by the applicant on application and any remainder payable within 1 month.	Common#1  Common#4

		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$32.00, plus</li> <li>- \$155 per hour after the 15 minutes, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> Payable by the applicant on application and any remainder payable within 1 month.	APA#11  Common#4

		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
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"> <li>- \$465.00, plus</li> <li>- \$155 per hour after the first three hours, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> Payable by the applicant on application and any remainder payable within 1 month.	Common#1   Common#4

		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
128 129 130	23	Annual bivalve molluscan shellfish harvest operator fee	\$122.00	<ul style="list-style-type: none"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> Payable by the applicant on application and any remainder payable within 1 month.	Common#1  Common#4

		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> Payable by the applicant on application and any remainder payable within 1 month.	APA#7  Common#4

		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> 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"> <li>- \$155.00, plus</li> <li>- \$155 per hour after the first hour, in 15-minute increments, plus</li> <li>- actual and reasonable costs</li> </ul> Payable by the applicant on application and any remainder payable within 1 month.	APA#8  Common#4

		<b>Matter in respect of which fee payable under Animal Products Act 1999</b>	<b>Fee</b>	<b>Proposed Fee</b>	<b>Comment</b>
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"> <li>• required to be undertaken under the relevant Act, including subsidiary regulations and notices;</li> <li>• not prescribed elsewhere in the relevant cost recovery regulations.</li> </ul>		- \$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="padding-left: 40px;">(cost per request + cost per second) x appropriate percentage</p> <p>where –</p> <p><b>cost per request</b> 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><b>cost per second</b> 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><b>appropriate percentage</b> 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 <b>cost per request</b> or <b>cost per second</b>, 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, –		
	<b>after-hours callout charges</b> 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		
	<b>Authority</b> means the New Zealand Food Safety Authority		
	<b>breakfast shift</b> refers to the situation where the verification functions carried out by a verifier in any day are commenced before 6 am		
204	<b>circuit charges</b> 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.
	<b>disestablishment charges</b> 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		
	<b>double time</b> refers to overtime hours worked by a verifier for which the verifier is entitled, by his or her employment contract, to double time rates		
	<b>establishment charges</b> 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	<b>non-veterinary verifier</b> 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:
	<b>penal rate 0.5</b> 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		
	<b>penal rate 1.0</b> means the rate for every hour of penal time worked by an employee other than hours to which penal rate 0.5 applies		
206	<b>Penal rate 2.0</b> 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	<b>penal time</b> 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.
	<b>reserve rate</b> refers to the rate for hours worked by a reserve verifier		
	<b>reserve verifier</b> 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		
	<b>shift rates</b> 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	<b>supervising veterinary verifier</b> 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.
	<b>time and a half</b> , or <b>1½ time</b> , 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	<b>veterinary verifier</b> 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	<b>1</b>	<b>Establishment charge</b>			
	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>B</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	<b>Circuit charge</b>			
	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 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.
250			(i) \$57.00 per hour per verifier for penal time worked at penal rate 0.5	\$60.10	
251			(ii) \$85.90 per hour per verifier for penal time worked at penal rate 1.0 (iii) Penal rate 2.0	\$120.10 \$240.20	
252	3 A	<b>After-hours callout charge</b> <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.
253					
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	<b>Disestablishment charges</b> <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				<b>Establishment charges</b> 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"> <li>(a) capital items, which include:               <ul style="list-style-type: none"> <li>(i) computer terminals, monitors and printers;</li> <li>(ii) office furniture and storage;</li> <li>(iii) phones;</li> <li>(iv) technical equipment.</li> </ul> </li> <li>(b) expenses, which include:               <ul style="list-style-type: none"> <li>(i) recruitment;</li> <li>(ii) costs associated with transfer or relocation;</li> <li>(iii) induction and training, including salary;</li> <li>(iv) new health and safety equipment;</li> <li>(v) new folders, stationery and lockable cupboards;</li> <li>(vi) inspection stamps, and reject and hold tags.</li> </ul> </li> </ul>	
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:
		<b>Unit charges payable for each relevant unit to be exported</b>			
		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					
		<b>Hourly rates</b>			
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:
		<b>Callout charges</b> 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 ( <b>prior</b> 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 <sup>1</sup> / Process only for consumption within New Zealand*	
306 307		Lambs, bobby calves, goats	\$0.10 per head	\$0.03 per head	\$0.12 <sup>1</sup> per head \$0.04* per head	\$0.135 <sup>1</sup> (excluding goats) with MIA levy
308 309		Sheep	\$0.11 per head	\$0.03 per head	\$0.14 <sup>1</sup> per head \$0.04* per head	\$0.157 <sup>1</sup> with MIA levy
310 311		Pigs	\$0.24 per head	\$0.08 per head	\$0.31 <sup>1</sup> 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 <sup>1</sup> per head \$0.25* per head	\$0.974 <sup>1</sup> with MIA levy
314 315		Deer	\$0.86 per head	\$0.10 per head	\$1.57 <sup>1</sup> per head \$0.19* per head	As proposed by MPI
316 317		Ostriches, emus	\$6.54 per head	\$1.02 per head	\$22.00 <sup>1</sup> per head \$3.50* per head	As proposed by MPI
318 319		Poultry	\$0.004399 per bird	\$0.00255 per bird	\$0.061338 <sup>1</sup> 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 <sup>1</sup> 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>			<b>Process wholly or partly for export / Process only for consumption within New Zealand</b>	
327		(a) annual levy for bee products	\$258 per annum*	\$577.50 per annum <sup>1</sup>	\$471.80* per annum	
328					\$1005.70 <sup>1</sup> 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 <sup>1</sup>	\$684.10* per annum \$769.60 <sup>1</sup> 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 <sup>1</sup>	\$132.80* per annum \$559.70 <sup>1</sup> 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 <sup>1</sup>	\$710.10* per annum \$784.50 <sup>1</sup> per annum	
	* Operators that process only for consumption within New Zealand <sup>1</sup> 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.

## 7 Cost recovery proposals under the Animal Welfare Act 1999

### 7.1 OVERVIEW

As a humane society we have responsibilities to ensure our animals' needs are met. Animal welfare is also increasingly important for accessing premium markets and differentiating New Zealand's products. MPI issues Animal Welfare Export Certificates (AWECs) before any live animal can be exported, which helps to ensure that any animal welfare risks during travel are minimised.

This is the first review of fees for animal welfare activities since 2008.

### 7.2 ACTIVITIES UNDER THE ANIMAL WELFARE ACT 1999

#### 7.2.1 Introduction

Cost recovery under the Animal Welfare Act is provided for under the Animal Welfare Export Certificate (AWEC) Regulations 1999. Activities that are cost-recovered include the issuing of AWECs and the Veterinary Inspector time associated with processing those certificates.

Further details of MPI's activities under the AWA are provided in section 7.5, Appendix 1.

### 7.3 POLICY PROPOSALS

*AWA#1 – Charge for animal welfare export functions performed by non-veterinarians*

#### 7.4 AWA#1 – CHARGE FOR ANIMAL WELFARE EXPORT FUNCTIONS PERFORMED BY NON-VETERINARIANS

##### 7.4.1 Background

The Animal Welfare Export Certificate Regulations 1999 include charges for the costs of veterinarians employed by the Ministry to perform functions in accordance with Part 3 of the Animal Welfare Act 1999.

##### 7.4.2 Problem definition

*MPI cannot recover costs for work done by non-veterinarians*

The Animal Welfare Export Certificate Regulations 1999 include charges only for MPI veterinarian staff. They do not provide for charging for work done by non-veterinarian staff who are involved in processing AWECs. This results in under-recovery of the costs incurred for providing these services.

##### 7.4.3 Proposed cost recovery for non-veterinarian work associated with live animal export

MPI proposes that the Animal Welfare Export Certificate Regulations 1999 also allow MPI to recover the costs of work done by non-veterinarians, as well as veterinarians, in accordance with Part 3 of the Animal Welfare Act 1999, and any other costs incurred in delivering the services. These proposals will help ensure the Ministry recovers the full cost of providing these services to the users who benefit from the services. This proposal would also align the Animal Product (Fees, Charges, and Levies) Regulations 2007 and the Animal Welfare Export Certificate Regulations 1999. The required changes to the Animal Welfare Export Certificate Regulations 1999 to give effect to this are:

- clause 5: change the reference from 'any veterinarian' to 'any person';
- clause 6 (a) and (b): change from 'veterinarian' to 'any person employed by the Ministry'; and

- clause 7: establish hourly rates for:
  - Veterinarians undertaking specialist functions necessary for the issue of an animal welfare export certificate under section 46 of the Animal Welfare Act 1999. (The rate for these veterinarians would align with the rate charged for veterinarians in Part 8, hourly rate 1, of the Animal Product (Fees, Charges, and Levies) Regulations 2007.)
  - Ministry employees to process and consider an application for an animal welfare export certificate under section 42 of the Animal Welfare Act 1999. (The rate for these employees would align with the rate charged for veterinarians in Part 8, hourly rate 2, of the Animal Product (Fees, Charges, and Levies) Regulations 2007.)

MPI also proposes that disbursements associated with these activities be recoverable on an actual and reasonable basis.

#### 7.4.4 Questions for consideration

##### Question 7.4

- 1) Do you agree with the proposed method of charging for support staff that assist in issuing Animal Welfare Export Certificates?
- 2) If not, what is your preferred option for cost recovery of support staff that assist in issuing Animal Welfare Export Certificates, and what are the reasons for this preference?

## **7.5 APPENDIX 1 – MPI ACTIVITIES UNDER THE ANIMAL WELFARE ACT 1999**

### **7.5.1 Standard setting**

The following standards are developed, promulgated and maintained under the Animal Welfare Act 1999 (AWA):

- publishing guidelines for the issue of Animal Welfare Export Certificates (AWECs);
- gazetting exemptions for animals to need AWECs;
- developing codes of welfare;
- developing codes of ethical conduct.

### **7.5.2 Approvals**

The approvals programme issues AWECs to regulated parties under the AWA and associated regulations.

### **7.5.3 Animal Welfare Group**

The Animal Welfare Group is responsible for managing risks to animal welfare in the New Zealand animal production and animal processing industries; in research, teaching and testing sectors (RTT); during exports of live animals; and in sectors where animals are used for companionship, recreational or working purposes.

The Animal Welfare Group's regulatory functions include providing standards, guidance and implementation support to these sectors to ensure requirements under the AWA are met.

#### ***Compliance and monitoring***

The Animal Welfare Group works closely with MPI's Verification Services, who have more than 200 warranted Animal Welfare Officers at processing plants throughout New Zealand.

Monitoring of animal welfare of animals presented for slaughter is conducted by MPI Verification Service staff. Most of these staff are veterinarians who are also warranted Animal Welfare Officers. Costs for all activities of MPI Verification Services staff at slaughter premises, including any animal welfare activity, is recovered from the meat processing industry.

The monitoring and compliance service area under the AWA for production animals is provided by the Compliance Directorate in the Operations Branch, and is funded by the Crown. The SPCA provides monitoring and compliance services for companion animals, and this is largely funded by public donations. The SPCA also provides some services for monitoring and compliance with production animals, particularly in relation to lifestyle farms, and MPI funds a total of \$400,000 a year for training in this area.

Other compliance activities include:

- activities undertaken under section 141, including maintaining a register and the costs associated with managing these animals;
- other veterinary inspections;
- investigating complaints from the public.

#### ***Animal Exports Team***

The Animal Welfare Group works closely with the Animal Exports Team, which is responsible for processing AWEC applications and issuing an in-principle AWEC. Verification Services works in the animal exports area, with some port veterinary inspectors having delegated authority to issue Animal Welfare Export Certificates under the AWA. Costs for these activities are recovered under the Animal Welfare Export Certificate Regulations.

## 7.6 APPENDIX 2 – EXISTING AND PROPOSED FEES UNDER ANIMAL WELFARE 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 Welfare Export Certificate Regulations 1999

		Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
1	4	<b>Animal welfare export certificate application fee</b> The fee required by section 42(2)(c) of the Act to accompany an application for an animal welfare export certificate is \$24	\$21.33	Applicant (R5)	\$21.33	No change proposed.
2	6	<b>Basis of amount payable</b> The amount of any costs payable under regulation 5 [costs of veterinarian employed by Ministry] is to be determined – (a) by applying an hourly rate to the time spent by the veterinarian in providing the services including – (i) any waiting time; and (ii) any travelling time; and (b) by applying a mileage allowance to the distance travelled by the veterinarian for the purpose of performing the services.			(a) no change proposed  (b) 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
4	7	<b>Hourly rate</b> The hourly rate that applies for the purposes of regulation 6 [basis of amount payable] is, – (a) in the case of the time spent within usual hours, \$96 per hour; and (b) in the case of time spent outside usual hours, \$143.40 per hour.	\$85.33 per hour  \$127.47 per hour	Applicant (R5)	\$186.30 per hour  \$252.17 per hour	

		Function, power, or duty for which fee or charge payable	Fee or charge	Fee or charge payable by	Proposed fee	Comment
6 7	8	<b>Calculation of costs at hourly rates</b> <ul style="list-style-type: none"> <li>Subject to clause (2), any costs required to be determined under regulation 6(a) by applying an hourly rate specified in regulation 7 are calculated by adding –               <ul style="list-style-type: none"> <li>(a) one quarter of the hourly rate; and</li> <li>(b) the product of –                   <ul style="list-style-type: none"> <li>(i) one quarter of the hourly rate; and</li> <li>(ii) the number (if any) of complete periods of 15 minutes in excess of the first 15 minutes spent by the veterinarian on the matters specified in regulation 6(a); and</li> </ul> </li> <li>(c) where any time in excess of the first 15 minutes spent by the veterinarian on the matters specified in regulation 6(a) is not an exact multiple of 15 minutes, one quarter of the hourly rate.</li> </ul> </li> </ul>				AWA#1 All time spent by an officer or employee of the Ministry would be subject to: <ul style="list-style-type: none"> <li>- minimum charge of one hour, plus</li> <li>- additional hours charged at the relevant hourly rate in 15-minute increments.</li> </ul>
8		<ul style="list-style-type: none"> <li>Where time in excess of the first 15 minutes is spent by the veterinarian on the matters specified in regulation 6(a), the amount of the fee prescribed by regulation 4 must be deducted from the amount of the costs calculated in accordance with sub clause (1) of this regulation.</li> </ul>				
9	9	<b>Mileage allowance</b> The mileage allowance that applies for the purposes of regulation 6(b) is 54 cents a kilometre.	\$0.48 per kilometre	Applicant (R5)	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



## 8 Cost recovery proposals under the Wine Act 2003

### 8.1 OVERVIEW

Wine is a growing export market. The Ministry continues to support development of the industry through administration of the Wine Export Certification System and standards setting for exports.

This is the first review of fees in the Wine area since the introduction of the Wine Regulations 2006. Wine-related activities are principally Crown-funded, with the Ministry providing a range of services under the Wine Act, including electronic certification of exports and overseas market access assistance.

Revenue from wine-related activities in 2014/15 is forecast to total \$0.170 million. The proposals contained in this document would result in forecast revenue for 2015/16 of \$2.100 million, primarily through a levy on export product.

The main proposals are to:

- introduce a levy to recover the cost of domestic standard setting and compliance;
- cease rebates that currently cover the cost of laboratory testing to support the issue of official assurances for specific export markets;
- introduce a one cent per litre levy on wine exported, to cover export standards setting, market access, export certification/e-certification costs.

### 8.2 ACTIVITIES UNDER THE WINE ACT 2003

The Wine Act 2003 requires the Minister for Food Safety and the Director-General of MPI to take all reasonable steps to ensure that, where funding for the wine regulatory programme is not provided for by the Crown, the direct and indirect costs of administering the Act are recovered through fees, levies, or otherwise.

Cost recovery provisions are given effect through the making of regulations. The cost recovery section of the Wine Regulations 2006 provides for the setting of fees and charges for costs to be recovered under the Wine Act, and for setting the timing of annual fee payments.<sup>28</sup>

In 2006, the Government decided to continue providing Crown funding for export assurance, export standard setting and market access of \$1.985 million per year. At the time, the Government's rationale for making the decision was that the wine export sector was in its infancy and the costs to be recovered were small.

At present, the Crown pays for:

- policy advice in relation to the Wine Act and regulations made under it;
- joint standard-setting for Australia and New Zealand;
- multilateral standard-setting;
- export standard-setting;
- enforcement activities for non-compliance;
- the administration of the Wine Export Certification Service (Wine E-Cert), including the cost of chemical analysis;
- compliance and systems audit.

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<sup>28</sup> The Wine Regulations provided for a fee of \$68.63 per winery per annum for standard setting, which was set prior to the implementation of the Act in 2004.

The wine industry pays for the New Zealand Standards programme. In 2013/14, New Zealand Winegrowers paid MPI \$151,000, which equated to \$216 per winery.

Further information on MPI's regulatory activities is provided in Appendix 1, section 8.14.

### **8.3 CROWN FUNDING FOR THE WINE REGULATORY PROGRAMME**

Continued funding of wine standard setting, market access and export assurances activities is inconsistent with the treatment of similarly regulated activities in the animal product export and plant export sectors.

Costs for plant export sectors are recovered through administrative means as there is no primary legislation covering production and export of plants and plant materials. Approvals are funded by an application fee and hourly rate charges. New Zealand and export standard-setting, market access and compliance and systems audit are funded using export certificate fees. Negotiations of equivalences are funded by an hourly rate.

Continuing Crown funding for wine is also inconsistent with the Government's policy of using cost recovery to encourage efficient use of MPI's resources by service users. In addition, the current system is administratively inefficient, as MPI rebates the cost of laboratory analyses of wine samples when an official assurance is required. This covers nearly 5,000 wine samples each year.

### **8.4 COST RECOVERABLE MPI ACTIVITIES UNDER THE WINE ACT 2003**

MPI performs a number of regulatory functions as part of the wine programme that contribute to positive outcomes for the New Zealand wine industry. Costs recovered include the costs of administering the Wine Act and maintaining MPI's ability to regulate the wine industry. Annual costs are calculated as a forecast average over a three-year period and then recovered on an annual basis.

Winemakers and exporters (who are not always winemakers) are the primary beneficiaries and users of the functions performed by MPI. The fundamental benefit to winemakers is being able to operate and produce wine that is 'fit for its intended purpose' and can then be sold in New Zealand and/or exported. Because some do not own the product they process, the benefit is not about adding value to product. The New Zealand Winegrowers 2014 Annual Report reports that there are 699 wineries in New Zealand. Of these, 614 fall into category 1 (small), 69 into category 2 (medium), and 16 into category 3 (large).<sup>29</sup>

The wine regulatory work programmes, including the setting of standards and specifications under the Wine Act 2003, are established in consultation with industry. Consultation is managed through regular dialogue with New Zealand Winegrowers, the Fruit Wine & Cider Makers Association and other key industry stakeholders.

MPI also consults directly with industry representative bodies on specific work programme proposals.

### **8.5 CESSATION OF REBATES FOR WINE SAMPLE TESTING**

Some export markets require an official assurance for New Zealand wine, which includes laboratory test results to verify compliance with the importing country's standards and requirements. The amount and cost of export wine testing is directly related to the amount of wine exported.

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<sup>29</sup> Small winery produces 0-200,000 litres per annum; a medium winery produces 200,001 litres to 2,000,000 litres per annum; and a large winery produces greater than 2,000,000 litres per annum.

Wine companies pay laboratories for tests at the time of testing. MPI currently rebates wine businesses for the full cost of wine export tests, up to a capped limit of \$160 per sample. A wine business becomes eligible for this rebate at the point at which the results from these tests are used to support an official assurance. In 2014/15 MPI rebates are forecast at around \$0.8 million, for about 5,000 samples tests.

Rebates were originally offered when New Zealand's wine industry was in its infancy. The wine industry is now a mature industry and the condition for rebating no longer applies. The practice of rebating the cost of testing will cease from 1 July 2015.

## **8.6 POLICY PROPOSALS**

*Wine#1 – Charge for changes to the recognised agency (or person) on a Wine Standards Management Plan*

*Wine#2 – Charge for minor amendments to a Wine Standards Management Plan*

*Wine#3 – Recover costs for processing a small winemaker exemption notification*

*Wine#4 – Recover costs for verification, inspection and audit*

*Wine#5 – Recover costs for New Zealand Standards and Compliance functions via a levy on New Zealand Winegrowers*

*Wine#6 – Recover the cost of funding for Export Standards setting, Market Access and export certification costs*

*Wine#7 – Recover costs for wine E-Cert*

## **8.7 WINE#1 – CHARGE FOR CHANGES TO THE RECOGNISED AGENCY (OR PERSON) ON A WINE STANDARDS MANAGEMENT PLAN**

### **8.7.1 Background**

MPI incurs costs when changes to a recognised agency (or person) on a wine standards management plan under the Wine Act 2003 are requested. These costs are associated with updating databases, reissuing formal documents, delegate sign-off and filing.

### **8.7.2 Problem definition**

Cost recovery is yet to be implemented for processing applications to change a recognised agency, or recognised person, on a wine standards management plan under the Wine Act 2003.

### **8.7.3 Proposed cost recovery for processing changes to a recognised agency (or person) on a wine standards management plan**

MPI proposes to establish a new fixed fee of \$77.50 (based on half an hour of billable time), plus an hourly rate assessment charge of \$155, chargeable in 15-minute increments after the first half hour. This rate would be included in the Schedule of the Wine Regulations 2006.

The proposed cost recovery method and rate are consistent with the approach taken for approval, accreditation and recognition functions for other sectors.

#### 8.7.4 Questions for consideration

##### Question 8.7

- 1) Do you agree with the proposed method of charging for changes to the recognised agency (or person) on a wine standards management plan?
- 2) If not, what is your preferred method of charging for changes to the recognised agency (or person) on a wine standards management plan, and what are the reasons for this preference?

### 8.8 WINE#2 – CHARGE FOR MINOR AMENDMENTS TO A WINE STANDARDS MANAGEMENT PLAN

#### 8.8.1 Background

MPI processes notifications of minor amendments to a wine standards management plan under section 23 of the Wine Act 2003. MPI incurs costs associated with updating databases, reissuing formal documents, delegate sign-off and filing.

#### 8.8.2 Problem definition

Cost recovery is yet to be implemented for processing notifications of minor amendments to a wine standards management plan under section 23 of the Wine Act 2003.

#### 8.8.3 Proposed charge for minor amendments to a wine standards management plan

MPI proposes to establish a new fixed fee of \$77.50 (based on half an hour of billable time), plus an hourly rate assessment charge of \$155, chargeable in 15-minute increments after the first half hour. This rate would be included in the Schedule of the Wine Regulations 2006.

The proposed cost recovery method and rate are consistent with the approach taken for approval, accreditation and recognition functions for other sectors.

#### 8.8.4 Questions for consideration

##### Question 8.8

- 1) Do you agree with the proposed method of charging for minor amendments to a wine standards management plan?
- 2) If not, what is your preferred method of charging for minor amendments to a wine standards management plan, and what are the reasons for this preference?

### 8.9 WINE#3 – RECOVER COSTS FOR PROCESSING A SMALL WINEMAKER EXEMPTION NOTIFICATIONS

#### 8.9.1 Background

MPI processes small winemaker exemption notifications under clause 5A of the Wine Regulations 2006, including updating the exemption database and confirming the exemption.

#### 8.9.2 Problem definition

Cost recovery has yet to be implemented for processing small winemaker exemption notifications under clause 5A of the Wine Regulations 2006.

### 8.9.3 Proposed cost recovery for processing a small winemaker exemption notification

MPI proposes to establish a new fixed fee of \$155 (based on an hour of billable time), plus an hourly rate assessment charge of \$155, chargeable in 15-minute increments after the first hour. This rate would be included in the Schedule of the Wine Regulations 2006.

The proposed cost recovery method and rate are consistent with the approach taken for approval, accreditation and recognition functions for other sectors.

### 8.9.4 Questions for consideration

#### Question 8.9

- 1) Do you agree with the proposed method of charging for processing small winemaker exemption notifications?
- 2) If not, what is your preferred method of charging for processing small winemaker exemption notifications, and what are the reasons for this preference?

## 8.10 WINE#4 – RECOVER COSTS FOR VERIFICATION, INSPECTION AND AUDIT

### 8.10.1 Background

MPI's Wine Officers are empowered under the Wine Act 2003 to verify, inspect and audit.

### 8.10.2 Problem definition

#### *MPI cannot recover costs for inspection or audit*

The current regulations do not allow cost recovery for inspection or audit. When compliance problems with an operator or exporter are detected, it may be necessary to inspect or audit the operator and work with them to bring about compliance. These services are considered private goods and should therefore be cost-recoverable on that basis.

#### *MPI cannot recover costs for compliance follow-up*

As noted above, MPI may be required to work with individual operators to ensure compliance. This is an important activity for which we cannot recover costs under current regulations. Receiving this service is considered a private good, and the associated costs of providing it should be met by those who cause them to be incurred.

#### *MPI cannot recover costs for verification*

The market for wine verification is contestable and serviced by the private sector. MPI has a role as a verifier of 'last resort' and must be able to provide verification services if required. To date, MPI has not been required to act as a verifier of last resort. Verification is considered a private good and is usually charged at an hourly rate, with other costs recovered as disbursements on an actual and reasonable basis.

### 8.10.3 Proposed cost recovery for verification, inspection and audit under the Wine Act 2003

MPI proposes to establish an hourly rate charge of \$155 for cost recovery of verification, inspection, audit and other individual-focused compliance activities under the Wine Act. Disbursements associated with these activities would be recoverable on an actual and reasonable basis.

#### 8.10.4 Questions for consideration

##### Question 8.10

- 1) Do you agree with the proposed method of charging for verification, inspection and audit services by Wine Officers?
- 2) If not, what is your preferred method of charging for verification, inspection and audit services by Wine Officers, and what are the reasons for this preference?

### 8.11 WINE#5 – RECOVER COSTS FOR NEW ZEALAND STANDARDS AND COMPLIANCE FUNCTIONS VIA A LEVY ON NEW ZEALAND WINEGROWERS

#### 8.11.1 Background

MPI performs a range of functions for the domestic wine sector, including provision of:

- a New Zealand standard setting programme;
- a compliance programme.

These functions are club or industry goods, and principally relate to the making and processing of wine and wine products.

The Wine Regulations 2006 enable MPI to recover an annual fee of \$300 on wine businesses for standard setting. These fees are not being charged currently because they are funded by the Crown.

New Zealand Winegrowers Inc makes a voluntarily payment to MPI of \$151,000 a year towards the cost of the New Zealand standards programme. No payment is made by non-grape wine producers. Compliance programme costs are currently Crown-funded, but in other areas prosecutions and investigations are Crown-funded while inspections and other operator-specific monitoring activity are individually funded. Fifty percent of MPI's wine compliance resources for wine are spent on domestic compliance activities.

Wine made from fruit other than grapes is also regulated under the Wine Act. Domestic grape wine sales as a proportion of total sales have decreased over the last three years from 97.9 percent to the current 96.9 percent, while non-grape wine sales have increased from 2.1 percent to the current 3.1 percent.

The current levy on wine businesses prescribed in the regulations has never been enforced and may not be the most equitable method of recovery. For example, the current fixed fee levy on wine businesses of \$300 in the regulations has no correlation to domestic sales production, and therefore to the level of each operator's benefit or use. Wine businesses selling large volumes of wine domestically would pay the same amount as wine businesses selling small volumes.

#### 8.11.2 Problem definition

In determining the appropriate cost recovery method there are two questions to consider:

- From whom should costs be recovered?
- How should costs be recovered?

All New Zealand wine businesses benefit from provision of New Zealand standards and a robust compliance programme. There are two options for targeting cost recovery:

- Target all wine businesses, including non-grape wine businesses.



- Target industry bodies such as New Zealand Winegrowers, an industry body representing grape growers and grape wine makers, and the Fruit Wine & Cider Makers Association of New Zealand Inc.

### **Options**

There are three main approaches for recovering costs, and a number of options for how cost recovery is implemented:

- Option 1: Continue negotiating voluntary payments from New Zealand Winegrowers Inc.
- Option 2: Impose a levy on wine industry bodies.

Option 2 would involve setting an annual charge based on the direct and indirect costs of providing the New Zealand standards programme and the compliance programme. New Zealand Wine growers would administer collection of the levy. This would replace the voluntary payment of \$151,000 currently paid by New Zealand Winegrowers with an amount based on a formula, which is likely to be around \$330,000 in 2015; or

- Option 3: Impose a levy on all wine businesses or holders of a wine standards management plan, using one of the following methods:
  - a) a uniform fixed annual levy on wine businesses.
  - b) a uniform fixed annual levy on holders of a wine standards management plan.
  - c) a differential levy based on wine business output from the previous year. There would be three charges based on three ranges of wine business output (0 to 200,000 litres a year; 200,001 litres to 2,000,000 litres a year; and greater than 2,000,000 litres a year).
  - d) a levy on each litre of wine produced.

### **Analysis of options**

An analysis of the options to fund New Zealand standards and compliance functions is provided in Table 13.

**Table 13: Options to fund New Zealand Standards and Compliance functions**

Option	Analysis
Option 1: Continue negotiating voluntary payments from New Zealand Winegrowers Inc	Continuing to negotiate voluntary payments from New Zealand Winegrowers would be administratively simple and effective at recovering the costs of the New Zealand standards programme and compliance programme. However, without a statutory mandate it creates a risk that funding could be withdrawn by New Zealand Winegrowers in future. Therefore this option is not preferred.
Option 2: Impose a levy on wine industry bodies (preferred)	<p>Imposing a levy on New Zealand Winegrowers would also be administratively simple and effective at recovering the costs of the New Zealand standards programme and compliance programme.</p> <p>New Zealand Winegrowers is funded by a levy on grape wine. Imposing a levy is equitable as all wine growers and makers benefit from the New Zealand standards programme. Recovering a share of compliance costs through a levy and a share through direct operator costs encourages wine maker compliance to minimise costs. This approach has a slight risk in that New Zealand Winegrowers could cease operating and be unincorporated, and therefore MPI's revenue security would be stopped. However, in our view, this risk is minimal.</p> <p>There are two key risks with this option:</p> <ul style="list-style-type: none"> <li>• Industry may not agree to provide funding for New Zealand Winegrowers to pay the levy.</li> <li>• MPI could increase charges before New Zealand Winegrowers is able to adjust its levy to collect additional revenue from the industry to meet the increased cost.</li> </ul> <p>Imposing a levy on the Fruit Wine &amp; Cider Makers Association is not feasible currently as</p>

	the Association's Commodity Levies Act 1990 Order has expired and the association cannot currently collect a levy from non-grape wine makers.
Option 3: Impose a levy on all wine businesses	<p>Imposing a uniform fixed levy on all grape wine businesses (699 in 2014) and non-grape wine businesses or, alternatively, holders of a wine standards management plan (239 in 2014), would not be equitable as it would not reflect different levels of output, benefit or contribution to risk.</p> <p>MPI's preferred approach under this option would be to impose a levy on each litre of wine produced based on wine business output from the previous year. This approach would be the most equitable. However, it would impose higher transaction and compliance costs than the alternative options would, particularly the option of collecting revenue directly from industry bodies, as it would require:</p> <ul style="list-style-type: none"> <li>• MPI to collect data and invoice each party;</li> <li>• operators to submit returns to MPI and process and pay MPI's invoice.</li> </ul> <p>These costs could be minimised by coordinating cost recovery with the collection of revenue under the Commodity Levies (Wine grapes) Order 2010.</p> <p>Imposing a levy solely on the output of non-grape wine businesses to recoup a 3.1 percent share of New Zealand Standards and compliance costs would not be efficient, as the collection and compliance costs would be disproportionately high relative to the revenue collected.</p>

### 8.11.3 Proposed annual levy on New Zealand Winegrowers

MPI's preferred approach is to establish an annual levy on New Zealand Winegrowers. The levy would be a set charge based on the direct and indirect costs of providing the New Zealand standards programme and 50 percent of compliance costs<sup>30</sup>. The levy amount rather than the formula would be prescribed in the regulations.

MPI prefers this approach because it is administratively simple and, compared with imposing a levy on all wine businesses, has significantly lower administrative costs and minimal additional compliance costs for the wine sector.

For the present, MPI does not propose to impose a levy on the Fruit Wine & Cider Makers Association, nor does it propose to impose a levy on non-grape wine output as this would not be efficient. MPI notes that non-grape wine's market share of domestic sales volumes is increasing. We will monitor development and reconsider imposing a levy if the Fruit Wine & Cider Makers Association resumes collecting a levy, or non-grape market share increases to the point where it is efficient to levy non-grape wine businesses.

### 8.11.4 Calculating the New Zealand Winegrowers levy

For the purposes of calculating the annual levy, MPI would use a formula similar to the example provided below. However at this stage we are *not* proposing to build this formula into the regulations, as it may be necessary to modify our approach over time.

$$\text{Annual levy payable by New Zealand Winegrowers} = DI + (0.5 \times C)$$

Where,

DI = Total direct and indirect costs of the New Zealand Wine Standards Programme.

<sup>30</sup> 50% represents the estimated allocation of compliance service time between domestic and export focussed producers.



*Direct and indirect costs* may include any accrued surpluses and deficits from the previous four years not already recovered in line with section 87(3).<sup>31</sup>

C = Wine compliance costs

### ***Proposed notices for 2015/16 annual levy on New Zealand Winegrowers***

The proposed annual levy payable by New Zealand Winegrowers for 2015/16 would be approximately \$330,000.

#### **8.11.5 Questions for consideration**

##### **Question 8.11**

- 1) Do you agree with the proposed method of cost recovery for standards and compliance functions for the domestic wine sector?
- 2) If not, what is your preferred method of cost recovery for standards and compliance functions for the domestic wine sector?

## **8.12 WINE#6 – RECOVER THE COST OF FUNDING FOR EXPORT STANDARDS SETTING, MARKET ACCESS AND EXPORT CERTIFICATION COSTS**

### **8.12.1 Background**

*Export standard setting, market access, wine export certification, Wine E-Cert, and compliance and systems audit activities are club goods that are currently Crown-funded*

MPI's performs a range of functions for the export wine sector, including:

- the export standard setting programme;
- the market access programme;
- compliance and systems audit activities related to export.

These functions are mostly related to the export of wine and wine products, and are considered club or industry goods as consumption (use) by one person does not detract from consumption by another and users can be excluded from the benefits of consumption at low cost.

There are two groups of beneficiaries from the services – wine businesses and overseas consumers.

Charging wine businesses is more efficient than charging the consumers for several reasons:

- Consumers are outside New Zealand's jurisdiction while wine businesses are clearly identifiable.
- Transaction and collections costs are significantly lower for collection from wine businesses, and wine businesses are well placed to pass the cost on to end consumers;
- Wine businesses are better placed than overseas consumers to value and monitor the benefits of MPI services, relative to their cost.
- Cost recovery from wine businesses incentivises industry to:
  - moderate demand for services;
  - implement effective risk management to minimise the need for MPI services or interventions.

<sup>31</sup> MPI does not intend to implement cost recovery for any deficits incurred prior to 1 July 2015.

The Wine Regulations 2006 allow MPI to recover an annual charge based on three ranges of wine business output (0 to 200,000 litres a year; 200,001 litres to 2 million litres a year; and greater than 2 million litres a year).

These fees are not being charged currently because they are Crown-funded.

### 8.12.2 Problem definition

MPI proposes to introduce cost recovery for export standard setting and market access. The methods allowed under the current regulations have never been implemented and may not be the most equitable or efficient approach.

The cost recovery options are shown in Table 14.

**Table 14: Cost recovery options for standard setting, market access and Wine E-cert, and compliance systems audit**

Options	Analysis
Option 1: Impose a flat levy on all wine exporters.	<p>This approach would not be equitable as it would not be based on export volume and therefore would not reflect the value of the benefits received. It could potentially result in small exporters paying a disproportionately large share, while large exporters pay a disproportionately small share.</p> <p>This option would be administratively efficient as MPI can efficiently identify and invoice all wine exporters.</p>
<p>Option 2: Impose a levy on each litre of wine exported.</p> <p>The levy would be imposed on businesses exporting more than 10,000 litres a year, to minimise administrative costs and ensure that MPI is not issuing levy invoices that amount to less than \$100.</p>	<p>This option would be less equitable than Option 3 but more equitable than Option 1 as it bands producers into groups based on a range of output, rather than targeting charges based on output.</p> <p>This option is administratively efficient as MPI can efficiently identify and invoice all wine businesses. This option may impose additional compliance costs as it would require all wine businesses to make returns to MPI each year about their output. Wine businesses already provide returns to MPI and the New Zealand Customs Service, so providing additional returns to MPI would add a minimal cost.</p>
<p>Option 3: Recover costs through Wine E-Cert for:</p> <ul style="list-style-type: none"> <li>confirmation of export eligibility;</li> <li>determination of consignment export eligibility;</li> <li>issue of official assurances;</li> <li>processing requests to amend, revoke or reissue an official assurance.</li> </ul>	<p>This approach would not be equitable as it would not be based on export volume and therefore would not reflect the value of the benefits received. It could potentially result in small exporters paying a disproportionately large share, while large exporters pay a disproportionately small share.</p> <p>This option is more administratively efficient and would have lower transaction costs than the alternative options would. All exporters would use Wine E-Cert and be required to pay associated costs. Recovering other costs associated with export standard setting, market access and compliance and system audit through this mechanism would have a low marginal cost. This option would also impose significantly fewer compliance costs on businesses as they would not need to make returns to MPI or fund an MPI cost recovery audit programme.</p>

The option of imposing a levy on New Zealand Winegrowers was not pursued as MPI is better placed to collect a levy.

### 8.12.3 Proposed levy on each litre of wine exported

MPI proposes to impose a levy on each litre of wine exported. The amount recovered would be in the order of **one cent per litre in 2015**.

The levy would be imposed on applicants for export consignment approval. This means that wine businesses whose product is exported would be liable to pay the levy. Wine businesses that make applications on behalf of third parties wishing to export their wine would need to make a commercial decision as to whether, and how, to pass on that cost.

This approach is preferred because it is equitable, administratively efficient and has relatively low transaction and compliance costs for the sector.

#### 8.12.4 Calculating the levy

For the purposes of calculating the annual levy, MPI would use a formula similar to the example provided below. However at this stage we are *not* proposing to build this formula into the regulations, as it may be necessary to modify our approach over time.

$$\text{Levy per litre of wine exported, } L_{\text{wine}}^{\text{export}} = \frac{EC}{V^{\text{annual}}}$$

Where,

EC = sector contribution to total export cost = (total direct and indirect Wine Market Access costs + total direct and indirect Wine Export Standard Setting costs + total direct and indirect Wine Export Certification costs + 50 percent of total direct and indirect Compliance Programme costs)<sup>32</sup>

$V^{\text{annual}}$  = total annual volume of wine in litres exported by a wine businesses exporting more than 10,000 L per annum (in the previous year).

#### *Proposed amount of 2015/16 levy on wine litres exported*

The proposed levy for 2015/16 would be approximately 1 cent per litre.

#### 8.12.5 Questions for consideration

##### Question 8.12

- 1) Do you agree with the proposed method of cost recovery for export-related functions in the wine sector?
- 2) If not, what is your preferred method of cost recovery for export-related functions in the wine sector?

### 8.13 WINE#7 – RECOVER COSTS FOR WINE E-CERT

#### 8.13.1 Background

##### *Wine E-Cert is a private good that is currently Crown-funded*

All grape wine exported from New Zealand must meet the export eligibility requirements that are set under the Wine Act 2003. These requirements ensure that the safety, traceability and quality of wine exported from New Zealand are maintained.

MPI uses the Wine Export Certification Service (WECS) to process applications to determine whether wine is eligible for export and issues export eligibility statements for each consignment of wine to confirm that eligibility. MPI also issues official assurances for some countries where overseas market access requirements have been agreed between New Zealand and overseas governments. An official assurance confirms that the wine exported from New Zealand meets the requirements of the importing country.

<sup>32</sup> Direct and indirect costs may include any accrued surpluses and deficits from the previous four years not already recovered in line with section 87 (3). MPI does not intend to implement cost recovery for any costs incurred prior to 1 July 2015.

MPI has re-developed the information technology system used for wine export certification (Wine E-Cert) to manage the risks of system failure arising from the age of the existing system, and to enhance the capability of the system to keep up with evolving trade practices.

Wine E-Cert services are considered private goods but are not currently cost-recovered. The Schedule in the Wine Regulations 2006 allows MPI to recover the costs of Wine E-Cert through. Table 15 sets out the current charges that were promulgated in 2006, but have never been charged.

**Table 15: Cost recovery options Wine E-cert**

Matter in respect of which fee or charge payable	Cost recovery method	Fee or charge \$
Application to determine whether wine eligible for export	per application	20.68
Statement of confirmation that wine eligible for export	per confirmation	5.91
Issue of official assurance	per certificate	8.82

### 8.13.2 Problem definition

#### *Current cost recovery items do not encourage efficient use of MPI's resources or support equity*

The current Wine E-Cert cost recovery items in the Wine Regulations 2006 will enable MPI to recover costs. However, the current items could be refined to encourage efficient use of MPI's resources and to more accurately charge users for the marginal costs of using MPI's services. More accurate charging supports equity as it reduces the risk that other exporters will have to cross-subsidise services demanded by other exporters.

The areas where more targeted cost recovery is needed are as follows:

- export eligibility statements based on sensory testing, chemical testing or both, and subsequent amendments differentiation needed because chemical testing incurs greater costs for MPI associated with MPI's E-Star information system;
- issue of official assurances and subsequent amendments;
- processing requests to revoke or reissue an official assurance that take more than 15 minutes, which is a good proxy for the average amount of time it takes MPI to issue an official assurance.

#### *Options*

MPI considered three options:

- Option 1: maintain the status quo.
- Option 2: enhance the charging regime for Wine E-Cert.
- Option 3: recover Wine E-Cert costs via the levy on exports.

MPI's preferred option is Option 3, to recover the costs of Wine E-Cert through the levy as it has lower transaction and administrative costs for MPI and industry and is relatively equitable as it requires exporters to pay the costs for Wine E-Cert based on their share of exports. Option 2 would encourage more efficient use of Wine E-Cert but has higher transaction and administrative costs for MPI and industry. MPI intends to monitor industry's use of Wine E-Cert following the introduction of cost recovery and will propose a more detailed charging regime for E-Cert if necessary.

### **8.13.3 Proposed changes to recover costs for items for export assurance**

MPI proposes to recover the costs of Wine E-Cert through the levy on exports.

### **8.13.4 Questions for consideration**

#### **Question 8.13**

- 1) Do you agree with the proposal to recover Wine E-cert costs through the (proposed) levy on exports?
- 2) If not, what is your preferred method of cost recovery for Wine E-cert costs?

## **8.14 APPENDIX 1 – MPI ACTIVITIES UNDER THE WINE ACT 2003**

### **8.14.1 New Zealand standards programme**

The Ministry develops, implements, monitors, and reviews safety and composition standards for the production, processing, transportation, storage, and sale of food and food-related products in New Zealand. This includes the following activities related to both grape and fruit winemaking:

- administering the Wine Act 2003;
- reviewing and maintaining standards for wine, including prescribing minimum percentages of inputs required to label or identify wine in terms of vintage, variety, or area of origin (grape wine only); keeping records and making returns as a means of ensuring the truthfulness of information, integrity of processes, and safety of wine;
- developing and reviewing guidance material to assist wineries to comply with safety and labelling standards;
- reviewing and updating the Codes of Practice for wine standards management plans for grape wine and for fruit wine, cider and mead;
- providing advice to winemakers and verifiers on meeting legislative requirements;
- managing recognition of agencies and persons for verification activities with respect to wine standards management plans;
- reviewing and maintaining verification requirements to ensure that standards are met;
- reviewing and monitoring winemakers and verifiers' compliance with standards.

### **8.14.2 Export standards programme**

The Ministry develops, implements, monitors and reviews systems, standards and processes for export food and food-related products. It also develops and implements verification standards and verification processes for export requirements, and manages the provision of official assurances for grape wine exports, including overseeing the administration of the export eligibility system. This includes the following activities:

- administering export components of the Wine Act;
- managing recognition of recognised laboratories for export laboratory analysis;
- monitoring performance of recognised laboratories;
- managing the contract for wine export certification with New Zealand Winegrowers;
- managing the contract for the random sampling programme for export;
- monitoring and managing the outputs from the random sampling programme;
- providing export advice to industry operators;
- developing and maintaining the electronic platform for wine export certification;
- reviewing and monitoring wine business operators and verifiers' compliance with export standards.

### **8.14.3 Market access programme**

The Ministry negotiates market access conditions and establishes overseas market access requirements (OMARs) with the relevant authorities of countries importing New Zealand products on behalf of exporters. This includes managing bilateral agreements, trading partner relationships, and equivalency negotiations.

The market access programme also provides strategic and operational input into the export standards programme, as it affects trade and MPI's bilateral relationships.

MPI also provides regulatory input into pluri-lateral forums such as the World Wine Trade Group and the APEC Wine Regulatory Forum, which have a focus on regulatory alignment to improve trade in wine, and the International Organisation of Wine and Vine (OIV) which, although not a standard setting body, does establish resolutions that are sometimes adopted into EC regulation.

#### **8.14.4 Compliance and system audit**

The functions that the Ministry performs in this area include:

- responding to and managing critical non-compliance;
- regularly collecting and assessing information to check compliance with regulatory requirements;
- random sampling and testing of products across the spectrum;
- monitoring and assessing recognised agencies and persons;
- scheduled auditing of industry or business systems and processes;
- responding to inquiries and providing information to industry on compliance.

## 8.15 APPENDIX 2 – EXISTING AND PROPOSED FEES UNDER THE WINE ACT 2003

*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.*

### Wine Regulations 2006

#### Schedule – Fees and charges

	Matter in respect of which fee or charge payable	Cost recovery method	Fee or charge	Proposed fee	Comment
1 2 3	Registration of wine standards management plan based solely on template approved by Director-General	Fixed charge plus hourly rate	\$122.00, plus \$122.00 per hour (or part hour) after the first hour	- \$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 rates  Common#4
4 5 6	Registration of wine standards management plan not based solely on approved template	Fixed charge plus hourly rate	\$122.00, plus \$122.00 per hour (or part hour) after the first hour	- \$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 rates  Common#4
7 8 9	Registration as an exporter under section 49 of Act	Fixed charge plus hourly rate	\$122.00, plus \$122.00 per hour (or part hour) after the first hour	- \$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 rates  Common#4



		<b>Matter in respect of which fee or charge payable</b>	<b>Cost recovery method</b>	<b>Fee or charge</b>	<b>Proposed fee</b>	<b>Comment</b>
10 11 12		Application for amendment to wine standards management plan under section 22 of Act	Fixed charge plus hourly rate	\$122.00, plus \$122.00 per hour (or part hour) after the first hour	- \$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 rates  Common#4
13 14 15		Recognition of agency or person under section 69 or 70 of Act	Fixed charge plus hourly rate	\$122.00, plus \$122.00 per hour (or part hour) after the first hour	- \$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 rates  Common#4
16 17 18		Periodic recognition fee under section 77 of Act	Fixed charge plus hourly rate	\$122.00, plus \$122.00 per hour (or part hour) after the first hour	- \$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 rates  Common#4
19		Application to determine whether wine eligible for export	Per application	\$21.00		Wine#7 Change to recovery of wine export certification costs through a levy on grape wine exports.
20		Statement of confirmation that wine eligible for export	Per confirmation	\$6.00		Wine#7 Change to recovery of wine export certification costs through a levy on grape wine exports.
21		Issue of official assurance	Per certificate	\$8.96		Wine#7 Change to recovery of wine export certification costs through a levy on grape wine exports.

		Matter in respect of which fee or charge payable	Cost recovery method	Fee or charge	Proposed fee	Comment
22		Standards setting; development of guidance material, templates, codes of practice, market access standards; systems audit and compliance	Fixed annual charge, per wine business	\$266.67	Annual levy on New Zealand Winegrowers of \$330,000	Wine#5 Change to recovery of domestic standards costs via a levy on NZ Winegrowers.
23		Development of market access standards and programme	Differential annual charge, per exporting winery:		Annual levy of \$0.01 per litre of wine exported, for businesses exporting more than 10,000 L per annum	Wine#6 Wine#7
24			(a) large winery (production over 2 million litres per annum)	\$7,196.00		
25			(b) medium winery (production of 200 001 litres or more per annum, but less than 2 million litres)	\$523.00		
			(c) small winery (production less than 200 000 litres per annum)	\$43.00		
26					Performance of a function, power or duty that is:	Common #5
27					<ul style="list-style-type: none"> <li>required to be undertaken under the relevant Act, including subsidiary regulations and notices;</li> <li>not prescribed elsewhere in the relevant cost recovery regulations.</li> </ul>	
28					<ul style="list-style-type: none"> <li>\$155.00, plus</li> <li>\$155 per hour after the first hour, in 15-minute increments, plus</li> <li>actual and reasonable costs.</li> </ul>	
29					Verification, inspection, audit and other individual-focused compliance activities under the Act:	Wine#4
30					<ul style="list-style-type: none"> <li>\$155.00, plus</li> <li>\$155 per hour after the first hour, in 15-minute increments, plus</li> <li>actual and reasonable costs</li> </ul>	
31					Payable within 1 month.	

		Matter in respect of which fee or charge payable	Cost recovery method	Fee or charge	Proposed fee	Comment
32 33 34					Compliance follow-up fee: - \$155.00, plus - \$155 per hour after the first hour, in 15-minute increments, plus - actual and reasonable costs Payable within 1 month.	Wine#4
35 36 37					Processing small winemaker exemption notifications under clause 5A of Wine 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.	Wine#3
38 39 40					Processing amendments to a wine standards management plan under section 23 of the Act: - \$77.50, 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.	Wine#2
41 42 43					Processing changes to a recognised agency on a wine standards management plan under section 23 of the Act: - \$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.	Wine#1

## 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 rate<sup>33</sup> 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.

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

This proposal will support efficiency and equity.

#### 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?