

Stage 2 Cost Recovery Impact Statement: Proposals to Improve Cost Recovery in MPI's Food System

Agency Disclosure Statement

This Stage 2 Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry for Primary Industries (MPI). It provides an analysis of options to improve cost recovery arrangements for a range of services provided by MPI in the food system.¹ For all proposals the services are unchanged.

Between November 2018 and January 2019, MPI publically consulted on:

- seven proposals for fee updates
- three proposals for changes to simplify current cost recovery arrangements, improve transparency and ensure equitable distribution of costs
- one proposal for minor and technical changes to current cost recovery arrangements.

The proposed updates to fees are based on MPI modelling of costs. This includes assumptions regarding typical time allocation for some specific charges, expected cost increases (e.g. personnel and overheads) and future volumes of services required. The proposed rates also provide for planned investments in systems, recovering/returning forecast deficits or surpluses accumulated on 30 June 2019, and fully recovering forecast ongoing costs. Each section of this CRIS includes the rationale and key assumptions for the proposed rates.

The analysis is based on MPI's cost recovery policy guidance, and general guidance published by the Treasury and Controller and Auditor-General. The analysis includes an assessment of the appropriate structure of each of the fees and their levels (in light of historical and future costs).

All dollar figures in this document are exclusive of Goods & Services Tax (GST).

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Director Cost Recovery
28 February 2019

¹ The food system includes the Food Act 2014, Animal Products Act 1999, Agricultural Compounds and Veterinary Medicines Act 1997 and Wine Act 2003. The Animal Welfare Act 1999 is not part of the food system but uses the same base hourly rates. This document also includes proposals to update cost recovery arrangements under the Animal Welfare Act.

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Executive summary

The underlying principles that guide the cost recovery proposals in this CRIS are set out in legislation and include *equity, efficiency, justifiability* and *transparency*. In addition to these principles, MPI also applies the MPI Cost Recovery Policy Guidance and the general guidance published by the Treasury and Controller and Auditor-General.

The proposals were included in the discussion document *Proposals to improve cost recovery in MPI's food system*, open for five weeks public consultation from 14 November 2018. Submissions were sought from affected businesses and other stakeholders. Twenty-two submissions were received from industry organisations, businesses and individuals. Feedback was generally supportive of the proposals provided that service levels are maintained. Further detail on feedback for specific proposals is outlined in relevant sections of the CRIS.

The proposals and the rationale for each are set out on the next page. All but Proposal 6 in the discussion document remain as proposed. All proposals would apply from 1 July 2019.

Overall, the proposals are expected to result in virtually no change to MPI's third party revenue. Two proposals have the biggest revenue impact. The proposed reduction in the base hourly rate for a range of existing services in the food system (Proposal 1) will reduce MPI's revenue by approximately \$1.4 million and the increase in the hourly rate for circuit verification services (Proposal 7) will increase it by \$1.1 million. The remaining proposals increase MPI's revenue by approximately \$0.3 million.

MPI will continue to monitor the impact all fees and levies will have on the relevant memorandum accounts to ensure that surpluses and deficits are managed appropriately, and that costs are being fully recovered, not over-recovered, and that there is no cross-subsidisation between industries.

MPI will improve transparency, as well as ensuring ongoing system efficiency by publishing fee and levy performance reports on cost recovered services. It will continue to work with industry and other stakeholders to ensure that information provided in this way is meaningful.²

MPI is undertaking an ongoing programme of "rolling reviews" across all of its cost recovered systems, through which each cost recovery regime will generally be formally reviewed every three years. Reviews will consider both the policy setting and the actual fee and levy rates. They will ensure that cost recovery regulatory settings remain appropriate, including preventing any significant deficits or surpluses from accumulating.

² In February 2019 MPI began progressively releasing these performance reports by sector. The first reports are for the Red Meat and Dairy industries. MPI and Customs have released an annual performance report on the Border Clearance Levy since it was introduced in January 2016.

Summary of proposals

Page	Proposal	Rationale
7	Proposal 1: Update base hourly rates used for cost recovery in relevant regulations across the food system and set fixed fees for a number of services	Avoid future over-recovery and provide greater certainty
19	Proposal 2: Update trade name product (TNP) registration fees in the Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015 (pre-screening and registration stages of process)	The existing fixed charges (\$540) do not reflect current costs for the two stages of the process subject to this proposal
12	Proposal 3: Amend the Animal Products (Fees, Charges, and Levies) Regulations 2007 (APA Regulations) to clarify MPI can recover costs for applications to be an approved manufacturer or supplier of Official Devices	Improves equity by ensuring costs are consistently recovered for similar services
13	Proposal 4: Update Official Assurance (animal materials and non-live animals) fees in the APA Regulations and Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 (APA Dairy Regulations)	Align the fee with the base hourly rate used in the food system
15	Proposal 5: Align charges for Animal Welfare Export Certificate in the Animal Welfare (Cost Recovery) Regulations 2015, and Official Assurances for live animals or germplasm in the APA Regulations	Ensure fees for these services are aligned with the correct base hourly rate
24	Proposal 6: Update unit charges for export of live animals and animal germplasm, except the charges for ruminant germplasm, in the APA Regulations	Ensure rates better reflect the costs of providing the services, subject to further investigation before changes to the ruminant germplasm rates
30	Proposal 7: Update circuit verification hourly rate and combine the verifier and programme charges into a single hourly rate in the APA Regulations	Increase the hourly rate to fully recover the cost of providing the services, recover the historical deficit and simplify the charges
34	Proposal 8: Simplify the process for amending levy rates in the Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015 and Wine Regulations 2006	Reduce time and administrative costs to amend levy rates, subject to appropriate regulatory constraints
Exempt*	Proposal 9: Clarify the provisions governing the levy in the Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015	Clarify that the levy is payable for each Trade Name Product registration and to more accurately reflect the services funded by the levy
41	Proposal 10: Modify dairy levies for small processors and exporters and remove the medium processor category in the APA Dairy Regulations	Simplify the regulatory settings for cost recovery and more fairly distribute costs
47	Proposal 11.1 Expand current levy categories to include standalone dairy storage premises in the APA Dairy Regulations	Increase equity and efficiency by ensuring all those who benefit from the services contribute to costs
50	Proposal 11.2 Expand the levy categories to include all export approved premises in the APA Regulations	Increase equity and efficiency by ensuring all those who benefit from the services contribute to costs
17	Proposal 11.3 Introduce a specific charge for market access services in the APA Regulations	Increase equity and align the approach to charging for market access services with that in the APA Dairy Regulations
18	Proposal 11.4 Change the fee for infant formula export declarations in the APA Dairy Regulations	Improve equity and align with the approach to charging for similar services in the food system
Exempt*	Proposal 11.5 Update reporting requirements in the APA Dairy Regulations	Reduce compliance costs, and ensure MPI can require necessary information to set volume based levies under these regulations
Exempt*	Additional Proposal: Extending beyond 30 June 2019 the power to waive, exempt, or refund charges in the Food (Fees and Charges) Regulations 2015	Ensure cost recovery under the Food Act 2014 are justifiable and fair

* These three proposals are not included in this CRIS, as an exemption from Regulatory Impact Statement requirements was granted by Treasury. The additional proposal was consulted separately in January and February 2019.

Context

MPI works to ensure that New Zealand is the most trusted source of high value natural products in the world, through the following outcomes:

- *growth* - New Zealand's food and primary sector grows the value of its exports
- *sustainability* - New Zealand's natural resources are sustainable, in the primary sector
- *protection* - New Zealand is protected from biological risk and our products are safe for all consumers
- *participation* - New Zealanders participate in the success of the primary industries.

The food system refers to services provided under the Animal Products Act 1999 (APA), Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act), Food Act 2014 (Food Act) and Wine Act 2003 (Wine Act).³ These Acts regulate products for human or animal consumption and are all administered by MPI.

The food system is critical for protecting and supporting the health of New Zealanders and New Zealand's \$36.3 billion food, wine and related exports. Around 80% of food products produced in New Zealand are exported. Consumers and trading partners expect these products are safe to consume. Approximately \$70 million per annum, or more than 60% of MPI costs in the food system, is recovered from third party charging.

Cost recovery objectives and principles

Four key principles guide our approach to cost recovery – equity, efficiency, justifiability and transparency. These four principles are found in all four Acts within the food system and are the criteria that have been used to assess this proposal. The principles as set out in the four Acts are:

- *equity* – services should be funded from users that benefit from the service or users that create risks that the service is designed to manage ('risk exacerbators')
- *efficiency* – costs should be charged to ensure that maximum benefits are delivered at minimum cost
- *justifiability* – charges should only recover the reasonable costs (including indirect costs) of providing the service
- *transparency* – costs should be identified and allocated to the service for the recovery period in which the service is provided.

We also apply the MPI Cost Recovery Policy Guidance and the guidance on cost recovery published by the Treasury and Controller and Auditor-General.

MPI recovers costs associated with activities and services that deliver *outputs*, because it is at this level that costs are incurred. MPI charges do not generally seek to recover costs or reflect benefits associated with the *outcomes* a service may contribute to, as the linkages between services and outcomes are generally indirect and subject to a range of other influences – for example, businesses decisions by the firms to which the services are supplied.

³ There is also one item for miscellaneous services in the Animal Welfare (Cost Recovery) Regulations 2015 that is being updated under this proposal.

Costing and calculation methods

MPI allocates expenditure from cost centres to chargeable activities, and in the case of some levies, to particular sectors. Broadly there are three types of costs allocated to activities:

- *direct costs* - directly related to delivering a specific activity or service and typically include personnel, service specific contracts and other operating costs such as travel and equipment
- *operational support costs* - an allocation of costs of administrative support and management associated with a specific service or group of services
- *business support costs* – an allocation of corporate costs such as finance, HR, legal services, accommodation and communications.

Expenditure is adjusted to take into account the memorandum account balance, (ie eliminating any prior surpluses or deficits) to generate an estimate of total expenditure to be recovered.

Once an estimate of total recoverable expenditure has been determined, it is converted to an annualised amount and then divided by an appropriate denominator (eg annualised volumes or hours over the same forecast period) to determine the chargeable rate.

Consultation

The proposals included in this CRIS were included in the discussion document *Proposals to improve cost recovery in MPI's food system*, open for five weeks public consultation from 14 November 2018. Submissions were sought from affected businesses and other stakeholders.

MPI published the consultation document on its website, sent out approximately 28,000 emails to fee payers advising that consultation had opened, worked with MPI's cost recovery Industry Reference Group⁴ to ensure all sectors were advised, and met with nine industry organisations to discuss the proposals.

MPI received 22 submissions from 12 businesses, nine industry organisations and one individual, some of which commented on multiple proposals. Feedback received on specific proposals is discussed in the section on that proposal.

⁴ The IRG was established by MPI in 2015 as a consultative body on issues relating to cost recovery. It is made of up 18 members of primary industry representative organisations. Meetings between MPI and the IRG are independently chaired by retired High Court Judge Sir John Hansen.

Update base hourly rates across the food system

Status quo

Within the food system MPI helps ensure domestic food safety and that products meet the overseas market access requirements of our trade partners. The level of service MPI provides in the food system is primarily driven by the level of assurance required to ensure risks are appropriately managed.

The majority of services with fees prescribed in regulations within the food system are types of approvals (including registrations, recognitions and listings). The common feature of most of these services is that they involve the assessment and granting of an ability to undertake an activity in a regulated market. The services are provided at the request of the applicant, who receives private benefits from the service. Therefore the costs are recovered through direct charge fees.

All four Acts require or empower MPI to recover the costs of providing services to industry and the public that are not otherwise funded by the Crown. Each Act provides a wide range of flexibility in the types of fees, charges and levies that can be applied. We recover the costs of our services in the food system through levies and direct charge fees.

Proposed change

MPI proposes changes to the fees for a range of existing services in the food system that are based on a common hourly rate:

- reducing the rates of 127 fees under the APA, Wine Act, Food Act and ACVM Act currently based on a \$155 hourly rate. The new fees will be based on a \$135 hourly rate.
- for 51 of these fees, we also propose replacing variable rates with a fixed fee, which reflects that the time taken to perform these services is highly standardised.

The services being provided are unchanged. A full list of services and fees in this proposal is set out in Appendix 1.

Over-recovery of fees based on a \$155 hourly rate

Costs should only be recovered to meet the reasonable costs of providing services. The services included in this proposal involve similar tasks and staff with similar skills, with correspondingly similar costs. The fees for these services are based on the same rate of \$155 per hour,⁵ last updated in 2015. A surplus is accumulating in the associated memorandum account⁶ for provision of these services and a recent review found that the costs are now lower than the \$155 rate.

⁵ Typically these involve either: (i) a fixed rate based on the average number of hours it takes to perform the service; (ii) a fixed rate based on how long it usually takes, with an additional variable charge for time taken above those; or (iii) a pure time-based rate.

⁶ Memorandum accounts record expenditure, revenue and the accumulated balance of surpluses and deficits from MPI's charges.

Legislation and best practice guidance prevents MPI from over-recovering, so accumulated surpluses must ultimately be returned to fee payers or invested in relevant services. Over time, returning surpluses may become inequitable, as those who paid the higher rate may not be the same as those who surpluses are returned to.

A variable rate when costs are known creates unnecessary uncertainty

For many of the services that have a variable charge, the time taken to perform the service is generally uniform. Where there is variation, the difference is typically small.

Setting a fixed charge for these services is simpler and improves certainty to fee payers. It also increases the incentive for MPI to perform the service efficiently and within the standard timeframe.

Policy Rationale

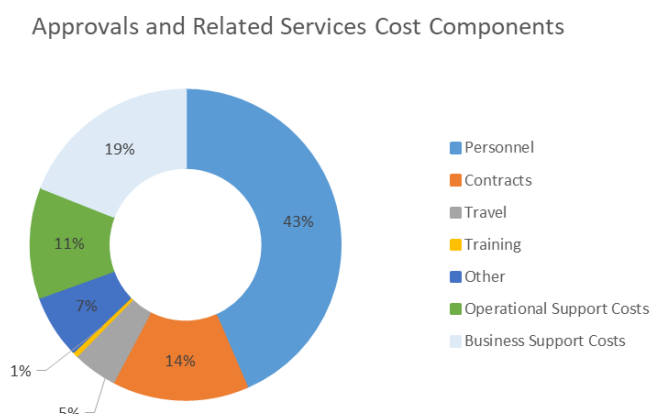
The services in this proposal are cost recovered through fees that are charged directly. As noted above, most are types of approvals (including registrations, recognitions and listings).⁷ The common feature of most of these services is that they involve the assessment and granting of an ability to undertake an activity in a regulated market. Direct charging is equitable, as the services are provided at the request of the applicant, who receives private benefits. Amending the fees will:

- ensure charges for services reflect the costs of providing them (justifiability)
- promote consistency by using a common approach to fees for services of a similar nature and cost structure (efficiency).

Introducing a number of fixed charges will improve certainty and simplicity for both fee payers and MPI.

The level of the proposed hourly rate and its cost components

The main cost drivers for the existing services covered in this proposal are personnel⁸ and business support costs⁹.



⁷ A small number of other services with the same hourly rate are also included, including some fees for monitoring compliance, auditing, administering recalls, inspecting registers and miscellaneous services.

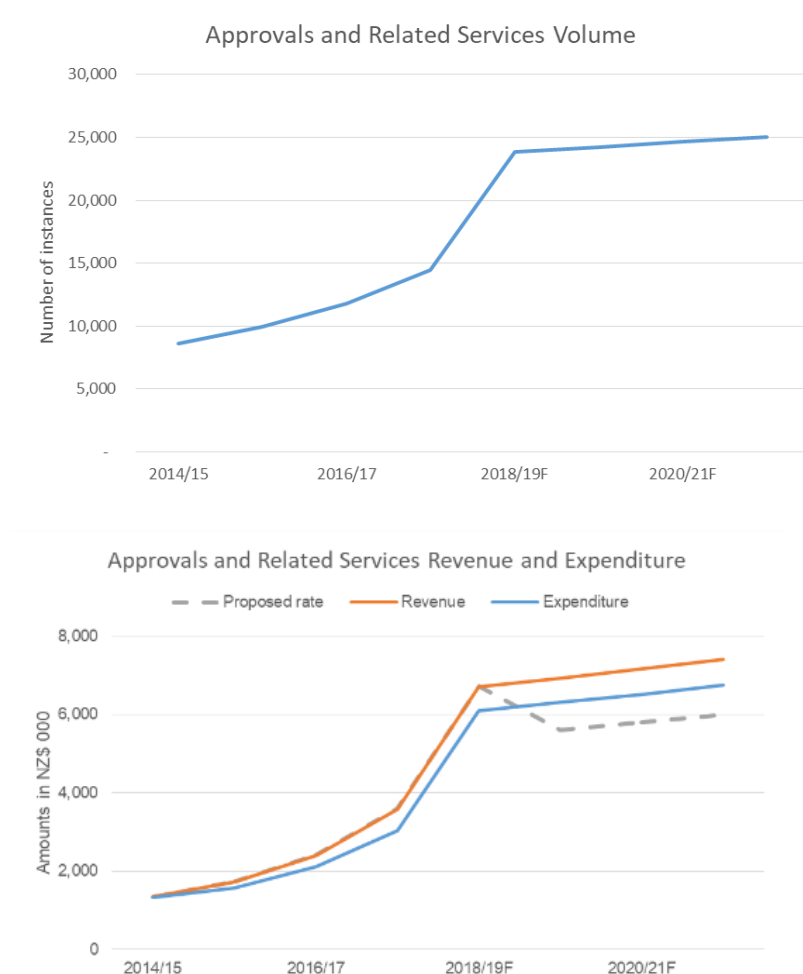
⁸ A portion of the costs allocated to Contracts are also for personnel.

⁹ Business Support costs covers corporate overheads, including property, human resources and finance costs.

Based on historic growth, we anticipate a slight increase in the volume of these services in the next three years, with personnel and business support costs relatively static over the forecast period. Consistent with this, we also expect revenue and expenditure to grow, which under the status quo will result in surpluses continuing to accumulate.

These services are forecast to cost approximately \$6.3 million in 2019/20. At the \$155 base hourly rate MPI is forecast to recover approximately \$6.9 million from fee payers in the same period. Memorandum account balances associated with these services are forecast to have a surplus of \$2.5 million in July 2019.

Under the proposed \$135 base hourly rate revenue from these services is forecast to reduce by 19% to \$5.6 million in 2019/20 (see graphs below)¹⁰. The reduced rate and planned investments to improve services are expected to prevent the surplus from rising and for the balance to gradually trend towards zero over three years.



Other options considered

Leaving these fees unchanged is an option. However, this would mean that charges continue to exceed the costs of service delivery, which is inconsistent with the principles of equity and efficiency. Surpluses would continue to accumulate and certainty and simplicity will not be promoted.

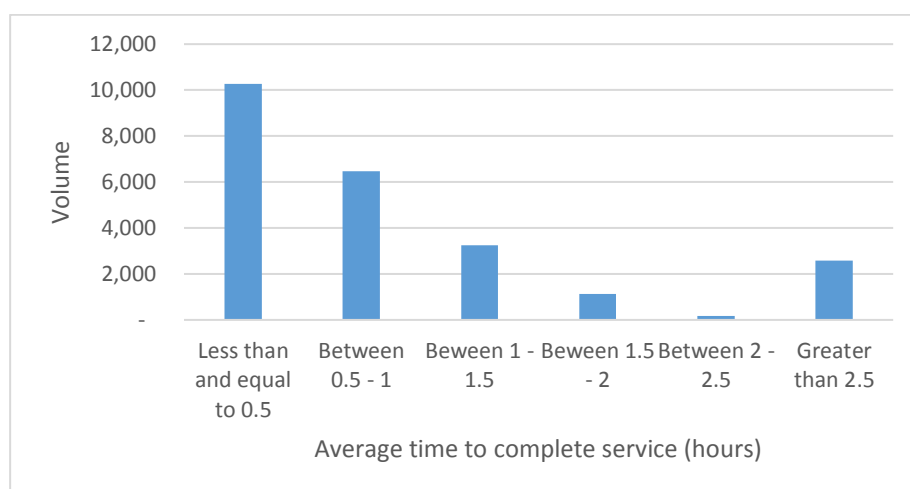
¹⁰ The increased volume forecast from 2018/19 is largely driven by changes under the new Food Act regime.

Impact analysis

All of these fees are for existing services. Reducing the base hourly rate to \$135 will ensure fee payers are not paying more than necessary, while providing for planned investment to maintain the level of service.

Most services that use the current \$155 base hourly rate are types of approval. Businesses using these services range from small and regional growers (e. g. wine and dairy), transporters and storage facilities, processors of animal products or materials, and food businesses to large companies.

MPI forecasts that in 2019/20 there will be almost 24,000 instances of these services, with 43% expected to take no more than half an hour to process, and 84% taking no more than 1.5 hours.



Feedback received during public consultation supported the proposal and submitters considered that the reduced fees would have a positive impact on business (see below for further detail on feedback received).

Businesses who use these services will receive a small benefit for a given transaction as a result of the lower fees (e.g. for a service taking 1.5 hrs, the fee would reduce from \$232.50 to \$202.50). MPI considers that this proposal will not have a material impact on industry or business-level profitability, drive behavioural change by those affected or have an influence on industry dynamics.

As outlined above, under the proposed \$135 base hourly rate revenue from these services is forecast to reduce by 19% to \$5.6 million in 2019/20. The reduced rate and planned investments to maintain services are expected to result in the memorandum account surplus gradually trending towards zero over three years.

Consultation

Twelve submissions commented on this proposal (three from industry representative organisations, seven from businesses and one from a private individual). Eleven provide general support for the reduction in the base hourly rate. Nine of these also support introducing a fixed fee for 51 charges, with the other two not commenting on this part of the proposal. The one submitter opposing considers the base hourly rate should be \$25.00 at most, but also submitted that the proposed reduction will have a positive impact on their business.

Key feedback includes:

- the proposed reduction should have a positive impact on businesses (no submitter quantified this)
- the importance of maintaining service quality and efficiency
- fixing a number of fees incentivises MPI to provide efficient services.

The New Zealand Food and Grocery Council (NZFGC) submitted that the proposal should include a number of fixed fees for services under the Food Act 2014 regime. The Act came into force on 1 March 2016 and applies to all new food businesses from that date. However, existing food businesses are transitioning into the new regime until February 2019. With the transition coming to an end, MPI is planning a full review of cost recovery under the new legislative regime to be completed in 2019.

The NZFGC supports the proposed reduction in the base hourly rate. They submit that current over-recovery is forecast to result in a surplus of \$8 million in 2018/19 and the reduction should have been implemented before now. As stated above, MPI forecasts that there will be a surplus for these services of \$2.5 million in July 2019. Under the proposed \$135 base hourly rate revenue is forecast to reduce by 19% to \$5.6 million in 2019/20. This and planned investments to improve services are expected to cause the memorandum account balance to trend towards zero.

Conclusion and recommendation

This proposal is to update 127 direct charge fees based on an hourly rate of \$135 for services in the food system, as set out above. The proposal would also fix 51 of these fees, reflecting that the time taken to perform the services is highly standardised.

MPI generally recovers costs attributable to service outputs. In the case of direct charge fees included in this proposal the applicant is a clear beneficiary of the output of the service. It is therefore equitable to recover the costs from the applicant rather than taxpayers, who do not receive any direct benefits.

MPI recommends proceeding with this proposal as consulted on.

Ensuring consistency across the food system: related proposals

The above proposal was one of eleven set out in *Proposals to improve cost recovery in MPI's food system*. Five other proposed fee changes are set out below. Four of these proposed fee changes are based on the \$135 base hourly rate.

The remaining proposal is to align the fixed component of fees with the current hourly rate for services provided by MPI vets (\$186.30). It is based on the same rationale as Proposal 1: Update base hourly rates across the food system.

Cost recovery for approvals of manufacturers or suppliers of Official Devices under the APA

This proposal is for a minor and technical amendment to the Animal Products (Fees, Charges and Levies) Regulations 2007. Currently these regulations allow MPI to recover the cost of assessing an application to approve an Official Device.

This proposal is to allow MPI to also recover the costs for applications to be an approved manufacturer or supplier of Official Devices.

This will

- increase equity by ensuring that the costs of assessing applications to be approved manufacturers or suppliers of Official Devices are recovered
- ensure costs are recovered consistently with other similar MPI services
- increase transparency by clarifying the charging authority for this service.

Applications are expected to be infrequent (MPI currently receives one or two applications a year to approve an official device). It is estimated that assessing applications will typically take one hour, costing \$135 at the proposed base hourly rate. As such there is likely to be a very minor impact on applicants. Annual revenue to MPI for this service is likely to average less than \$500.

Two submissions were received on this proposal, both in favour.

Recommendation

MPI recommends proceeding with this proposal as consulted on.

Update Official Assurance fees for animal products and animal material under the APA

Exporters of certain animal products or animal material under the Animal Products Act 1999 (APA) must obtain an Official Assurance from MPI to export to some countries. Official Assurances demonstrate that the product or material meets the requirements of the importing country.

There is currently a fixed fee of \$32 plus an assessment charge on an hourly basis after the first 15 minutes (\$155 per hour). This charge is set out in the Animal Products (Fees, Charges, and Levies) Regulations 2007 and the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 for Official Assurances.

The \$32 fixed fee component of the charge (for the first 15 minutes) is not consistent with the current food system base hourly rate (\$155) or the proposed hourly rate (\$135).

Proposed change

MPI proposes updating the fixed fee to align with the base hourly rate across the food system. To align with the proposed base hourly rate of \$135 for approvals, MPI proposes updating the fixed fee (first 15 minutes) to \$33.75, plus any further time required for assessment charged at the \$135 hourly rate.

This proposal will increase equity in the food system by ensuring fees reflect the cost of providing the service and promote consistency by using a common approach to fees for services of a similar nature and cost structure (efficiency).

The issuing of Official Assurances across all commodity types and transport modes means costs for this service can vary so a time-based fee is appropriate (ie, a fixed charge for the first 15 minutes, and hourly rate, which can be charged for any additional time).

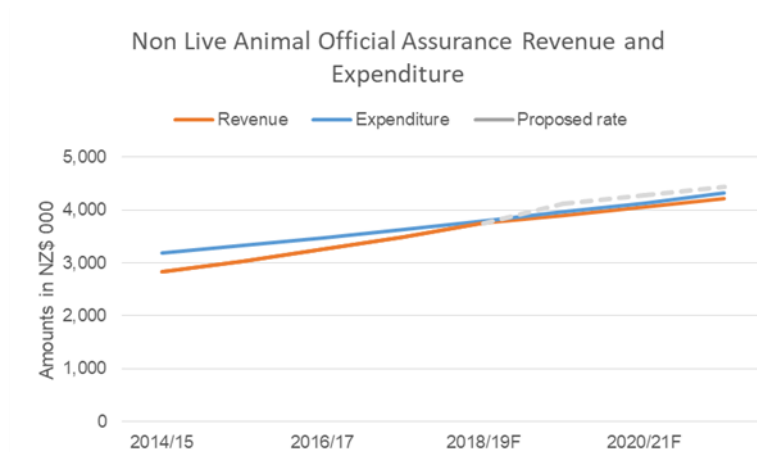
Impact analysis

MPI issues approximately 127,000 Official Assurances per year for animal products and animal material.¹¹ In general, MPI only invoices the minimum charge for Official Assurances (i.e. the fixed fee for the first 15 minutes). On that basis, this proposal will result in a 5% increase in fees for exporters of these products. For time after the first 15 minutes, the hourly rate is proposed to decrease by 13% from \$155 per hour to \$135 per hour.

The total annual cost of providing the service is approximately \$4 million. The majority of costs for Official Assurances are for personnel (60%), which reflects the specialist type of work being carried out.

Expenditure has been tracking in line with revenue. Increasing the fixed component of the charge to ensure alignment will result in a \$0.2 million increase in MPI's annual revenue. Expenditure is forecast to continue to track broadly in line with revenue (see graph below).

¹¹ Costs for Official Assurances issued by Circuit and Establishment certifiers are not included here, as the \$32 fee is included with the hourly charges to customers and not charged as a separate service to avoid double charging.



During public consultation, two submissions were received on this proposal. The New Zealand Food and Grocery Council (NZFGC) agreed that the minimum fee for Official Assurances should be aligned with the food system hourly rate of \$135 per hour, and questioned whether given the volumes the minimum fee could be based on a shorter time period. NZFGC state that the proposed increase will have a significant impact on its members, particularly larger exporters who have larger numbers of official assurance issued each year.

The proposal updates the fixed component of the fee using the correct base hourly rate. MPI provides Official Assurances for many different industries and sectors, each with their own specific requirements and needs.

MPI generally completes Official Assurances in a minimum of 15 minutes. If an Official Assurance exceeds 15 minutes, MPI does charge for this time. The time can vary, with many Official Assurances driven by urgent time frames, market demand and product availability.

Fonterra does not support the proposal. They submit that an increase of \$1.75 per Official Assurance equates to an overall increase for them of approximately \$75,000 per annum.

The fee has not been updated since 2015. MPI consider increasing the fee by 5% to align it with the correct base hourly rate is necessary to recover the costs of providing the service. The 5% increase proposed is slightly below inflation for the period at 5.2%.

Recommendation

MPI recommends proceeding with this proposal as consulted on.

Align charges for Animal Welfare Export Certificates under the Animal Welfare Act 1999 and Official Assurances for live animals or germplasm under the Animal Products Act 1999

Some countries require exporters of live animals or germplasm under the Animal Products Act 1999 (APA) to have an Official Assurance.¹² Exporters may also be required to apply for and obtain an Animal Welfare Export Certificate (AWEC) under section 42 of the Animal Welfare Act 1999 (AWA).

Official Assurance for live animal or germplasm

Official Assurances provide assurance that live animals and germplasm meet an importing country's requirements. For live animals this may include that they are in general good health, are free from signs of disease and had all the required tests and treatments.

To issue an Official Assurance to export live animal(s) under the APA, the MPI veterinarian will often need to inspect the animals and any supporting documentation close to the time of export. The current fee is set at \$32 plus an assessment charge on an hourly basis after the first 15 minutes (\$186.30 per hour, the current charge for MPI vets).

Animal Welfare Export Certificates

Live animal exporters must also obtain an AWEC, unless exempt. The AWEC ensures the welfare of animals being exported and protects New Zealand's international reputation. In general, prior to issuing an AWEC, the MPI veterinarian will:

- perform an assessment of the animals' general health
- assess the journey and the export conditions and provisions, including the area where the animal(s) will be contained during the export and any required food and water provisions
- verify that welfare requirements for export will be met.

The current fee is set at \$21.33 per application, plus an assessment charge on an hourly basis after the first 15 minutes (\$186.30 per hour).

Proposed change

MPI proposes updating the fixed fee components of both services to \$46.58, which aligns with the current hourly rate for MPI vets.

The fixed fee components (i.e. the \$32 and \$21.33 charges) are based on historic hourly rates and do not reflect the actual costs of providing the services or align with the hourly rate for the vets who carry out the services.

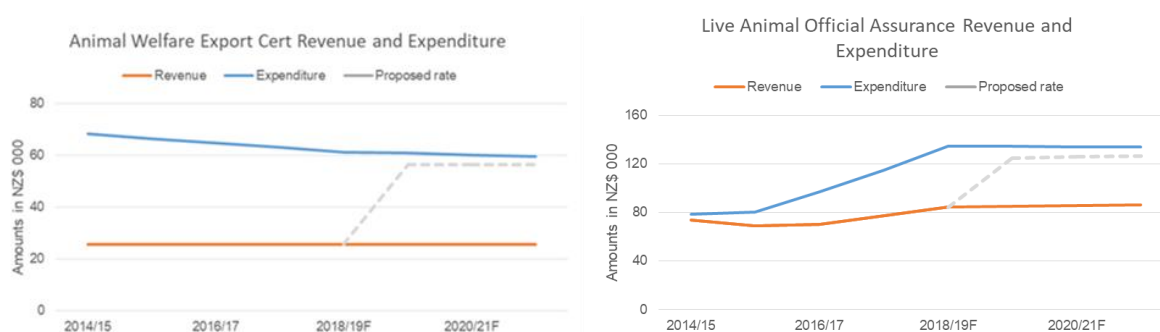
¹² Not all countries require Official Assurance. The USA and Australia currently do not require an Official Assurance for cats and dogs being exported from New Zealand.

Aligning the fixed fee component of these services to the actual costs reflects the principle of justifiability. Using the appropriate hourly rate will ensure that exporters pay the correct amount for the services they receive.

Impact analysis

MPI issues approximately 2,100 live animal Official Assurances per year to exporters and 1,200 AWECs. For live animal Official Assurances the total cost of providing the service in 2017/18 was approximately \$100,000, and for AWECs approximately \$60,000. The majority of costs for both services are for personnel, which is expected owing to the type of work being carried out.

Each service currently have revenue tracking at approximately \$40,000 below expenditure. Increasing the fixed fee component of each service is forecast to bring revenue closer to expenditure. For MPI the financial impact will be an increase of \$70,000 in revenue, \$40,000 coming from Official Assurances and \$30,000 from AWECs.



For exporters the proposed change will add an extra \$14.58 per Official Assurance and \$25.25 per AWEC. All exporters who pay for an AWEC will also pay for the Official Assurance.

During public consultation, two submitters commented on this proposal. Fonterra supports the proposal. The Animal Germplasm Trade Association do not support the proposal. They submit that the high cost of Official Assurances puts them at a disadvantage to international competitors.

MPI considers the cost of Official Assurance is reasonable, as fees are set to recover the costs of ensuring the exporter meets the importing country requirements. Official Assurances allow entry to overseas markets, by providing this assurance. The current fixed component of the charge does not reflect the correct base veterinary hourly rate of \$186.30, which has been in place since 2015.

Recommendation

MPI recommends proceeding with this proposal as consulted on.

Introduce a specific charge for market access services under the Animal Products (Fees Charges and Levies) Regulations 2007

This proposal is to align how the Animal Products (Fees Charges and Levies) Regulations 2007 (APA Regulations) authorise MPI to charge an individual business for services relating to market access with the approach used in the Animal Products (Dairy Industry Fees, Charges and Levies) Regulations 2015 (APA Dairy Regulations). The charge for these services would be based on the proposed \$135 base hourly rate.

The ability for MPI to charge an individual business for services relating to market access (e.g. advice on interpretation of an Overseas Market Access Requirement) is currently inconsistent between these regulations. The APA Dairy Regulations specifically provide for MPI to charge for such services. However, under the APA Regulations charging for these services relies on a more general regulation.

It is appropriate to recover the costs for these services, which provide benefits to identifiable individuals/businesses.

Two submissions were received on this proposal. The New Zealand Food and Grocery Council support the proposal “*on the basis of logic and consistency*”. The individual submitter opposing the proposal stated that most MPI forms are self-explanatory and the process charge should be very simple.

To ensure efficiency MPI seeks to make clear information available to all service users. In part because of this, it is relatively uncommon for MPI to provide advice to individual businesses relating to market access. As such, implementing this proposal is not expected to have a significant effect on fee payers or cost recovery by MPI.

This proposal will ensure a consistent and equitable approach to cost recovery for these services and make charges more transparent.

Recommendation

MPI recommends proceeding with this proposal as consulted on.

Change the fee for infant formula export declarations

This proposal is to align the fee for infant formula export declarations under the Animal Products (Dairy Industry Fees, Charges and Levies) Regulations 2015 (APA Dairy Regulations) with other similar services across the food system. MPI proposes a rate of \$33.75¹³ per declaration plus \$135 per hour for any time over 15 minutes per declaration.

Infant formula export declarations are equivalent to Official Assurances for markets where government certification for infant formula is required. The cost per declaration is currently set based on the formula prescribed in the APA Dairy Regulations, which uses the previous year's approval costs divided by the previous year's number of declarations. The charge calculated in this way for 2018/19 is \$23 per declaration.

Two submissions were received on this proposal, both opposing. They questioned the basis for the increase in fee and what impact this would have. One also raised how the cost compares to other services such as Official Assurances.

Processing infant formula declarations has a similar level of complexity to processing an Official Assurance for non-live animal products and animal material (see Proposal 4). Activities carried out for each infant formula declaration include:

- checking details submitted
- verification of each product on the compliance database
- where non-compliance is identified, rechecking with exporters and resolving
- approval in the E-cert system.

The current approach to calculating the levy is similar to that used for dairy levies, but is not appropriate in this case. Dairy levies are calculated to determine different companies' contributions to industry-wide services in a fair way. The charge for infant formula export declarations is to recover the costs of MPI providing a service directly to an exporter.

Infant formula exports generated \$1.24 billion in 2017/18.¹⁴ Approximately 85% of the 453 infant formula export declarations issued in this period went to four businesses. The cost increase for each of these four businesses would range between approximately \$500 and \$1500 annually. The remaining 15% of declarations issued were spread across 16 businesses, with annual cost increases ranging from approximately \$10 - \$200.

The overall increase would be approximately \$5000. As such, implementing this proposal is not expected to have a significant effect on fee payers or cost recovery by MPI.

This service is provided using the same processes as Official Assurances for exports of non-live animals and animal products, incurring similar costs. It is therefore appropriate to charge at the same rate.

Recommendation

MPI recommends proceeding with this proposal, setting the rate at \$33.75 per declaration plus \$135 per hour for any time over 15 minutes per declaration.

¹³ There was an error in the consultation document, which proposed a rate of \$33 rather than \$33.75

¹⁴ Ministry for Primary Industries. *Situation and Outlook for Primary Industries*, December 2018.

Update trade name product (TNP) registration fees under the Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act)

Status quo

The Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act) prevents and manages specified risks associated with the use of agricultural compounds, such as insecticides, herbicides, anaesthetics, sedatives, antibiotics and anti-inflammatory drugs for animals, fertilisers and animal feeds. Regulatory control of these products focuses on avoiding or minimising the possible adverse effects that may result from their use. Adverse effects could be risks to public health, trade in primary produce, animal welfare or agricultural security.

The ACVM Act requires MPI to recover the costs of providing services to industry and the public that are not otherwise funded by the Crown. The Act provides a wide range of flexibility in the types of fees, charges and levies that can be applied. We recover the costs of services provided through levies and direct charge fees as set out in the Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015 (ACVM fee regulations).

Higher-risk products must be registered as Trade Name Products (TNPs) to ensure all risks are managed according to their intended use. Risks are managed by imposing conditions on registration. Registrations normally last for five years, after which TNPs are renewed or removed from the register. Certain products may be exempted from the requirement to register, so long as any specified conditions are met.

Registration of a TNP (including variations to existing TNP registrations) is a three-stage process (pre-screen, assessment and registration). Each of the three stages of processing TNP applications have separate fees. The first and third stages (pre-screening and registration) each have \$540 fixed fees that are the subject of this proposal. The cost to MPI to complete these stages is often lower, which is currently addressed using full or partial fee waivers.

The second stage of the process (assessment) has a \$155 fixed fee plus an hourly charge after the first hour (the hourly rate used for this second stage is included in the proposed reduction to \$135 – see Proposal 1).

Proposed change

MPI proposes amending the fixed charge of \$540 for the first and third stages of the TNP process:

- pre-screening: to a minimum charge of \$67.50 for the first 30 minutes plus an assessment charge of \$135 per hour after the first 30 minutes to account for variability of applications
- registration and reregistration: to a fixed charge of \$405.

These changes will align practice with the prescribed charges in the ACVM fee regulations and update rates to match those used in the wider food system.

The existing \$540 fixed fees for pre-screening and registration are no longer appropriate. For administrative variations and registration renewals, which generally comprise half of registration applications processed, the actual cost to MPI of providing these services is often lower. As noted, MPI's current practice is to use full or partial waivers to prevent over-recovery for these services.

In August 2017 MPI introduced a change to the registration process, which places more emphasis on the pre-screening. This increased scrutiny of information initially provided helps ensure applicants provide sufficient information for the assessment, improving efficiency for the overall process. However, the current fixed fee of \$540 for this stage does not incentivise the applicant to provide high-quality information up front and may undermine the intended efficiency gains anticipated from the new process. Granting waivers requires extra work to administer. In addition the waivers are not set out in regulation, which reduces transparency.

Policy Rationale

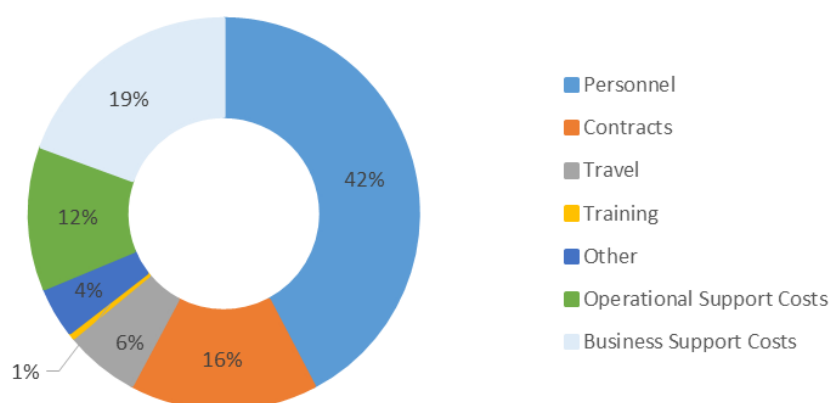
This proposal seeks to improve equity and justifiability by more accurately matching charges for the services provided to fee payers. MPI considers introducing a fixed fee with a time-based component for the pre-screening stage is the fairest mechanism to charge for pre-applications. It is more equitable than a fixed fee because it better matches the charge for each application with the cost of processing it, avoiding cross-subsidisation. It also provides an incentive for applicants to submit high-quality applications, as this reduces MPI's processing costs and the overall fee that the applicant pays.

A reduced fixed fee for registrations based on three hours is considered appropriate as it better reflects the average time for this stage. It will also improve clarity by removing the need to waive or partially waive fees, simplifying the charges and improving process efficiency.

Cost components of the proposed fees

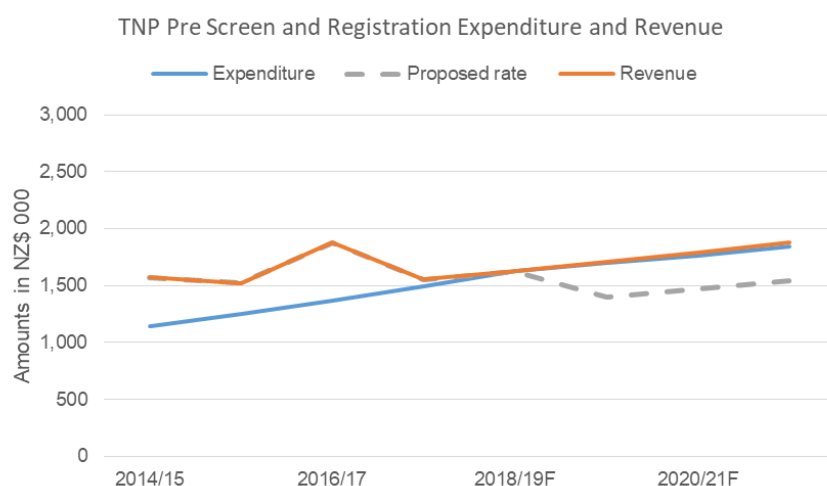
The main cost drivers for these services (first and third stage) are personnel and business support costs.

TNP Pre Screen and Registration Cost Components



On average, 2,600 applications were received per year over the period 2010 to 2017. In 2017, 3,148 applications were received, primarily due to a project to ensure expired products were renewed if needed. An additional 540 TNPs were renewed through this project. The trend is that the number of applications has been slowly increasing year on year. Application numbers are forecast to continue growing through to 2020/21.

It is forecast that memorandum account balances associated with these services will have a surplus of \$0.8 million in July 2019. These proposed rate reductions are expected to prevent this from rising and for the balance to trend towards zero over three years.



Other options considered

Retaining the existing fee structure is an option. Although MPI has introduced operational changes to place more emphasis on the initial pre-screening, existing fees for minor amendments and renewals are likely to continue to over-recover and need to be fully or partially waived in most cases. This is administratively inefficient, inequitable, creates uncertainty for applicants and lacks transparency.

It would also be possible to reset the fixed fees based on the average time for both stages of the process. This does not incentivise the provision of adequate information up front to ensure a smooth assessment and registration process. It also does not account for variations in the quality, type or size of applications and the time taken to assess them. This is inequitable and although it creates certainty for applicants, lacks transparency as it wouldn't reflect actual costs.

Impact analysis

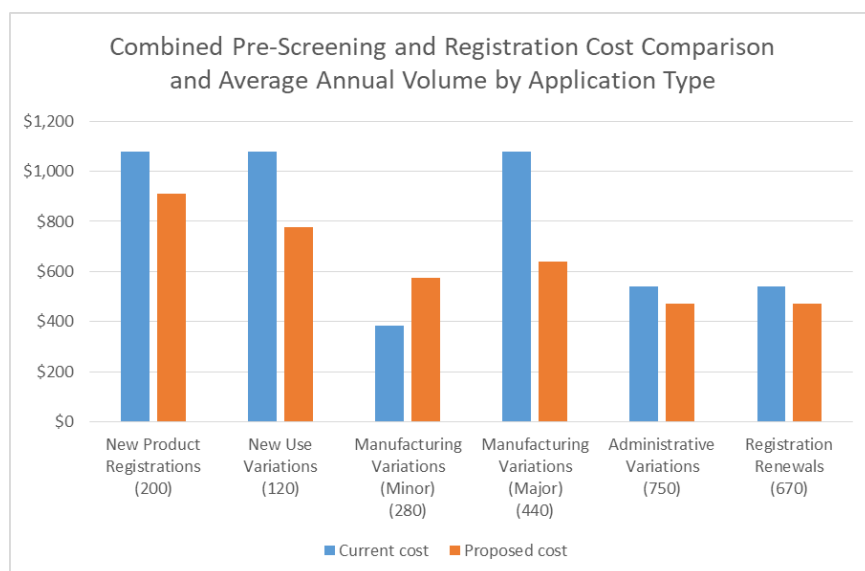
All of these fees are for existing services. We expect the majority of applications will attract a lower total charge for the two stages of the process under this proposal.

For these two stages (pre-screening and registration), MPI is forecast to recover around \$1.7 million from fee payers in 2019/20 at current rates. Under the proposal this would reduce by 18% to \$1.4 million. As the second stage (assessment) is the main driver for the cost of applications, the impact on memorandum account balances will be driven primarily by the change to the base hourly rate for this stage.

Feedback received during public consultation supported the proposal. While not quantified, two submitters suggested that the proposed reduction in fees will result in a positive financial impact on businesses using the service.

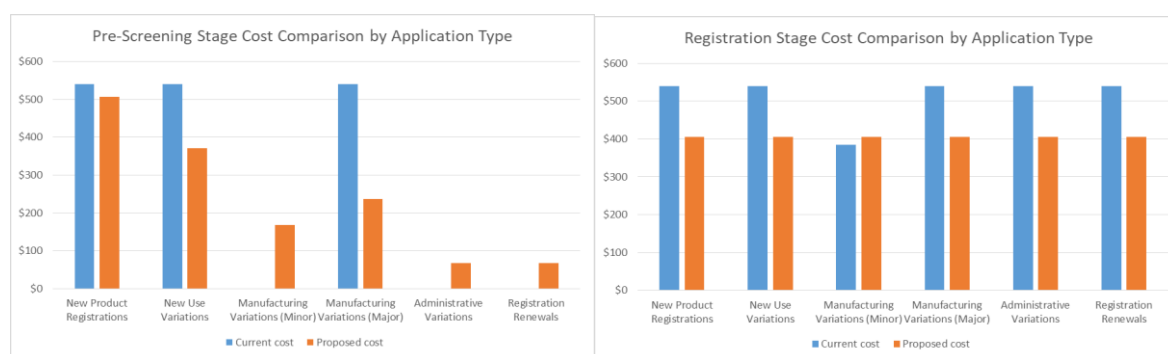
Impact Case Study: Cost comparison for 'typical' pre-screen application and registration

There are 16 common application types for TNPs. Based on historical volumes, the graph below represents the costs per application for the six most common application types, which average 2460 annually, or 95% of the average annual total. The costs are not definitive and are designed to indicate typical costs. This case study does not include the costs associated with the second stage of the process (assessment).



The above graph shows that for all but one of these six typical application types the charges will reduce for the combined pre-screen and registration stages of the TNP process. The exception to this is applications requiring minor manufacturing variations, which represent approximately 11% of the total across these six types.

This is because the pre-screen stage will be fully charged rather than waived and the registration stage will generally pay slightly more as this will now be based on the new fixed fee rather than a partially waived fee (see graphs below). However, it will be clearer to applicants how much they will be charged and will align regulatory settings with practice.



These changes are relatively small in the context of the full cost of the process that includes the assessment stage of the process. This assessment stage attracts the highest charges owing to the time taken and highly variable nature of the applications.

There may be some applications that will attract a higher charge for the pre-screen stage of the process. This is likely to occur for poor quality or large, complex applications.

Consultation

Four submitters commented on this proposal (three industry representative organisations and the New Zealand branch of a global animal health company). All four support the proposal. Key feedback includes:

- there is a generally positive relationship between industry and MPI
- acknowledgement of recent improvements in the pre-screening stage
- the importance of maintaining efficiency when moving from fixed fee to an hourly rate (for the first stage of the process – proposed as minimum charge of \$67.50 plus \$135 per hour after the first half hour)
- overall the lower fees (including the reduction in the hourly rate for the assessment stage) should reduce the cost of registering a TNP
- the changes will provide more transparency and consistency of charging.

Regarding point three above, application charges can vary depending on the amount of assessment time required. This proposal is to change the fees charged - the time taken to process an application should not change (i.e. screening and the time taken assessing).

Additionally, the more robust pre-screening process introduced in late 2017 has improved the quality of applications being progressed, improving the efficiency of the overall process.

Conclusion and recommendation

MPI recommends proceeding with this proposal as consulted on.

Unit charges for the export of live animals and germplasm

Status quo

Many countries strictly regulate the import of live animals and animal germplasm to protect human and animal health. MPI works with foreign governments to ensure that New Zealand exporters meet their import requirements, which can change relatively frequently. Services provided include:

- market access maintenance,¹⁵ which involves maintaining access to existing overseas markets by re-negotiating market access conditions and specifications as overseas authorities' requirements change
- export standards and systems, which involves developing, implementing, monitoring and reviewing export standards and systems.

Under the Animal Products Act 1999 (APA), regulations have been made allowing MPI to recover the costs it incurs in providing services. Market access and export standards for the export of live animals and germplasm are cost recovered through a levy under the Animal Products (Fees, Charges, and Levies) Regulations 2007 on a per-animal/unit or per consignment basis, described as "unit charges".

There are currently 17 categories of live animal and animal germplasm that have unit charges. The unit charge rate for each category is based on estimates of their share of total service costs (based on time recording) and export volumes.

The problem

Unit charges were last updated in 2015. Since then total costs have increased, resulting in annual under-recovery of costs of \$155,000 in 2017/18 and a July 2018 closing memorandum account deficit balance of \$424,000. Ongoing under-recovery is forecast to result in a memorandum account deficit of \$668,000 by 1 July 2019.

The proportion of time spent by staff working on market access for the different categories of live animal and germplasm has also changed, as have export volumes. This means that the unit charges are less accurately apportioning costs than when they were set in 2015, making them less equitable.

Proposed change

MPI proposes updating unit charge rates, as set out in Table 1. MPI is proposing that the new rates are the same as those consulted on, with the exception of the rates for ruminant germplasm. Taking feedback from consultation into account, MPI proposes that the rates for ruminant germplasm remain at current levels.

¹⁵ For dogs and cats only there is also new market access, which involves developing market access protocols and negotiating requirements for exporting to a particular country or market.

Table 1: Proposed changes to Unit Charges for exports of live animals and germplasm

Unit charges payable for each relevant unit to be exported	Current Charge (\$)	Proposed Charge (\$)
Cats and dogs (including semen) (per animal or semen consignment)	104.94	114.44
Equine (Horse) animals (per animal)	29.63	41.22
Equine (Horse) semen (per straw)	1.02	3.09
Livestock (only bovine, caprine, cervine, ovine, and porcine) (per animal)	3.85, with maximum charge of \$19,260 per consignment	10.83, with maximum charge of \$54,150 per consignment
Bovine (Cattle) semen (per straw)	0.06, with maximum charge of \$2,400 per consignment	0.06, with maximum charge of \$2,400 per consignment
Caprine (Goat) and ovine (Sheep) semen (per straw)	0.06, with maximum charge of \$2,400 per consignment	0.06, with maximum charge of \$2,400 per consignment
Cervine (Deer) semen (per straw)	0.06, with maximum charge of \$2,400 per consignment	0.06, with maximum charge of \$2,400 per consignment
Porcine (Pig) semen (per straw) – Proposed new category ¹⁶	N/A	0.06, with maximum charge of \$2,400 per consignment
Embryos and ova (only bovine, caprine, cervine, and ovine) (per embryo or ovum)	0.06	0.06
Day-old chicks and hatching eggs (only poultry and ducklings) (per chick or egg)	0.01, with maximum charge of \$300 per consignment	0.02, with maximum charge of \$600 per consignment
Bee packages (excluding bumble bees, but including a queen bee if applicable) (per kilogram)	0.04	N/A
Queen bee (including a small number of attendant bees) or bumble bees (per queen or bumble bee)	0.31	N/A
Either per kg of honey bees (including a queen bee if applicable) or per queen bee (including a small number of attendant bees).	0.04/0.31	0.13
Bumble bees	0.31	0.32
Ferrets (per animal) – Propose removing category	1.32	N/A
Lamoids (Llamas and Alpacas) (per animal)	50.78	257.50
Birds (excluding budgies, lovebirds, cockatiels, finches, and rosellas) (per bird)	38.00, with a maximum charge of \$1,140 per consignment	17.89, with a maximum charge of \$5,36.70 per consignment
Budgies, lovebirds, cockatiels, finches, and rosellas (per bird)	0.27	0.27
Zoo animals (per animal)	104.94	572.63
Other animals and animals germplasm not specified (per consignment)	104.94	114.44

The consulted rates were calculated to recover \$1.28 million on average in each of the next three years based on expected export volumes. This was comprised of estimated annual

¹⁶ As there is no category under current Regulations, exports are charged the “Other animals and animal germplasm” rate of \$104.94 per consignment.

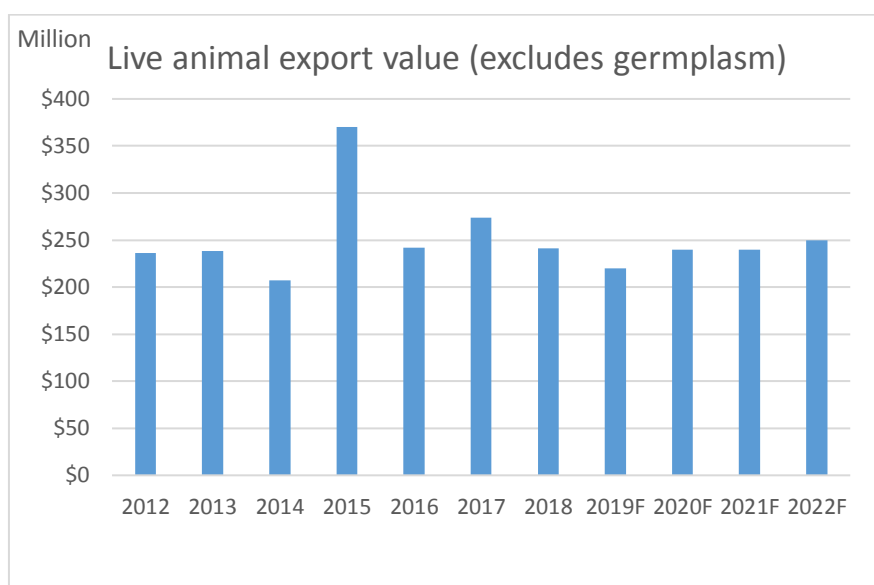
operating costs of \$1.06 million, and an additional \$0.22 million to eliminate the accumulated cost recovery deficit over three years.

Some slight changes to export category coverage were also proposed in consultation and are recommended:

- removing the current category for ferrets as there have been no exports of these for some time and none are known to be planned
- introducing a new unit charge for the export of porcine (pig) semen - increasing export volumes justifies ongoing work to maintain market access for this commodity
- establishing a separate category for bumble bee exports to reduce cross-subsidisation from honey bee exports and clarifying the description of these services.

Policy rationale

Work to provide access to offshore markets for live animal and germplasm exporters is an important service to the primary industries, facilitating considerable export revenue¹⁷. Exporters of live animals and germplasm directly benefit from this, and as a club good it is both equitable and efficient that they fund the cost through a levy.



¹⁷ Source: Ministry for Primary Industries (2018), *Situation and Outlook for the Primary Industries: December 2018*. Excludes exports of animal germplasm.

The “other” category

MPI actively works to maintain market access for each of the categories there is a unit charge for. Live animals or germplasm that do not fall within these categories are generally either not exported or exported at volumes that are too low to justify ongoing work to maintain market access. For an application to export outside a category, any bespoke work undertaken is recovered through the category “Other animals and animal germplasm not specified”, which is currently cost recovered at the rate for cats and dogs (\$104.94).

The current rate of cost recovery for the “other” category is significantly lower than the calculated rate based on time proportions, with Crown funding covering the shortfall. Re-calculating the charge for this category through the methodology discussed above results in an extremely high rate, rising from \$104.94 currently to \$9,960 per live animal or unit of germplasm. Charging this amount was considered, but was ultimately not proposed in the discussion document and is not recommended at this time. Instead, it is recommended that this rate only increase in line with the increase for cats and dogs and that the shortfall (around \$75,000 per annum) continue to be Crown funded. Reasons include that:

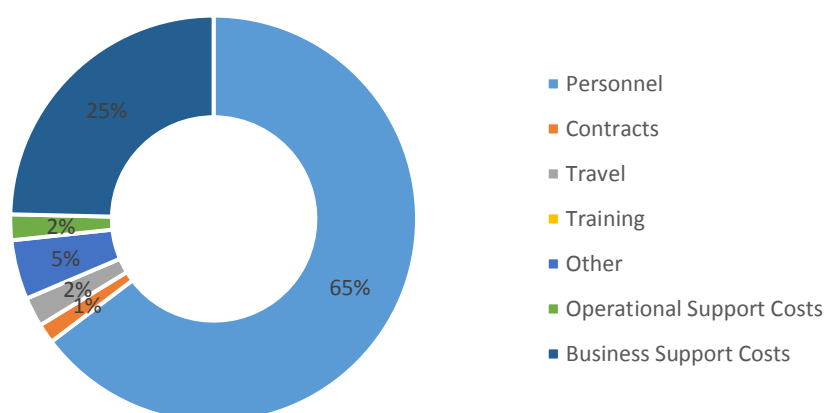
- a lot of the time spent on this category does not result in an export.
- some export products can, over time, become significant export industries and become a separate category in their own right. An excessively high charge would potentially prevent this from happening
- many exports in this category tend not to be commercial in nature, so charging a similar rate as for the export of pets is considered reasonable.

Improvements to data collection and time recording are planned for this category. This may lead to a different approach to funding this category in future rate change proposals for unit charges.

Cost components of these services

The main cost drivers for these services are personnel and business support costs.

Cost components of unit charge expenditure



Impact Analysis

The impacts by category are summarised in Table 2. These are based on estimated annual volumes over the next three years.

Table 2: Impacts of proposed new rates of unit charge

Category	Average impact over 3 years			Impact (based on 2017-18 volumes and customer data) ¹⁸			
	Current annual recovery (NZD)	Proposed annual recovery (NZD)	Average annual impact (NZD)	Average Impact per customer (NZD)	25th Percentile customer impact (NZD)	Median Customer Impact (NZD)	75th Percentile Customer Impact (NZD)
Cats and dogs ¹⁹	417,661	455,452	37,791	450	40	128	320
Equine (horse) animals (per animals)	79,744	110,936	31,192	3,877	275	887	5,496
Equine (horse) semen	5,053	15,299	10,246	1,256	372	1,160	2,143
Livestock (only bovine, caprine, cervine, ovine and porcine)	77,000	216,615	139,615	12,152	358	1,435	23,183
Ruminant (cattle, sheep, goats, deer) germplasm (semen, embryos and ova)	83,415	83,415	0	0	0	0	0
Day old chicks and and hatching eggs (only poultry and ducklings)	69,551	111,064	41,513	5,890	537	6,918	8,699
Lamoids (Llamas and Alpacas) ²⁰	5,907	29,956	24,049			,	
Birds (excluding budgies, lovebirds, cockatiels, finches and rosellas) ²¹	9,804	4,615	(5,189)				
Budgies, lovebirds, cockatiels, finches, and rosellas	14	14	0	0	0	0	0
Either per kg of honey bees or per queen bee ²¹	1,680	2,600	920				
Bumble Bees ²¹	2,480	2,564	84				
Zoo animals	3,148	17,179	14,031	1,754	818	1,871	2,806
Other	805	877	73	161	52	176	285
Total	756,262	1,050,586	294,325				

¹⁸ Customer impact data is based on 2017-18 actual volumes. These will not match the estimated average three year impact, as the customer level impact is taken at a point in time and volumes fluctuate annually.

¹⁹ While the increase per animal is only \$10, the impact figures appear much larger. This is because the vast majority of those who export cats and dogs (there are over 30 exporters) are international per cargo companies that arrange and pay for their export on behalf of pet owners.

²⁰ Due to the low number of exporters quartile impacts are not provided.

²¹ Due to some category changes, business level impacts are not able to be calculated.

Overall, these proposals would amount to an increase in total cost recovery for unit charges of around 40%. Within this, some increases are relatively large with corresponding impacts. However, overall, unit charges would remain a relatively small component of the overall cost of exporting live animals and germplasm. It is unlikely that these changes would lead to reduced investment, exports, or employment levels.

Consultation

Two submissions were received on this proposal. One was from the Animal Germplasm Trade Association (AGTA), while the other was from the Livestock Improvement Corporation Limited.

Both strongly disagreed with the proposed unit charge increase from \$0.06 per straw of ruminant germplasm²² / maximum of \$2,400 per consignment, to \$0.17 / maximum of \$6,800. They argued that within this group bovine semen (cattle) is already being over-recovered by roughly double and were cross-subsidising other categories, which they considered inequitable. Increasing charges as proposed would exacerbate this.

Unit charges for ruminant germplasm exports were calculated as a group when last set in 2015, rather than applying the calculation based on time spent and export volumes for the individual categories. A similar process was used for the rates proposed in the consultation document.

In response to submissions, MPI analysed whether this approach would lead to cross-subsidisation. That analysis indicates that there is likely to be some cross-subsidisation, but that the area is complex and determining appropriate rates for the various types of ruminant germplasm will require significant additional analysis and consultation with the sector.

On balance, MPI recommends not making changes to unit charge rates for ruminant germplasm while that work is progressed. MPI recommends proceeding with the rate changes consulted on for other types of live animal and germplasm exports.

Across all unit charges, the proposed rates that were consulted on would have resulted in additional cost recovery of approximately \$0.45 million per annum. Leaving ruminant germplasm unit charge rates unchanged while these issues are worked through reduces the overall additional cost recovery to around \$0.29 million per annum. This will slightly exceed projected expenditure making a small contribution to reducing the deficit balance.

Conclusions and recommendations

MPI recommends proceeding with this proposal as consulted on, with the exception of ruminant germplasm unit charge rates.

MPI recommends that the rates for ruminant germplasm unit charges remain at current levels while further analysis and consultation takes place.

²² Semen, embryos and ova of cattle, sheep, goats and deer)

Update Circuit Verification Charges under the Animal Products Act 1999 (APA)

Status quo

Circuit verification services are undertaken by MPI verifiers travelling around the country to undertake audits of meat, dairy, seafood, and other premises. These services ensure that businesses are operating consistently with legal requirements and risk management programmes.

The provision of these services is contestable (with some exceptions), with MPI acting as verifier of last resort. MPI verifies around 850 meat, dairy, fish/shellfish and other premises, out of a total of over 1,300 premises requiring verification under the APA.

MPI verification service fees are set out in the Animal Products (Fees, Charges, and Levies) Regulations 2007 and the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015. The current \$165 per hour rate has been in effect since 1 July 2015.²³

Proposed change

MPI proposes:

- combining the verifier and programme charges into a single hourly rate
- increasing the hourly rate to \$176, to fully cover MPI's current costs and the deficit accumulated owing to historical under-recovery.

A schedule of current and proposed rates is set out at the end of this proposal.

Policy Rationale

Circuit verifications directly benefit the business being verified as it allows them to operate in and make sales to a market. It is a *"private good"*, because those benefits are both excludable and rivalrous. As such it is appropriate that they pay the full costs of these services.

An hourly fee is the most appropriate method to recover circuit verification costs as the time taken to perform this service is highly variable due to the diverse range of premises verified, travel times to reach the premises and the variable size and complexity of premises.

Merging the two component charges together reduces unnecessary complexity. The current split charge is based on the approach used for establishment verification services (meat processing plants), which have significant and highly variable amounts of overtime. This is largely irrelevant to circuits, where there is little overtime worked, and is not used for any other hourly charges in MPI's cost recovery regime.

It is equitable that the costs of verification services be recovered from businesses that receive and benefit from these services rather than taxpayers. In accordance with the principle of transparency, it is desirable to recover the costs of a service at as close a period as possible to when the service is provided.

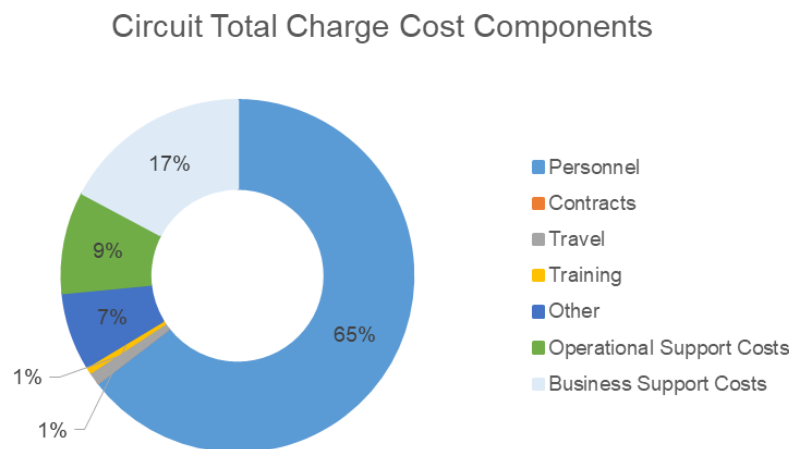
MPI is proposing the increase in the charge in part because of historic under-recovery. If the fee does not increase, there will be a need to write off debts in the coming years.²⁴

²³ In addition to the above fee, coolstores/other storage premises and processors of fish are temporarily being charged an additional \$23.60 per hour (for the two years to 30 June 2020). This extra charge is to recoup an under-recovery of the programme charge from those premises during the 2015/16 financial year.

²⁴ MPI has written off \$1.689 million from the circuits memorandum account in the last 3 years.

The level of the proposed fee and its cost components

MPI forecasts the volume of hours spent on circuit verification will increase by around 2% per annum. The main cost components of providing this service are personnel and business support costs.

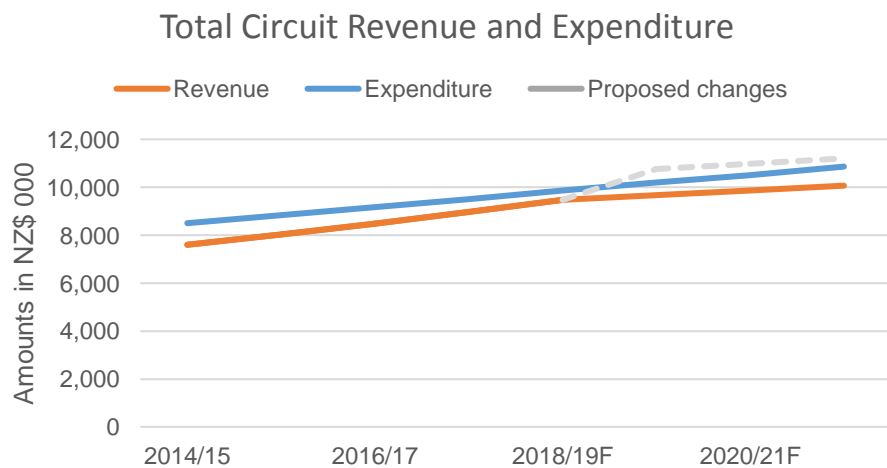


MPI forecasts a memorandum account deficit of \$2.3 million at 30 June 2019. Under the status quo expenses are forecast to exceed revenue by approximately \$0.66 million annually over the three-year period from 2019/20.

MPI has sought to offset cost pressures and reduce the need to increase charges through ongoing improvements to efficiency/productivity. Improvements that maintain current service levels have resulted in a lower proposed hourly rate that is about \$30 less than identified as necessary in 2018.

An \$11 per hour increase will represent a 6.7% increase in fees for circuit verification services. This increase is mainly to recover the historic deficit (\$7 or 4.3 per cent). The remainder is to recover higher service delivery costs (\$4 or 2.4 per cent), which is less than inflation since fees were last updated in 2015 (5.2 per cent).

The proposed rate will ensure MPI recovers costs for providing this service. Based on forecast volumes this will result in increased revenue of around \$0.64 million per annum. Alongside ongoing system improvements and efficiency gains (\$0.5 million), this will ensure that costs are fully recovered and the historic deficit trends towards zero over three years.



The circuits service is provided to a range of sectors who provide a wide variety of products. Smaller businesses generally use much less of the service (for example, 121 of the 134 dual operator butchers who used this service were charged less than ten hours).

In each of the sectors that use this service a small number of businesses are using the majority of MPI time (for example, seven of the 63 businesses in the cool store sector account for over 50% of MPI's time spent in that sector).

A small number of larger businesses will incur the bulk of the \$11 per hour cost increase. The median increase in cost is \$96, meaning that over half of the 1395 affected businesses will be paying less than \$100 extra per annum. Twelve of the 1390 businesses will pay over \$5000 in extra fees per annum, with three of these paying over \$10,000 extra.

Businesses may also have scope to reduce the costs of verification by managing their internal processes so that the verifier can more readily confirm their compliance with legal requirements and risk management programmes.

Consultation

Twelve submissions commented on this proposal (five from industry representative organisations, six from businesses and one from a private individual). Six provided general support for the increase in the base hourly rate. The other six submitters opposed the increase, and consider they would be adversely affected by this proposal.

Three submitters commented specifically on combining the charges. One submitter agreed with the proposal while two opposed it. Concern was raised that by combining the verifier and programme charge transparency to industry will be reduced.

MPI is ensuring that transparency is maintained by providing detailed industry reporting from February 2019.

The table below sets out other issues raised by submitters and the MPI response.

Submitter Concern	MPI Response
Desire for Increased Efficiency	MPI continues to implement changes to ensure efficiency. Recent improvements have resulted in lower proposed increases than identified as necessary in 2018.
Fifteen minutes minimum time period is too large for the service type	Fifteen minute time periods are equitable and standard MPI practice. They are also administratively efficient.
If under-recovery occurs the taxpayer should cover the deficit as it is due to MPI's actions	Beneficiaries of any under-recovery should pay their actual costs.
Circuit verification is a public good	Circuit verifications directly benefit the business being verified as it allows them to operate in and make sales to a market.

Conclusion/Recommendations

MPI recommends proceeding with this proposal as consulted on.

Schedule of Current and Proposed Rates for Circuit Verification Charges

Charge	Current	Proposed
2 Circuit charge		
A Basic hourly charge on primary processors		
For each hour spent by a verifier in verification functions	\$44.90	Rates under A and B will no longer apply as they will be combined into the single verifier rate
B Basic hourly charge on secondary processors ¹		
For each hour spent by a verifier in verification functions	\$44.90	
C Hourly charges for verifiers		
(for all verification activities)		
Verifier –		
(a) Non-penal rates –		
per hour (excluding seafood and coolstore premises) ¹	\$120.10	\$176.00
per hour for seafood and coolstores premises ¹	\$120.10	combined with above
per hour at 1½ time	\$180.10	\$264.00
per hour at double time	\$240.10	\$352.00
(b) Penal rates –	the relevant rates specified in paragraph (a), plus an additional rate of -	
(i)	\$60.10	\$88.00
per hour per verifier for penal time worked at penal rate 0.5		
(ii)	\$120.10	\$176.00
per hour per verifier for penal time worked at penal rate 1.0		
(iii)	\$240.10	\$352.00
per hour per verifier for penal time worked at penal rate 2.0		
3 After-hours callout charge		
A Minimum charge – circuit verifiers		
Minimum charge for any individual after-hours callout, however long	3 hours at the relevant rate under item [A] of section 2	

Simplify the process for amending levy rates under the Agricultural Compounds and Veterinary Medicines Act 1997 and the Wine Act 2003

Status quo

MPI collects a range of levies to fund services it provides. Two of these levies are collected under the Wine Act 2003 (Wine Act) and the Agricultural Compounds and Veterinary Medicines Act 1997 (ACVM Act).

The wine export levy

Authority to charge this levy is through section 88 of the Wine Act. This is given effect to through Schedule 2 of the Wine Regulations 2006 (the Wine Regulations).

The levy funds the development and maintenance of export standards, market access, and compliance activities in relation to wine exports. These services enable the export of wine (market access) and help to grow and maintain the export demand for New Zealand wine by ensuring that quality standards are adhered to (export standards and compliance). This benefits wine exporters and is a club good, with costs recovered through a levy on each wine exporter at a rate of \$0.01 per litre of exports above 200,000 litres per year.²⁵

The ACVM levy

Authority to charge this levy is through section 81D of the ACVM Act, which provides that regulations can be made to set cost recovery charges, including through levies (section 81A). This is given effect to through Schedule 2 of the Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015 (the ACVM Regulations).

The levy funds a range of services, including developing and maintaining standards for the manufacture, importation and use of agricultural compounds and veterinary medicines (ACVMs), maintaining, monitoring and reviewing the overarching systems for assessment and approval of their use, and the provision of guidance information. These services are required to manage risks to human and animal health from the use of ACVMs, so their costs are recovered from ACVM suppliers through an annual levy of \$540 for each trade registered trade name product (TNP) a supplier has.

Problem

Many of the levies that MPI collects have the levy rate set in regulations, with any proposed changes requiring Cabinet's agreement. The Cabinet process ensures that any rate change proposals are subject to full public consultation and are scrutinised by Cabinet, which safeguards fee payers' interests.

²⁵ The exclusion of the levy on the first 200,000 litres by an exporter in a year was requested by the sector so that small exporters can expand without the levy constraining growth. The figure of 200,000 litres was chosen as this is the classification that industry body New Zealand Winegrowers uses for small exporters

However, resetting rates through Regulations can take six to nine months. This process can require considerable resources, including policy and administrative work from MPI, drafting by the Parliamentary Counsel Office and consideration and approval by Cabinet on three occasions (see chart below). This involves significant, but unknown costs to taxpayers.

Steps to reset the levy rate in the current process and proposed new process



In contrast, some levies that MPI collects have more straightforward processes for changing rates, including the Biosecurity System Entry Levy (BSEL) and Border Clearance Levy²⁶ (BCL) under the Biosecurity Act 1993. The BSEL and BCL set out a formula for apportioning the total cost of levy-funded services, with the levy rate able to be specified by the Director-General (DG) of MPI by notice in the New Zealand Gazette. This process typically takes two to three months.

Proposed change

MPI proposes that the Wine Regulations 2016 and ACVM (Fees, Charges, and Levies) Regulations 2015 be amended to prescribe a formula that determines the levy rate, the maximum levy rate, and enable the DG of MPI to specify the rate (up to the maximum) through notice in the New Zealand Gazette. The process of resetting levy rates would then be similar to the process to reset the rates of BSEL and BCL.²⁷ This process will be quicker, simpler and more administratively efficient.

²⁶ Also referred to as the Border Processing Levy.

²⁷ A similar approach is also used to set the charge for use of MPI's electronic certification system under the Animal Products Act.

The ability of the DG to reset rates would continue to be constrained by a requirement to consult on any proposed changes and a regulated upper limit above which any increases would require Cabinet approval. We propose maximum levy rates as set out in Table 3.

Table 3: Proposed maximum levy rates

Levy	Current levy rate	Proposed maximum levy rate
Wine Regulations 2016	\$0.01 per litre per exporter (excluding the first 200,000 litres a year)	\$0.011 per litre per exporter (excluding the first 200,000 litres a year)
Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015	\$540 Payable annually by each – (a) registrant (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.	\$590 Payable annually by each – (a) registrant (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.

The proposed maximum levy rates are approximately 10% above the current rates, rounded up to the nearest \$10 increment for the ACVM levy. The regulated formula for calculating the levy would be based on costs and volumes, as for the biosecurity levies. The formula would allow historic under- or over-recovery to be taken into account in setting rates, as is currently the case and provided for in the Wine and ACVM Acts.

This change would significantly reduce the time it takes MPI to make changes and the administrative and other costs related to changing rates. It also facilitates more prompt rate changes.

Impact analysis

MPI does not propose increases in either the Wine export levy or the ACVM levy in the near term:

- projected memorandum account surpluses for the Wine Export levy mean that increases are unlikely to be needed in the foreseeable future
- memorandum accounts linked with the ACVM levy are healthy, and no changes to levy rates are likely until at least July 2020, following a full review of ACVM cost recovery.

However, the proposed ability for MPI to be able to change levy rates through the new process could result in future levy rate increases up to a maximum of 10% without regulatory change. The impacts of such an increase for each levy are analysed below.

Potential increase in the wine export levy of up to 10%

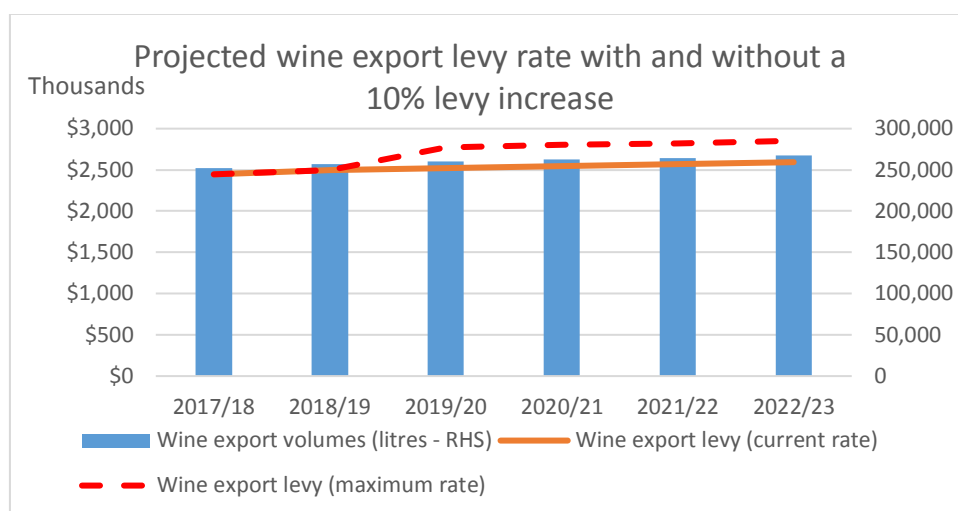
Levy revenue in 2017/18 was approximately \$2.45 million. Levy revenue at current rates is projected to increase in coming years as a result of increasing export volumes.²⁸ If levy rates were to be raised to the maximum level under this proposal in July 2020, levy revenue would be \$255,000 higher for the 2020/21 year, and higher by \$259,000 in 2022/23 (see graph below).

Wine exports are estimated to be valued at \$1.82 billion in 2020/21 and \$1.89 billion by 2022/23.²⁹ Overall, it is not considered that an increase of the magnitude proposed will have

²⁸ MPI (2018), *Situation and Outlook for Primary Industries: December 2018*.

²⁹ Those subject to the levy exported 96% of New Zealand's wine exports by volume.

a material impact on supply, sector productivity, drive behavioural change or have an influence on industry dynamics.



At an individual business level, impacts will depend on export volumes. Summary information on the distribution of levy impacts is set out in Table 4.

Table 4: Impacts of increasing the wine export levy by the proposed maximum amount³⁰

	Current Levy Rate	Maximum levy rate under the proposal	Difference
Total exporter levy	\$2,445,992	\$2,690,592	\$244,599
Average exporter levy	\$28,442	\$31,286	\$2,844
75th percentile	\$26,008	\$28,609	\$2,601
Median	\$6,291	\$6,921	\$629
25th percentile	\$1,686	\$1,855	\$169

Potential increase in the ACVM levy of up to \$50 (9.25%)

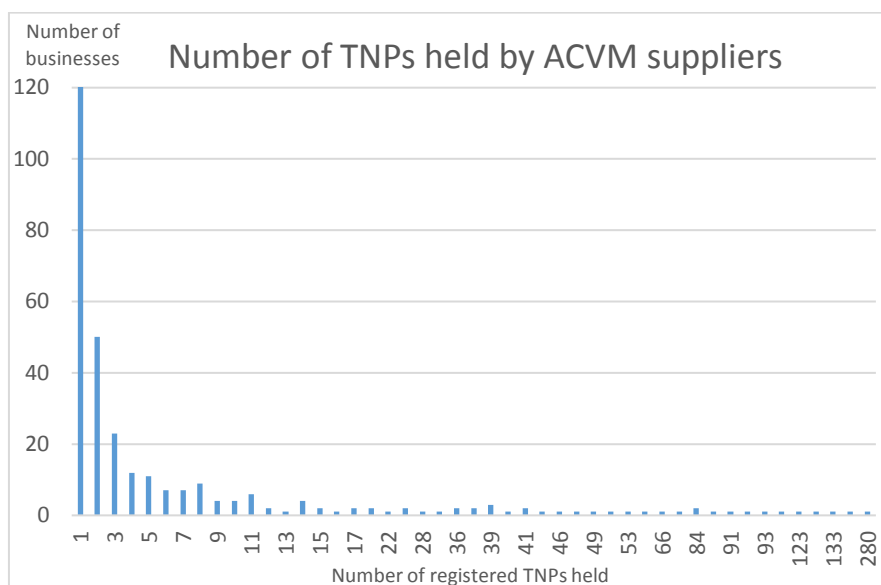
There are currently 304 businesses that hold 3,362 registered TNPs, which at the current levy rate of \$540 per registered TNP results in annual levy revenue of \$1.8 per annum. Increasing the levy rate to \$590 would result in annual levy revenue increasing to \$1.9 million per annum (an overall increase of ~\$100,000).

Overall, this increase would be relatively small when compared with the value of the ACVM industry in New Zealand. A study in 2009 by consultancy Covec Ltd,³¹ estimated that annual expenditure on ACVMs in 2008 was \$520 million, of which \$250 million was on agricultural compounds and \$270 million on veterinary medicines. At an industry level, an increase in levy charges of up to \$90,000 is unlikely to have a material impact on sector productivity, drive behavioural change or have an influence on industry dynamics.

³⁰ This is based on actual export levels of wine exporting businesses in 2017/18. Forecasts of future exports are aggregate and not available at business level. The average is higher than the median because the much higher volume of exports by the upper quartile of exporters.

³¹ Irvine, R. and Denne, T. (2009) "Data Protection for Agricultural Compounds and Veterinary Medicines". There have been no more recent estimates

At an individual business level, the impact of a levy rate increase depends on the number of TNP registrations an ACVM business holds. The vast majority (82%) hold less than 10, though there are a number with significantly more including five companies who hold more than 100 each.



This reflects the varied nature of ACVM suppliers in New Zealand. These range from small local companies with sales in some cases of less than \$1 million per annum, to locally registered subsidiaries of major international companies with global sales in the order of billions of dollars.

For the vast majority, the effect of a \$50 increase in ACVM levy rate will result in increased charges of less than \$400 (Table 5). While any cost increase has an impact on profit, is passed on to customers, or both, we do not consider that an increase of this size would have a materially negative effect on industry supply, competition or profitability.

For the small group of suppliers who hold large numbers of TNPs, the increased charge could be considerably higher than \$400. However, the ability of these large businesses to absorb these costs is much greater, and we similarly conclude that such a levy increase would be unlikely to have a materially significant negative impact.

Table 5: Business level impacts of ACVM levy rate increase by number of TNPs³²

Current Levy Rate	Current Levy Rate	Maximum levy rate under the proposal	Difference
Total levy revenue	\$1,815,480	\$1,905,110	\$89,630
Average levy charge	\$5,972	\$6,525	\$553
75th percentile	\$3,780	\$4,130	\$350
Median	\$1,080	\$1,180	\$100
25th percentile	\$540	\$590	\$50

³² The average is higher than the 75th percentile because 82% of registrants hold ten or less TNPs, while the remaining 81% of registrants hold 81% of all TNPs.

Consultation

Four submissions were received on this proposal,³³ three of which were from organisations representing businesses that pay one or both of these levies and one from a supplier of ACVMs.

The submissions were generally supportive of the proposed new process for changing levy rates, but with qualifications. The support of one of the representative organisations and the large ACVM supplier was conditional on there being consultation prior to any changes being made (as proposed), while support of the other representative organisation was conditional on there being prompt rate changes when justified in either direction (specifically, that they are as readily lowered as raised).

MPI agrees with both submissions. As discussed in the proposal section (above), MPI will undertake consultation with affected parties before making any rate changes to these levies through the proposed new process. This is also a legal requirement under both the Wine Act and ACVM Act.

MPI intends using the proposed new process to make timely changes to cost recovery rates – whether increases or decreases – for either levy, where appropriate. The proposed new process for re-setting rates will reduce the time it takes to make changes and significantly reduce the amount of policy and administrative work required for any change. This should mean that any changes considered necessary (whether increases or decreases) are made more readily than would be the case under the current system.

Recommendation

MPI recommends proceeding with the proposal unchanged.

³³ One further submission was received, but it was unclear what the submitter's position on this proposal was.

Modify Dairy Levies for Processors and Exporters Under the Animal Products Act 1999

Status Quo

Under the Animal Products Act 1999 (APA), MPI develops domestic and exports standards, negotiates and supports access to foreign markets and monitors industry-wide compliance with the standards.

For the dairy industry, these services are funded by annual levies under the Animal Products (Dairy Industry Fees, Charges and Levies) Regulations 2015. The Regulations specify:

- the production volumes at which dairy processors are classified as small, medium or large and dairy exporters are classified as small or large
- the levy for small and medium processors and small exporters as a fixed charge
- the levy for large processors and exporters is calculated by dividing the total levy by volume (kilos of milk solids or dairy mass respectively) collected or exported.

The total levy for both large processors and exporters was updated from 1 July 2018.

Proposed change

MPI proposes to eliminate the medium processor category for dairy processors, and change the thresholds and reduce the fixed charge for the small processors' and exporters' levies as described in Tables 6 and 7 below.

Table 6: Current and proposed levies on dairy processors

	Current number of levy payers	Current threshold (kg milk solids collected)	Current annual levy	Proposed threshold	Proposed annual levy
Small Processors	51	Less than and equal to 16,500	\$465	Less than and equal to 151,000	\$400
Medium Processors	7	More than 16,500 and less than and equal to 491,000	\$930	Category removed (some will be categorised as small processors, some as large processors)	
Large Processors	12	More than 491,000	Per kg rate based on formula in regulations	More than 151,000	Per kg rate based on formula in regulations (unchanged)

Table 7: Current and proposed levies on dairy exporters

	Current number of levy payers	Current threshold (kg dairy mass exported)	Current annual levy	Proposed threshold (kg dairy mass exported)	Proposed annual levy
Small Exporters	185	Less than and equal to 636,000	\$310	Less than and equal to 466,000	\$200
Large exporters	40	More than 636,000	Per kg rate based on formula in regulations	More than 466,000	Per kg rate based on formula in regulations (unchanged)

These proposals will result in an overall reduction in costs recovered of between \$20,000 and \$27,000 annually. This is approximately 0.3% of total dairy levies.

In addition to the rate and threshold changes, there will be consequential changes to the Animal Products (Dairy Industry Fees, Charges and Levies) Regulations 2015 to reflect the elimination of the medium processor category (e.g. definitions and reporting requirements).

Policy Rationale

The model for funding standards-related services under the APA is fair because:

- these services are a '*club good*' – they are provided to a group of identifiable firms registered with MPI (excludable) but no one firm's access to or use of the standards reduces availability to other firms (non-rivalrous)
- setting separate levies for processing and exporting is appropriate as (a) different businesses may be involved in the two activities and (b) MPI's costs can generally be differentiated between those from processing and those from exporting
- volume-based levy rates effectively allocate costs according to each levy payer's share of total industry production, so they are a reasonable proxy for shares of total benefits
- flat annual charges are appropriate for parts of the industry where benefits that can be attributed are relatively modest (eg small processors and exporters)
- flat annual charges avoid the need to calculate and invoice small amounts so are more administratively efficient.

To improve equity, we need to ensure that the amounts and thresholds for small/medium processor and exporter levies are logical and appropriate.

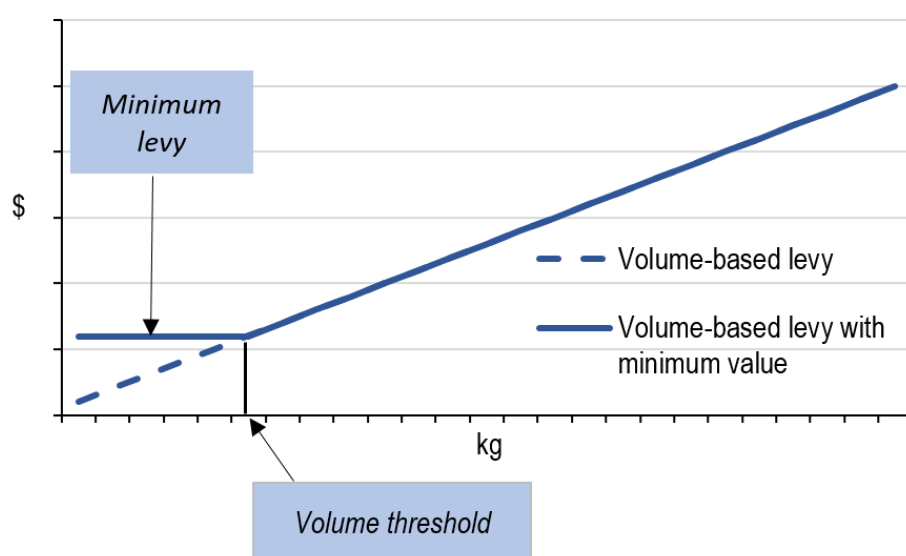
The level of the proposed levy and its cost components

During a previous consultation in early 2018 on fee updates, a number of submitters indicated concerns about whether small and medium participants are paying their 'fair' share (but with no consensus about whether 'fair' levies would be higher or lower).

The current flat rates and thresholds were set in 2015 based on:

- setting minimum charges based on notional minimum levels of service for small and medium processors and small exporters³⁴
- determining thresholds for classifying processors and exporters as small and medium, by estimating volumes that would result in levies at these levels if calculated on the same basis as large processors and exporters.

In other words, if all small dairy-related businesses receive a notional minimum number of hours of standards-related services, they would be charged a fee calculated as that number of hours at an appropriate rate. The threshold for determining which businesses are classified as 'small' is then calculated as this fee divided by the effective per kg levy paid by the rest of the industry. This is illustrated below



While the rationale and methodology is sound, there are a number of problems which mean that the values need to be updated:

- the processor and exporter volume thresholds have become outdated as a result of changes in total milk production and MPI's expenditure on standards-related services
- the estimate of time MPI spends on services for small exporters has been revised from 2 hours to 1.5 hours
- the base hourly rate for MPI services in the food system is being reduced (as proposed) from \$155 per hour to \$135 per hour
- there is no apparent reason for distinguishing between small and medium processors - the logic behind a minimum levy for small processors doesn't provide any rationale for an intermediate step.

³⁴ Annual levy calculated as 3, 6 and 2 hours of service at the general MPI charge of \$155 per hour for small processors, medium processors and small exporters respectively.

What is MPI proposing to change?

Small processors and exporters

We propose to revise the thresholds for small processors and exporters in light of current milk volumes and the proposed changes to the base MPI food system charge (from \$155 per hour to \$135 per hour).

Table 8 illustrates how the proposed new thresholds for small processors and exporters were calculated using current levy totals (2018/19) and averaging total volumes over the past three years (2014-15- 2016-17). This gives a levy threshold of 151,000 kg of mild solids for small processors and 466,000 kg dairy mass for small exporters.

Table 8: Calculation of New Thresholds based on average volumes over past four years

	Large processors	Large exporters
Total levy	\$4,935,867	\$1,355,100
Total volumes (kg)	<i>(milksolids)</i>	<i>(dairy mass exported)</i>
2014/15	1,893,719,315	3,033,961,139
2015/16	1,864,726,136	3,184,752,137
2016/17	1,856,710,143	3,194,490,867
2017/18 ³⁵	1,851,802,622	3,210,416,873
Average	1,866,739,554	3,155,905,254
Levy \$/kg (total levy divided by average milksolid volumes)	\$0.0026441	\$0.0004294
Calculated threshold (small processor or exporter annual levy, divided by large processor or large exporter levy \$/kg)	151,000 kg milksolids	466,000 kg mass exported

Small processors receive disproportionate levels of service (ie MPI spends more time delivering the service) relative to the volumes of milk they collect and process. Therefore, it is fair they pay a higher rate per kg milksolids than large processors.

However, the current rate is too high and MPI is proposing a reduction of \$65 to a flat charge of \$400 for processors collecting up to 151,000 kg.³⁶ milksolids, based on the notional level of service for small processors of 3 hours at the reduced base hourly rate (see Proposal to update the base hourly rate across the food system), rounded down. MPI accepts hours of service is not a perfect way of setting the levy, but it is a useful proxy. We will be working to improve the basis for setting the levy through the better data project currently underway.

³⁵ The 2017/18 volumes were not available at the time the Discussion Document was published. Including these volumes has changed the calculation of the averages, the levies \$/kg and the calculated thresholds.

³⁶ This threshold is calculated as the proposed value of the small processors levy, \$400, divided by \$0.0026441 per kg.

Small exporters do not receive benefits to the same extent, so we propose a lower levy that makes a reasonable contribution to MPI's costs - \$200 for firms exporting up to 466,000 kg³⁷. This is based on a revised level of service of 1.5 hours compared to the estimated 2 hours when last updated in 2015. The levy is calculated using the reduced base hourly rate, rounded down.

Businesses processing or exporting more than these quantities would pay levies at the large processor or exporter volume-based rates (see para below).

Medium processors

There is no obvious reason for a medium processor rate. Medium processors do not generally require a higher level of service than small processors. We propose this category be disestablished. The impacts of the proposed changes is shown in Table 9 below.

Impact Analysis

For small/medium processors and small exporters, their annual levies will change as follows.

Table 9: Annual levy change for small and medium processors

Small and medium processors				
Volumes collected (kg/year)	Current	Proposed	Change	Number of levy payers
0 - 16,500	\$465	\$400	-14%	45
16,500 - 151,000	\$930	\$400	-57%	7 ⁽²⁾
151,000 - 353,000 ⁽¹⁾	\$930	Varies between \$400 and \$930 depending on volume.		
353,000 ⁽¹⁾ - 491,000	\$930	Varies between \$930 and \$1295 depending on volume (3).		

(1) 353,000 kg is the 'break-even' level at which a processor would pay the same levy (\$930) on a volume basis as it does now through the flat medium processor levy.

(2) The number of levy payers in individual categories is confidential.

(3) Note these values have been calculated using the \$/kg in Table 8. As total milk solids collected or total dairy mass exported will change each year, this upper value may change.

As MPI does not collect volume data for small and medium processors, we cannot identify which of the seven medium processors will pay more and which will pay less. Based on current volumes, the impact on MPI revenue of the changes to processor levies and thresholds will be somewhere between a reduction of \$0 to \$7,000.

³⁷ This threshold is calculated as the proposed value of the small exporters levy, \$200, divided by \$0.0004292 per kg.

Table 10: Annual levy change for small exporters

Small exporters Volumes exported (kg/year)	Current	Proposed	Change	Number of levy payers
0 - 466,000	\$310	\$200	-35%	184
466,000 - 636,000	\$310	Varies depending on volume, but would be less than the current flat levy		1

Based on current volumes, the impact on MPI revenue of the changes to exporter levies and thresholds will be a reduction of \$20,000.

Total impact

There will be a total reduction in cost recovered revenue of between \$20,000 and \$27,000. The changes in total levies are minimal (approximately 0.3% of total revenue collected for these services). This will be monitored and there is expected to be minimal impact on MPI. No information on costs and cost drivers is provided because the overall impact is minor.

Consultation

Seven submitters commented on the first part of the proposal (to change the levy rates).

- five submitters support it although one of these submitters raises concerns about why MPI is proposing reducing levies for companies that present higher risks and possible cross subsidisation from larger companies if rates for smaller companies reduce.
- one opposes the proposal as they consider the proposed rates are still too high. They do not want any levies charged to small producers as they believe no service is received from MPI.
- the seventh submitter also opposes the proposal but were not clear about what their preferred option was.

One submitter supports the second part of the proposal (to eliminate the medium processor category) and one submitter states they had no view on this part of the proposal.

The services funded through the APA dairy levy include setting standards and developing guidance material, residue testing, market access and export standards (the latter two being for exporters only). These activities are not focused on managing risk posed by individual businesses. Instead, they are enabling market access (for exporters) and setting the standards against which risk is managed for all processors and exporters.

Risk management occurs through verification activities, which are charged as an hourly rate directly to the processor or exporter. In general a higher risk business will be subject to a greater amount of verification and charged more accordingly.

Conclusion and recommendation

MPI recommends proceeding with the proposal as consulted on.

Include dairy in the levy on standalone animal product storage premises

Status quo and problem

Status Quo

The Animal Products Act 1999 (the APA) provides that regulations can be made allowing MPI to recover the costs of services it provides, including through levies. One of these is an annual levy on operators of standalone coolstores or other storage premises (standalone storage premises levy) of \$207.30 per annum. It does not apply to businesses where storage is part of a primary or secondary processing operation.

Approximately 265 businesses currently pay this levy, which contributes to the costs of developing and maintaining standards (and associated services) that apply to storage premises of animal products.³⁸ These standards ensure that stored products are safe, fit for purpose, and meet the import requirements of New Zealand's trade partners. Without them, consumers are at risk of purchasing products that do not meet these requirements, which can have potentially large impacts on consumers in New Zealand (e.g. unsafe food) and on exports (reputational risks affecting access to export markets).

Because these standards address risks posed by the operators of these premises, it is equitable and efficient that the cost of providing these services are recovered from them. The standards apply equally to all animal product storage facilities, so costs cannot be apportioned, for instance, on relative levels of risk. Instead, costs are recovered through a levy on each standalone storage premises, consistent with best practice guidance.

The problem

This levy is currently recovered through cost recovery regulations³⁹ that expressly exclude recovery of costs from the dairy sector, because there are separate dairy cost recovery regulations.⁴⁰ The exclusion prevents costs being recovered from dairy companies under both sets of regulations.

However, there is no corresponding power to levy standalone storage premises in the dairy cost recovery regulations, even though these are covered by the standards. This is inequitable and effectively results in other operators of facilities that store animal products cross-subsidising stand-alone dairy storage facilities.

Proposal

It is proposed that the dairy cost recovery regulations be amended so that the levy on standalone animal product storage facilities also applies to dairy storage facilities. Storage facilities operated by dairy processors would be excluded, as discussed below.

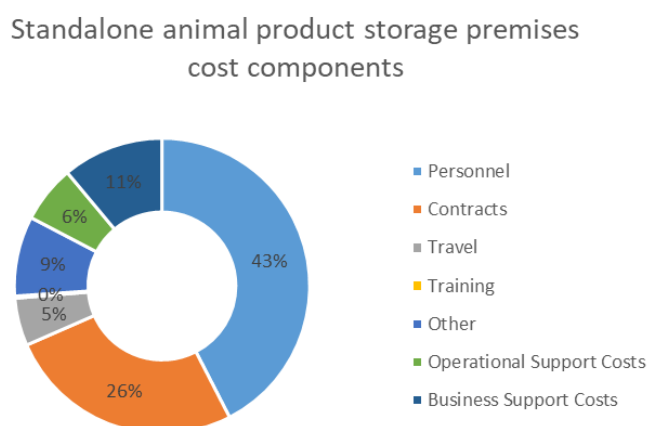
³⁸ The levy does not apply where storage is part of a primary or secondary processing operation. The cost of applicable standards for these are recovered through the levies on dairy processors and exporters.

³⁹ The Animal Products (Fees, Charges, and Levies) Regulations 2007

⁴⁰ The Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015.

The level of the proposed fee and its cost components

This proposal will not increase the amount of the levy on standalone storage premises, but broadens its scope so that more businesses will pay the levy. The main cost drivers associated with these services are for personnel and contracts.



Impact analysis

Impact on additional businesses liable to pay the levy

The proposed expansion of the levy would mean that approximately 25 additional operators of standalone animal product storage facilities will be liable to pay the annual levy of \$207.30. While an additional cost, its relatively small nature means it is unlikely to have any impact on business investment and production decisions, employment, regional growth and development or industry dynamics.

Impact on overall cost recovery for standalone animal product storage facilities

Expanding the scope of this levy as proposed would increase revenue from this levy by around \$5,000 a year. It is currently estimated that there will be a memorandum account deficit balance associated with these services of around \$75,000 by the end of June 2019, with ongoing under-recovery of around \$75,000 a year. As discussed below, this will be addressed through MPI's planned review of cost recovery under the Animal Products Act.

Consultation

Two submissions were received on this proposal. One submission was from a major dairy processor and exporter. It challenged the basis for recovering costs from stand-alone dairy storage premises when processors and exporters are already levied for the cost of standards based on volumes of milk collected and milk solids exported. The same product flows through both its on-site and off-site premises, so charging for the latter gives the appearance of recovering twice.

MPI agrees with this submission. The relevant standard for standalone animal product storage facilities specifically excludes storage facilities that are covered by a risk management programme that includes processing or manufacturing. The levy only applies to storage premises that have their own risk management programme.

This proposal will be clarified to ensure the levy applies only to standalone dairy coolstores that have their own risk management programmes, and does not include those that are part of a risk management programme for a processing or manufacturing facility.

The other submission noted that even with the expanded levy scope there will continue to be under-recovery and that levy rates should be increased now to prevent sharper increases in the future. MPI generally agrees that if there are ongoing deficits it is better to increase rates sooner, as it can smooth the impact on both fee payers and MPI. However, in this instance MPI plans to undertake a wider review of all APA cost recovery and it is preferable to review this rate as part of that process, rather than make piecemeal changes that may need to be revisited in the future.

Conclusion/Recommendations

MPI recommends proceeding with this proposal as consulted on.

Clarify the coverage of the levy on export approved premises under the Animal Products Act 1999

Status quo

The Animal Products Act 1999 (the APA) provides that regulations can be made allowing MPI to recover the costs of services it provides, including through levies. One of these is an annual levy on processors of hides and skins of \$136. Currently, 99 businesses are charged this levy.

The levy funds export standards that apply to premises that process animal products/material that are not for human or animal consumption, set out in the Animal Products (Export Approved Premises) Notice 2011 (the EAP Notice). Operators of these premises directly benefit from these standards as they enable products they process to be exported. It is therefore both equitable and efficient that the costs of developing and maintaining those standard are recovered from them.

The benefits to operators of EAPs have club good characteristics – they are excludable (only operators of EAPs directly benefit) and non-rival (the level of benefit to one EAP operator does not have an impact on the level of benefit to others). In these circumstances the current recovery of costs through a \$136 annual levy on EAP operators is consistent with best practice guidance.

The problem

The EAP Notice regulates premises that process animal material/products that are not for human or animal consumption and which are exported. These include animal fibres, feathers, marine shells, and game trophies. However, the levy currently only applies to processors of hides and skins. It is inequitable that operators of other premises subject to the EAP are not also charged the levy, and effectively results in processors of hides and skins cross-subsidising them.

Additionally, by July 2019 there is projected to be a memorandum account balance deficit of around \$40,000 for services funded by this levy, with ongoing annual under-recovery of around \$20,000 per annum. While this annual sum is modest, losses of this nature are not sustainable in the long term.

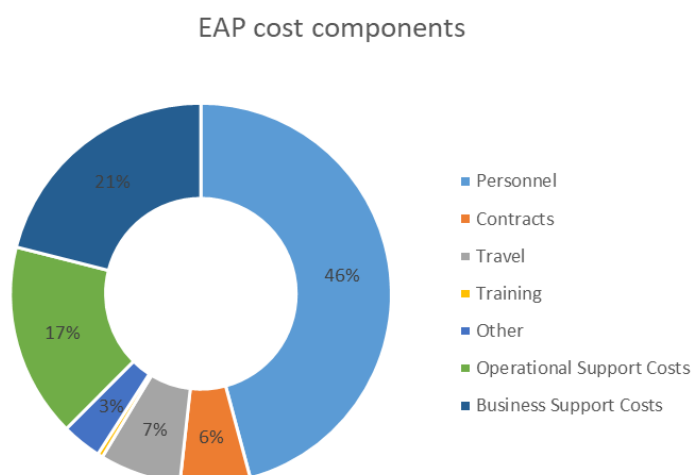
Proposed change

MPI proposes redefining the current levy on processors of hides and skins so that it applies to operators of all premises that are subject to the EAP Notice. There would be an exclusion for germplasm processors and poultry hatcheries, which are levied separately.

This proposal does not increase the amount of the levies charged on EAPs, will have the effect of broadening the number of businesses that pay the levy.

The level of the proposed levy and its cost components

The main cost drivers for these services are personnel and business support costs.



Impact analysis

There are 182 businesses⁴¹ on MPI's register of EAPs. Of these, 99 pay the levy as processors of hides and skins, while the remaining 83 are not currently subject to it.

Under the proposed change, those other businesses would be liable to pay the annual levy of \$136 to MPI. While an additional cost, its relatively small nature means it is unlikely to have any impact on business investment and production decisions, employment, regional growth and development or industry dynamics. Expanding the scope of this levy will increase levy revenue by approximately \$11,000 per annum, effectively resolving the problem of ongoing under-recovery and not requiring any levy rate increases in the medium term.

Consultation

One submission was received on this proposal, which generally objected to the levy on the basis that some EAP operators may not actually be exporting and should therefore not be charged the levy. Businesses who register to be an operator of an EAP benefit from it as it allows the products that they process to be exported. If their products are not intended for export they can avoid paying the levy by not registering their premises as an EAP.

The same submitter also expressed the view that if EAP products are sold to another processor for further processing, the levy should be charged on the exported *product* and not the EAP ('user pays'). MPI has a similar position on this point. The standard manages risks associated with the *premises*, which enables the product to be exported. If there is further processing by another business at their *premises* both would need to be registered EAPs for the product to be exported. Recovering costs on the basis of the product exported would not reflect where costs actually lie and would be administratively complex and inefficient.

Conclusion/Recommendations

MPI recommends proceeding with this proposal as consulted on.

⁴¹ As of 1 February 2019.

Implementation plan for all proposals

Changes to give effect to the above proposals will come into effect from 1 July 2019, through amendments to the:

- ACVM (Fees, Charges and Levies) Regulations 2015
- Animal Products (Fees, Charges, and Levies) Regulations 2017
- Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015
- Wine Regulations 2006 and
- Animal Welfare (Cost Recovery) Regulations 2015.

If implemented, MPI will notify fee payers of the new rates that will apply from 1 July 2019 and update its application forms and other material to include the appropriate rates.

In general the changes are to update to existing charges or improve existing regulatory settings. Therefore, there are no interactions or impacts to other regulation which need to be considered. Enforcement risks are also low as all but one of the charges already exist and the regulatory frameworks are already in place.

Monitoring and evaluation for all proposals

Ongoing performance reporting

We have identified opportunities to improve our performance reporting. We recognise that performance reporting is a critical component of providing transparency to industry and other interested parties, as well as ensuring ongoing system efficiency.

To improve transparency, we have worked with industry to create a framework for reporting on the performance of cost recovered services. In February 2019, MPI began progressively releasing the performance reports by sector. The first reports are for the Red Meat and Dairy sectors. Further reports for other sectors will be released progressively as they are developed over the coming year. We will continue to work closely with industry to ensure that the performance information produced in the reports is meaningful.

Review for all proposals

Ongoing programme of review

MPI is undertaking an ongoing programme of 'rolling reviews' across all of our cost recovered systems, through which each cost recovery regime will be formally reviewed every three years. This will ensure that cost recovery regulatory settings remain appropriate, including preventing any significant deficits or surpluses from accumulating. Reviews will consider both the policy setting and fee and levy rates.

Fees and levies may also be updated outside the review cycle if a material surplus or deficit accumulates in a memorandum account. However, we aim to set fees and levies at levels that ensure memorandum accounts trend towards zero over a three-year period.

Appendix 1: \$155 hourly rate fees and charges affected by Proposal 1

Agricultural Compound and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015

Schedule 1 Part 1 Fees and charges		
Service	Current fee or charge	Proposed fee or charge
Application under section 8C of the Act for approval of the importation, manufacture, sale, or use of an agricultural compound without registration	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application under section 9 of the Act to register a trade name product or to vary 1 or more conditions on a registered trade name product	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Responding to inquiries about the form and content of applications under section 10 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Assessing whether an application to register a trade name product complies with section 10 of the Act	\$540 per application	\$67.50 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Considering waiver of notice under section 15 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Registering in the register of trade name products, in accordance with section 21(1)(d) of the Act, a trade name product or a variation of 1 or more conditions on a registered trade name product	\$540 per registration or variation	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Inspecting the register of registered trade names in accordance with section 24(5) of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application to provisionally register a trade name product of an agricultural compound under section 26 of the Act	\$155 per application	\$135 per application

	Plus assessment charge on hourly basis after the first hour, as specified in Part 2	Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application for approval of an operating plan under section 28 of the Act, or Director-General giving notice of an amendment to, or revocation of, an approval of an operating plan	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Monitoring compliance with conditions imposed (whether on the registrant, importer, manufacturer, seller, purchaser or user) under the Act or regulations made under the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Suspension under section 30A of the Act of the registration of a trade name product registered under section 21 or 27 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application under section 35C of the Act for the Director-General to issue a certificate of compliance under section 35A of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Recall of an agricultural compound under section 35G of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application for recognition under section 44C, 44E or 44G of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Recognition of a person under section 44F of the Act without an application	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2

Application for renewal of recognition under section 44Q of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Application under section 44S of the Act for a new notice of recognition in substitution for an existing notice of recognition	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
For each year for which an agency or a person is recognised in accordance with section 44T of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Inspection in accordance with section 64 of the Act for the purpose of enforcing provisions of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Performance or exercise of a function, duty or power that is – (a) Required to be undertaken under the Act, including under any regulations or notices; and (b) Not prescribed elsewhere in these regulations	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Schedule 1 Part 2 Assessment and inspection charges on hourly basis		
Service	Current fee or charge	Proposed fee or charge
(a) for each hour (excluding final part-hour) spent by a person (whether or not employed by MPI)		
(b) for each 15-minute block in final part-hour spent under paragraph (a)	\$155	\$135
	\$38.75	\$33.75

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

Schedule Part 1 Schedule of fees		
Service	Current Fee or Charge	Proposed Fee or Charge
Application under section 20 for registration of risk management programme	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 25 for agreement to amendment of risk management programme	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Fee in relation to update of risk management programme under section 26	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Application under section 34 for registration of food control plan as risk management programme ⁴²	\$102.27 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2
Application under section 54 for registration as exporter	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for approval of premises for export of products where required under export requirements	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual exporter registration fee under section 57	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 65G for listing as a game estate	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual listing fee under section 65L	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application

⁴² The \$102.27 rate for this service was erroneous when promulgated and should have been at the \$155 rate. No applications for registration under section 34 have been received and no charges have been made to date under this item. This change aligns the rate should there be any future charges for this service.

Application under section 75 for listing as homekill or recreational catch service provider	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual listing fee under section 77	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 107 for recognition	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 112D for renewal of recognition	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual recognition fee under section 112F	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application under section 112E for substituted notice of recognition	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application
Reissue of Official Assurance under section 64(2) if replacement assurance demanded by importing country	\$465.00 per Official Assurance Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2	\$405.00 per Official Assurance Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2
Reissue of Official assurance under section 64(2) for live animals or germplasm if replacement assurance demanded by importing country ⁴³	\$465.00 per Official Assurance Plus assessment charge on hourly basis after the first 2 hours and 30 minutes as specified in Part 2	\$465.00 per Official Assurance Plus assessment charge on hourly basis after the first two hours and 30 minutes as specified in Part 2
Registration of transport operator, vehicle docking facility operator or wharf operator under a notice issued under section 40	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to list animal material depot as required under notice issued under section 167 and renewal of listing	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application

⁴³ This rate is not being changed as it is based upon the higher vet rate of \$184.30.

Application for issue or revocation of relay permit for bivalve molluscan shellfish issued under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for registration as bivalve molluscan shellfish harvest operator under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual bivalve molluscan shellfish harvest operator fee under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to list or renew listing as transport operators, sorting shed operators or depot operators required by notice made under the Animal Products (Regulated Control Scheme—Bivalve Molluscan Shellfish) Regulations 2006	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to register a limited processing vessel under the Animal Products (Regulated Control Scheme—Limited Processing Fishing Vessels) Regulations 2001	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Annual limited processing vessel registering fee under the Animal Products (Regulated Control Scheme—Limited Processing Fishing Vessels) Regulations 2001	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for approval of MPI Devices (brands/seals) made under the Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2012 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to be certified 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 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Applications for recertification 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 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for listing as further (pet food) processor under the Animal Products (Specifications for Products Intended for Animal Consumption) Notice 2014 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Applications to relist as a further pet food processor under the Animal Products (Specifications for Product Intended for Animal Consumption) Notice 2014 or any replacement notice	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$64 per application

Notification of change of a recognised agency on a risk management programme under sections 16(2) and 19(g)	\$77.50 per notification Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$64 per application
Application to list as an approved halal premises under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application to list as an approved halal organisation under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Audit of approved halal organisations under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for approving, renewing or revoking an issuing officer's approval under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Listing of halal assessment and approval personnel and a competent halal slaughter person under the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2015 or any replacement notice	\$155.00 per listing Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Inspection and audit under the Animal Products Act 1999	Assessment charge on hourly basis as specified in Part 2	Assessment charge on hourly basis as specified in Part 2
Performance of a function, power, or duty that is: <ul style="list-style-type: none"> required to be undertaken under the Animal Products Act 1999, including under any regulations or notices; and not prescribed elsewhere in these regulations 	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2
Application for approval of any maintenance compounds that is required to be undertaken under the Animal Products Act 1999, including under any regulations or notices	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application

Schedule 1 Part 2 Assessment and inspection charges on hourly basis		
Service	Current fee or charge	Proposed fee or charge
(a) For each hour (excluding final part-hour) spent by a person (whether or not employed by the Ministry)	\$155	\$135
(b) For each 15-minute block in final part-hour spent under paragraph (a)		
(e) For each hour (excluding final part-hour) spent by a person employed by the Ministry under item 4 in Part 1 of this schedule	\$38.75	\$33.75
(f) For each 15-minute block in final part-hour spent under paragraph (e)	\$102.27	\$135
g) For each hour (excluding final part-hour) spent by a person who is not employed by MPI		
(h) For each 15-minute block in final part-hour Spent under paragraph (g)	\$25.27	\$33.75
	\$155	\$135
	\$38.75	\$33.75

Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015

Schedule Part 1 Fixed fees, charges, and levies		
Service	Current fee or charge	Proposed fee or charge
Application for, assessment of, and approval or renewal of registration of person as a registered farm dairy operator or registered depot operator under the regulated control scheme imposed by the Raw Milk for Sale to Consumers Regulations 2015	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and approval or variation of risk management programmes and quota compliance programmes	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application

Application for, evaluation of, and approval or variation of approval of laboratories	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and approval or variation of codes of practice	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for, evaluation of, and recognition, variation or renewal of agency or person as recognised agency or recognised person under Part 8 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Application for agreement to minor amendments of risk management programme	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$135 per application
Application for market access functions	\$155 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application Plus assessment charge on hourly basis after the first hour as specified in Part 2
Verification inspection and audits	\$155 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 Plus assessment charge on hourly basis after the first hour as specified in Part 2
Application for product disposition	\$155 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Reissue of Official Assurance under section 64(2) of the Act if replacement assurance demanded by importing country	\$465 per replacement certificate Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2	\$384 per application Plus assessment charge on hourly basis after the first 3 hours as specified in Part 2
Application for registration or renewal of registration	\$155 Plus assessment charge on hourly basis after the first hour as specified in Part 2	\$135 per application
Performance or exercise of a function, power, or duty that: <ul style="list-style-type: none"> is required to be undertaken under the Act, including under any regulations or notices; and is not prescribed elsewhere in these regulations 	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2
Application for approval of any maintenance compounds that is required to be undertaken under the Act, including under any regulations or notices	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes as specified in Part 2	\$67.50 per application

Schedule 1 Part 2 Assessment charges on an hourly basis		
Service	Current fee or charge	Proposed fee or charge
(a) For each hour (excluding final part-hour) spent by an officer or employee of the Ministry, or a person engaged by the Ministry who is not an officer or employee		
(b) For each hour (excluding final part-hour) spent by an officer or employee of the Ministry, or a person engaged by the Ministry who is not an officer or employee	\$155	\$67.50
	\$38.75	\$33.75

Wine Regulations 2006

Schedule 1 Part 1 Fees and charges		
Service	Current fee or charge	Proposed fee or charge
Notification for an exemption under regulation 5A from operating under a registered wine standards management plan	\$155 per notification Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Notification of change in operator's recognised verifying agency under section 13(f) of the Act	\$77.50 per notification Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application
Application based solely on template approved by Director-General for registration of wine standards management plan in accordance with section 18 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Application not based solely on template approved by Director-General for registration of wine standards management plan in accordance with section 18 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application

Application for registration of significant amendment to wine standards management plan under section 22 of the Act	\$77.50 per application Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application
Notification for registration of a minor amendment to wine standards management plan under section 23 of the Act	\$77.50 per notification Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 per application
Application under section 48 of the Act for registration as exporter	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Inspection and other individual-focused compliance activities carried out by wine officer under Part 3 of the Act	\$155 per inspection or activity Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per inspection or activity Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2
Application for recognition of agency, person, or class of persons, under section 71, 73, or 75 of the Act	\$155 per application Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Verifications and audits by MPI further to its recognition under section 72(1) of the Act as a recognised agency	\$155 per verification or audit Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per verification or audit Plus assessment charge on hourly basis after the first hour, as specified in Part 2
Ongoing recognition fee under section 82F of the Act	\$155 payable annually, Plus assessment charge on hourly basis after the first hour, as specified in Part 2	\$135 per application
Performance or exercise of a function, duty, or power that is— (a) required to be undertaken under the Act, including under any regulations or notices; and (b) not prescribed elsewhere in these regulations	\$77.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	\$67.50 Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2

Schedule 1 Part 2 Assessment and inspection charges on hourly basis		
service	Current fee or charge	Proposed fee or charge
(a) For each hour (excluding final part-hour) spent by a person (whether or not employed by the Ministry)		
(b) For each 15-minute block in final part-hour spent under paragraph (a)	\$155	\$135
	\$38.75	\$33.75

Animal Welfare (Cost Recovery) Regulations 2015

Schedule Part 1 Fees and charges		
Service	Current fee or charge	Proposed fee or charge
Performance or exercise of a function, duty or power that is:		
(a) Required to be undertaken under the Act, including under any regulations; and	\$77.50	\$67.50
(b) Not prescribed elsewhere in these regulations.	Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2	Plus assessment charge on hourly basis after the first 30 minutes, as specified in Part 2
Schedule Part 2 Assessment charges on hourly basis		
Service	Current Fee or Charge	Current Fee
(e) For each hour (excluding final part-hour) during work hours spent by a person (whether employed or not employed by the Ministry) under item 2 in Part 1 of this schedule		
(f) For each 15-minute block in final part-hour spent under paragraph (c)	\$155	\$67.50
	\$38.75	\$33.75

Food (Fees and Charges) Regulations 2015

Schedule Part 2 Fixed and hourly fees and charges		
Service	Current fee or charge	Proposed fee or charge
Application for, assessment of, and registration of custom food control plan	\$348.50 per application Plus \$155.00 per hour spent processing the application after the first 2 hours and 15 minutes	\$288.00 per application Plus \$135.00 per hour spent processing the application after the first 2 hours and 15 minutes
Application for renewal of registration of custom food control plan	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for registration of an amended custom food control plan owing to a significant amendment	\$310.00 per application Plus \$155.00 per hour spent processing the application after the first 2 hours	\$270 per application Plus \$135.00 per hour spent processing the application after the first 2 hours
Not-significant amendment of custom food control plan	\$77.50 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Amendment to custom food control plan for a significant change in circumstances	\$155.00 per notification of amendment Plus \$155.00 per hour spent processing the notification after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Voluntary suspension of registered custom food control plan	\$77.50 per notification of suspension Plus \$155.00 per hour spent processing the notification after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for registration of food control plan based on an approved template or model	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135 per hour spent processing the application after the one hour and 15 minutes
Application for registration of food control plan based on a template or model issued by the Chief Executive	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135 per hour spent processing the application after the first hour and 15 minutes

Application for renewal of registration of food control plan based on an approved template or model	<p>\$77.50 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Application for renewal of registration of food control plan based on a template or model issued by the Chief Executive	<p>\$77.50 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Application for registration of an amended food control plan based on an approved template or model owing to a significant amendment	<p>\$155.00 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first hour</p>	<p>\$135.00 per notice</p> <p>Plus \$135.00 per hour spent developing and issuing the notice after the first hour</p>
Application for registration of an amended food control plan based on a template or model issued by the Chief Executive owing to a significant amendment	<p>\$155.00 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first hour</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Not-significant amendment of food control plan based on an approved template or model	<p>\$77.50 per notification of amendment</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Not-significant amendment of food control plan based on a template or model issued by the Chief Executive	<p>\$77.50 per notification of amendment</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Amendment to food control plans based on an approved template for a significant change in circumstances	<p>\$77.50 per notification of amendment</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Amendment to food control plan based on a template or model issued by the Chief Executive for a significant change in circumstances	<p>\$77.50 per notification of amendment</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Voluntary suspension of a registered food control plan based on an approved template or model	<p>\$77.50 per notification of suspension</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>

Voluntary suspension of a registered food control plan based on a template or model issued by the Chief Executive	<p>\$77.50 per notification of suspension</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Application for, assessment of, and registration of a business subject to a national programme	<p>\$116.25 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first 45 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Application for renewal of registration of a business subject to a national programme	<p>\$77.50 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Amendment to registration of a business subject to a national programme because of a significant change in circumstances	<p>\$77.50 per notification of amendment</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Voluntary suspension of registration of a business subject to a national programme	<p>\$77.50 per notification of suspension</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Application for, evaluation of, and registration as an importer of food	<p>\$116.25 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first 45 minutes</p>	
Application for renewal of registration as an importer of food	<p>\$77.50 per application</p> <p>Plus \$155.00 per hour spent processing the application after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Amendment to registration of an importer of food because of a significant change in circumstances	<p>\$77.50 per notification of amendment</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>
Voluntary suspension of registration as an importer of food	<p>\$77.50 per notification of suspension</p> <p>Plus \$155.00 per hour spent processing the notification after the first 30 minutes</p>	<p>\$67.50 per application</p> <p>Plus \$135 per hour spent processing the application after the first 30 minutes</p>

Application for, assessment of, and granting of an exemption	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for approval of laboratories	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135.00 per hour spent processing the application after the first 1 hour and 15 minutes
Application for renewal of a laboratory approval	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application to amend the details of a laboratory approval (between renewals)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, assessment of, and approval of a template or model under section 40 of the Act	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for renewal of approval of a template or model under section 40 of the Act	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for approval of an amended template or model under section 40 of the Act	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$180.00 per hour spent developing and issuing the notice after the first hour
Application for approval under section 291 of the Act to meet a requirement of the Act (except a requirement for a laboratory approval)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for renewal of an approval under section 291 of the Act	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes

Application to amend the details of an approval under section 291 of the Act (between renewals)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application for, assessment of, and recognition of an agency, a person, or a class of persons as a recognised agency, recognised person, or recognised class of persons	\$193.75 per application Plus \$155.00 per hour spent processing the application after the first 1 hour and 15 minutes	\$168.75 per application Plus \$135.00 per hour spent processing the application after the first 1 hour and 15 minutes
Application for renewal of recognition of an agency, a person or a class of persons	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Application to amend the details of recognition of an agency, a person or a class of persons (between renewals)	\$77.50 per application Plus \$155.00 per hour spent processing the application after the first 30 minutes	\$67.50 per application Plus \$135 per hour spent processing the application after the first 30 minutes
Verification, inspection, and audit	\$155.00 per hour	\$135.00 per hour
Issue of improvement notice, including development of the notice, by a food safety officer	\$155.00 per notice Plus \$155.00 per hour spent developing and issuing the notice after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for review of issue of improvement notice	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application for, compilation of, and issue of statement of compliance	\$155.00 per application Plus \$155.00 per hour spent processing the application after the first hour	\$135.00 per notice Plus \$135.00 per hour spent developing and issuing the notice after the first hour
Application under section 53(3)(b) of the Act for a waiver of the requirement for a custom food control plan to be evaluated	\$348.75 per application Plus \$155.00 per hour spent processing the application after the first 2 hours and 15 minutes	\$303.75 per application Plus \$135.00 per hour spent processing the application after the first 2 hours and 15 minutes