

Updated fees and changes frequently asked questions

Why is MPI updating its fees?

This is the first review of biosecurity fees since 2010 and the first review of food safety fees since 2008. It is also the first review since the Ministry for Primary Industries (MPI) was formed in 2011.

Since the last review of fees there has been:

- an increase in imports and exports
- an increase in the number of food businesses
- changes to trading patterns which means MPI has had to provide new and improved services
- inflation pressure which means the real cost of delivering services is also increasing.

In addition, the different systems for recovering costs from industry were not developed at the same time which, over time, has led to potential inequities in current charges. The proposed updates have been designed to address these inequities and ensure all industry – large and small – is treated fairly.

Why have costs for MPI's services gone up?

Not all costs for services have gone up and in some cases business will see a reduction in costs. For example, as a result of the review, small and artisan dairy processors will see a reduction in the annual amount they have to pay.

In other areas we have had to increase our fees and charges to meet an increase in demand which has been driven by increasing imports and exports and a greater number of food businesses. This has meant that MPI has had to provide new services as well as make improvements to existing services. In addition inflation pressure has meant that the cost of delivering services is also increasing.

It is important to note that this is the first review of fees for the biosecurity and food safety services in a number of years and generally across the board, increases to existing services are much less than the rate of inflation.

Throughout the review we have worked hard to keep costs down and to ensure fees and charges are fair and appropriate.

For more details on the updated fees and policies, please visit <http://mpi.govt.nz/law-and-policy/legal-overviews/updated-fees-charges>.

How much is MPI expecting to recover from industry and businesses?

Over the next year, MPI expects the amount recovered from industry for biosecurity to increase by approximately \$6.0 million to \$36.4 million, and to increase by approximately \$5.9 million to \$61.2 million for food safety.

In addition, under the Food Act 2014 MPI expects to recover around \$3 million per year, beginning from 1 March 2016.

Who pays for the biosecurity and food safety systems?

Like other major Government systems, the food safety and biosecurity systems are partially funded by tax payers out of recognition of the benefit they bring the wider economy.

However, a key principle in the laws which govern food safety and biosecurity is that those who most directly benefit must shoulder some of the cost. This review has updated fees and charges for industry who directly benefit from the biosecurity and food safety services MPI provides.

Is cost recovery a new initiative?

No. It is a longstanding and important part of the way New Zealand government funds its services to industry.

This review will be part of regular ongoing reviews around the way MPI recovers costs for its services to ensure our fees are fair and appropriate.

Does everyone pay the same?

No. Different businesses will pay different amounts depending on the services they receive. For more details on the updated fees and policies, please visit <http://mpi.govt.nz/law-and-policy/legal-overviews/updated-fees-charges>

Has MPI considered other alternatives to updating fees?

MPI considered a wide range of possibilities when reviewing the way we recover costs, including the option of keeping costs to business as they are. However, rising costs and identified inequities, suggest that change is needed.

What will this mean to my business?

The costs that businesses will need to meet will vary according to the nature of the particular business. For more details on the updated fees and policies, please visit <http://mpi.govt.nz/law-and-policy/legal-overviews/updated-fees-charges>

Wine

Why is MPI looking to introduce cost recovery to the wine industry?

The Ministry provides a range of services for the domestic and export wine sectors, including maintaining standards, ensuring compliance, ensuring NZ wine meets international standards and helping our wine industry gain market access overseas. These services and programmes ensure that all NZ wine is meeting domestic and international requirements.

As part of the cost recovery review, MPI will be recovering costs from the wine industry for these essential services.

This will be the first time the Government has decided to recover costs from the wine industry for most of these services. Since its establishment, the wine industry has grown significantly into a \$1.3 billion industry and we believe that the industry has reached a stage where it is appropriate for wine growers to pay for the services that directly benefit their businesses.

Paying for the regulatory services that benefit their industry will also put the wine industry on par with other industries in NZ who already pay for these important services.

What costs is MPI looking to recover from the wine industry?

MPI will recover costs from the wine industry in the following ways:

- A new export levy of 1 cent per litre of wine exported for exports over 200,000 litres per annum. Total revenue raised by this levy will be around \$1.6 million per year. The export levy will pay for services such as setting export standards, export certification, and helping our wine industry gain overseas market access.
- All exporters will be exempt from paying an export levy on the first 200,000 litres of wine exported. This means smaller wine producers will not be impacted by the levy.
- New Zealand Winegrowers will make an agreed annual payment of \$320,000 per annum for maintaining domestic standards and compliance services, rather than being subject to a compulsory levy. This agreed amount will replace the current payment of \$151,000 from New Zealand Winegrowers. This amount has been reduced by \$10,000 from the originally proposed amount of \$330,000 in recognition that NZ Winegrowers should not be paying for activities provided to non-grape wine and cider makers.
- Administrative services and activities, such as inspections, will be cost recovered.
- MPI currently provides rebates to wine exporters for laboratory testing of wine, which is currently paid for through Crown funding. As of 1 July 2015, MPI will no longer offer these rebates. This will reduce Crown expenditure by \$800,000 per annum. As part of helping our wine industry gain market access overseas, MPI continues to work with trading partners to facilitate trade and reduce the cost of complying with border checks for wine.

For more details on the updated fees and policies, please visit <http://mpi.govt.nz/law-and-policy/legal-overviews/updated-fees-charges>

Small and artisan businesses

How will changes to cost recovery effect small and artisan businesses?

During consultation MPI received feedback and submissions over the impact of cost recovery on small businesses, such as artisan dairy producers and wineries.

MPI acknowledges that the proposed fees and charges would have a significant impact on small and artisan businesses and we have worked with industry to address these concerns.

As a result we revised some of our initial proposals and have made the following changes:

- reducing the annual levy for small dairy processors (businesses producing 16,500 kg or less of raw milk solids) from \$487 to \$465 (excluding GST) per annum
- exempting all wine exporters from paying an export levy on the first 200,000 litres of wine exported, which will ensure smaller wine producers are not impacted by the levy.

Animal products (excluding dairy)

What changes / fees is MPI looking to make in the animal products industry?

MPI charges the animal products industry (which includes a range of businesses that process products such as red meat, eggs, poultry meat, and other animal products) for the verification services it provides.

Verification services are mandatory and some are provided through full-time onsite MPI verifiers who are permanently based at premises such as larger red meat slaughter establishments. The cost for this service is recovered through a programme fee as well as a separate establishment veterinary verifier hourly rate charge.

Other verification services are provided through MPI verifiers who visit other processing premises as required. The cost for this service is recovered through a circuits programme hourly charge and separate circuit verifier hourly rate charges.

For more details on the updated fees and hourly rate charges are available on the MPI website <http://mpi.govt.nz/law-and-policy/legal-overviews/updated-fees-charges>

Poultry

What changes / fees is MPI looking to make in the poultry industry?

MPI recovers costs from the poultry industry associated with setting and maintaining domestic and export standards and helping the industry gain market access. Currently the cost of these services are recovered under export and domestic levies.

After consulting with the industry, MPI will be introducing a single charge rate of \$0.004430 per bird that will replace the existing export and domestic-only levies. Implementing a single levy will reduce administration time and increase efficiency for both producers and the Ministry.

Eggs

What changes / fees is MPI looking to make in the egg industry?

MPI currently provides services to maintain and set standards for the egg processing industry and we charge processing facilities an annual levy for these services. The levy is paid by the Egg Producers Federation (EPF).

Since the last review of this levy, the costs of providing these services have increased. As a result, we will be increasing the annual levy from \$169.78 to \$527.30 per facility but this will continue be paid by the EPF. The new levy reflects the actual cost of providing these services.

Germplasm and live animal exports

What changes / fees is MPI looking to make for the germplasm and live animal exports industry?

After consulting with industry, a maximum charge for export consignments of germplasm and live poultry will be introduced. A fee cap equivalent to the cost of exporting 40,000 straws for germplasm and a fee cap equivalent to the cost of exporting 30,000 day-old chicks or hatching eggs will be implemented.

What changes / fees is MPI looking to make around animal welfare export certification?

The hourly rate for services in relation animal welfare export certificates have been brought in line with veterinary professional rates.

What changes / fees is MPI looking to make for the agricultural compounds and veterinary medicines industry?

The key concern of the sector was that registering trade name products was not happening quickly enough.

In response to this concern, and following consultation with industry, the Ministry has agreed to put additional resources into this area. The cost of this has been factored into the proposed fees and charges for this service.

Food Act 2014

What charges / fees is MPI looking to introduce under the Food Act 2014?

All food produced for sale in New Zealand must be produced to meet the requirements in legislation and regulation, whether the food is sold in New Zealand or overseas, or imported.

Under the new Food Act 2014, food businesses will be required to meet a number of verification and compliance requirements to ensure they are producing safe and suitable food.

MPI will recover costs from food businesses associated with providing essential services such as registration, verification and compliance activities, and the clearance of imported food. These services help to minimise and manage food safety risks and ensures the safety of consumers in New Zealand and abroad from New Zealand produced food.

As a consumer will I see an increase in the cost of food?

There will not be any direct cost to consumers from these proposals. Businesses will make their own decisions about whether they pass costs onto consumers.