



16 December 2019

Cost Recovery Directorate  
Ministry for Primary Industries  
PO Box 2526  
WELLINGTON 6140

Email: [costrecovery@MPI.govt.nz](mailto:costrecovery@MPI.govt.nz)

Dear Sir/Madam

Attached are the comments that the New Zealand Food & Grocery Council wishes to present on ***Recognising variability in charging for Animal Products and Wine Approvals: Updating charging practices for selected services, New Zealand Food Safety Discussion Paper No.:2019/08.***

Yours sincerely

Katherine Rich  
**Chief Executive**



***Recognising variability in charging for  
Animal Products and Wine Approvals:  
Updating charging practices for selected  
services***

***New Zealand Food Safety Discussion Paper  
No.:2019/08***

**Submission by the New Zealand Food & Grocery  
Council**

**16 December 2019**

---

## NEW ZEALAND FOOD & GROCERY COUNCIL

1. The New Zealand Food & Grocery Council (“NZFGC”) welcomes the opportunity to comment on *Recognising variability in charging for Animal Products and Wine Approvals: Updating charging practices for selected services, New Zealand Food Safety Discussion Paper No.:2019/08* (NZFS Discussion Paper)
2. NZFGC represents the major manufacturers and suppliers of food, beverage and grocery products in New Zealand. This sector generates over \$40 billion in the New Zealand domestic retail food, beverage and grocery products market, and over \$34 billion in export revenue from exports to 195 countries – representing 65% of total good and services exports. Food and beverage manufacturing is the largest manufacturing sector in New Zealand, representing 45% of total manufacturing income. Our members directly or indirectly employ more than 493,000 people – one in five of the workforce.

### Summary of Response

3. NZFGC appreciates that the services by MPI for animal products including approvals, registrations and recognitions are key to the fabric of the food safety system for which New Zealand is renowned.
4. In preparing the consultation document, it seems that there is a complex of intersecting matrices has been applied making it almost impenetrable to decipher. This was a significant barrier to discerning the current status (time and fee), the issue (level of variation), and the proposed adjustment since none were in the same order or placed adjacent. There are also gaps in the information (eg what proportion of the 130 applications for Risk Management Programme (RMP) registration are custom and template).
5. Aside from impenetrability and gaps, NZFGC concludes that, based on the variability suggested, overall we agree with the proposals for customised RMPs. We do not agree with the variability adjustment for template RMPs and consider there should a wider differential between customised and template as has been the intention all along.
6. NZFGC agrees with the proposals for changes to the recognition of people, agencies and laboratories.
7. NZFGC does not agree to the changes proposed for approving maintenance compounds. We suggest two options be considered: either an increase of a lesser level to account for cross-subsidisation of the assessment of simple/similar compounds compared to complex and novel compounds or some differential applied to categories of compounds on the basis that of over 1100 received annually (non-dairy and dairy), the similar compounds could be charged a lesser fee while the new/novel/complex compounds could be charged a higher fee.
8. NZFGC agrees with the proposals for changes to the wine fees and charges.

### COMMENTS

9. The *Animal Products (Fees, Charges and Levies) Regulations 2007* (the AP Regulations) and the *Animal Products (Dairy Industry Fees, Charges and Levies) Regulations 2015* (the Dairy Regulations) each contain a sequence of line items for the services considered in the consultation. This sequence has no relationship to either the list of proposed changes due to variation in Table 1 or the impact of the variation on charges in Appendix 2. As a result, stakeholders have 3 intersecting matrices to decipher to identify actual dollar

---

impacts. We also note that Table 1 lists dairy approval and non-dairy in column 1 of Table 1 but lists non-dairy then dairy in Appendix 2. Every simple reversal is confounding to tracking the impact.

10. As well, it is very helpful to consider the reason for proposed changes (the variation between the regulated time for a service activity and the actual time for conducting the activity) but only if all the items align. There are also gaps in the information such as how many of the 130 RMP registrations were custom and how many template.
11. These are issues of presentation that should be addressed in future consultations of this nature.

### **NON-DAIRY and DAIRY**

#### Application for registration of an RMP

12. The regulated fee is \$135 (1 hour) down from \$155 the previous year and proposed for a differential fee of \$270 (2 hours) for a template RMP and \$405 (3 hours) for a custom RMP. The reason template RMPs were introduced was for ease of uptake and cost of very similar activities. We can appreciate the complexity involved in custom RMPs and that the hourly charge was applied to however long assessment took. With several years' experience to draw on, if the average assessment time is three hours then a fee of \$405 seems justified. This is not the case with templates.
13. Templates are by definition basically the same. It seems contrary to logic that assessment time required has increased with experience from one hour to two hours rather than decreased with the familiarity templates bring to the assessor. As well the differential between template assessment and customised assessment is one hour. We suggest the template fee be reassessed and consideration be given to a 1.5 hour assessment at a fee of \$202.5.

#### Application for amendment of an RMP

14. The regulated fee is \$67.5 per application for amendment assessed as requiring half an hour to complete. The actual assessed time required is 3 times higher for template amendments and 5 times higher for custom RMPs such that the proposed fees are \$202.5 for amendments to template RMPs and \$337.5 for custom RMPs.
15. As for registration of templates, amendments (often templated themselves) should be significantly less complex than for custom RMPs and the proposed three-fold increase should be reassessed. This is not necessarily the case for custom RMPs and we note a five-fold increase is from a low base fee.

#### Application for minor amendment of an RMP

16. In relation to minor amendments we note that no change is proposed (assuming non-dairy are non-technical).

#### Application for recognition

17. In relation to applications for recognition of persons, agencies and laboratories, we note a small increase from one hour to 1.25 hours is proposed and a decrease in the time taken for a renewal from one hour to 0.5 hours. These changes appear reasonable.

#### Application for approval of maintenance compounds

18. In relation to approval of maintenance compounds, we note there are typically 836 applications for non-dairy compounds annually and 307 applications for dairy, a total in excess of 1100 applications annually. For these compounds, a doubling of the time and therefore the fee applied seems excessive. We would expect the vast majority of

---

maintenance compounds used by industry to have elements of similarity within an annual period and that, over time, there may well be spikes in complexity. Given the volume of applications we would think an averaging of one and a half times should address such spikes and at the same time the cross-subsidisation of simple/similar compound approvals for the more complex. Alternatively we suggest a categorisation of compounds such that a differential rate be applied to simple/similar compounds and the new/novel/complex compounds. On the average annual number of applications MPI has the history on over 5,500 compounds which should provide the source of data for categorisation.

## **WINE**

### **Application for registration of a Wine Standards Management Plan (WSMP)**

19. The regulated fee is \$135 (1 hour) down from \$155 the previous year and proposed for a differential fee of \$202.5 (1.5 hours) for a template WSMP and \$337.5 (2.5 hours) for a custom RMP. The reason template WSMPs were introduced was for ease of uptake, particularly by small winery operators, and cost of very similar activities. We can appreciate the complexity involved in custom WSMPs and that the hourly charge was applied to however long assessment took. With several years' experience to draw on, we note a small increase in the assessment of applications for template WSMPs (by 0.5 hours) and a threefold increase for custom WSMPs noting the average annual combined applications total 10.

### **Application for amendment of an WSMP**

20. The regulated fee is \$67.5 per application for amendment assessed as requiring half an hour to complete. Table 1 states that around 52 applications for amendment are received annually and the actual time taken is one hour per application. The schedule of affected services in Appendix 2 retains the fee applied at \$67.5, a position NZFGC supports noting that the actual assessment fee can be increased on a needs basis.

### **Application for recognition**

21. In relation to applications for recognition of persons, agencies and wine laboratories, we note a small increase from one hour to 1.25 hours is proposed and a decrease in the time taken for a renewal from one hour to 0.5 hours. These changes appear reasonable.