

# Submission

## Annual Review 2024: Proposed changes to MPI's cost recovery settings.

### Contact details

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### Are you submitting:

- as an individual? Yes  No

- as a business? Yes  No

What is the name of your business?	DairyNZ Ltd		
How many people work in your business (full time/ part time)? (including owner-operators)	<input type="checkbox"/> 0 - 5	<input type="checkbox"/> 6 - 9	<input type="checkbox"/> 10 -19
	<input type="checkbox"/> 20 - 49	<input type="checkbox"/> 50 - 99	<input checked="" type="checkbox"/> 100+

- on behalf of an organisation? Yes  No

What is the name of your organisation?	DairyNZ Ltd
How many members do you represent?	12,000 dairy farmers - DairyNZ is the industry good organisation representing New Zealand's dairy farmers. Funded by a levy on milk solids and through government investment, our purpose is to secure and enhance the profitability, sustainability and competitiveness of New Zealand dairy farmers and their local communities.

### Additional details

What industry are you (or your members) primarily involved in?

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Agriculture                    | <input type="checkbox"/> Aquaculture   |
| <input type="checkbox"/> Fishing                                   | <input type="checkbox"/> Seafood processing                                  |
| <input type="checkbox"/> Meat & meat product manufacturing         | <input type="checkbox"/> Dairy product manufacturing                         |
| <input type="checkbox"/> Other food Manufacturing                  | <input type="checkbox"/> Other (non-food) manufacturing                      |
| <input type="checkbox"/> Food Product wholesaling & retailing      | <input type="checkbox"/> Food & beverage services (e.g. cafes & restaurants) |
| <input type="checkbox"/> Transport, warehousing & related services |  |
| <input type="checkbox"/> Other: <input type="text"/>               |  |

### Which areas do you wish to comment on?

**Thanks for the opportunity to comment.**

General comment

- MPI's cost recovery principles and overall approach to cost recovery

Potential changes to cost recovery settings

- ACVM fees
- ACVM levy
- Circuit verification fees
- Vet inspections for pets
- Error! Reference source not found.**
- Error! Reference source not found.**
- Cat and dog imports
- Cancelled vet appointments.
- Biosecurity and veterinary inspector work outside of normal hours
- Re-establishment of export eligibility
- Frozen berries assurance
- Dairy quota certificates

## **MPI'S COST RECOVERY PRINCIPLES AND OVERALL APPROACH TO COST RECOVERY**

### **CHAPTER 3 (PAGE 6) OF THE CONSULTATION DOCUMENT**

#### **Questions**

- 1 Do you have any general comments on MPI's overall approach to cost recovery? Yes / no. if yes, please explain.

No – MPI's principles for cost recovery are well understood and provide a robust framework for cost recovery consultation.

## **AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES (ACVM) FEES**

### **CHAPTER 5 (PAGE 12) OF THE CONSULTATION DOCUMENT**

#### **Proposal**

It is proposed to increase the ACVM fees from a base hourly rate of \$135 to \$247 to recover future costs and an expected \$0.8 million accumulated deficit.

#### **Questions**

- 1 Do you agree with the identified problem regarding ACVM fees?

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No	Not sure

- 2 What are the reasons for your answer above?

While DairyNZ understands the identified problem, we would recognise that there is a risk of these cost increases being passed on to our dairy farmers - with a 83% increase in the hourly charge out rate for ACVM staff and a 128% increase in the ACVM levy it is likely that these increases will be passed on to our levy payers. These are still challenging times, and the proposed changes could add further costs to farmers which are already under considerable pressure.

We also understand from the registrants that there are already concerns about existing performance/delays of registering normally highly globally regulated products and what that means for new products like inhibitors.

We see some risk of niche products that are critical to New Zealand biosecurity and animal welfare risk management being pulled from the New Zealand market as increased costs makes these products not commercially viable or as highlighted in section 5.6.3, it could also lead to a decrease in the number of agricultural compounds in the New Zealand market, which would limit the suite of biosecurity risk mitigation options for our dairy farmers. This is a real concern to our levy payers.

- 3 Do you consider that the level of investment in fee-related services provided by MPI is necessary? Yes / no, please explain. Can you suggest any other options?

DairyNZ agrees the level of investment in fee-related service provided by MPI is necessary but with experience in similar investment decisions in IT management systems like Tiaki (MPI funded but oversighted by industry partners through the *M bovis* Governance Group) and OSPRI's Information System (industry funded with MPI oversight through Funders Agreements), we would strongly recommend a MPI/industry partnership governing the industry funded ACVM Online system. Trust and confidence in the delivery performance of such systems can only be achieved with a strong partnership approach from the beginning of its development.

- 4 Do you consider MPI's assessment of how these services have performed is reasonable?

We understand that there have been declining levels of application processing efficiency as noted in the discussion paper. Lessons learnt from similar discussions with other industry service providers like OSPRI or MPI's Market Access programme have shown that service provision with metrics agreed by industry enables greater transparency of the value delivered for these services and also allows for changes in efficiency to be measured and included (and supported) in forecast costs. This provides a strong framework for shared understanding of priorities and the investment needed to deliver to an agreed service provision.

- 5 Do you have any other comments on MPI's assessment around the four cost recovery principles?

As above, MPI's principles for cost recovery are well understood and provide a robust framework for cost recovery consultation.

- 6 Would the proposed base hourly rate cause you / your business / the sector significant concern?

We would recognise that there is a risk of these cost increases being passed on to our farmers - with a 83% increase in the hourly charge out rate for ACVM staff and a 128% increase in the ACVM levy. These are still challenging times for our farmers and the proposed changes could add further costs to farmers which are already under considerable pressure.

- 7 Please provide any additional relevant data/information on the impacts of the proposed base hourly rate to you / your business / the sector.

DairyNZ has no additional relevant data/information to provide.

- 8 Are there any other issues you think MPI should be aware of?

No.

## ACVM LEVY

### CHAPTER 6 (PAGE 20) OF THE CONSULTATION DOCUMENT

#### Proposal

It is **proposed to increase the ACVM levy from \$540 to \$1,233 per annum per trade name product** to recover future costs and an expected \$2.7 million accumulated deficit.

#### Questions

##### ACVM Levy rate

- 1 Do you agree with the identified problem regarding the ACVM levy?

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not sure
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- 2 What are the reasons for your answer above?

As above.
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- 3 Do you consider that the level of investment in levied services has been necessary? Yes / no, please explain. Can you suggest any other options?

As above.
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- 4 Do you consider MPI's assessment of how these services have performed is reasonable?

As above.
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- 5 Do you have any other comments on MPI's assessment around the four cost recovery principles?

As above.
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- 6 Would the proposed levy rate cause you / your business / the sector significant concern. Yes / no, please explain.

As above.
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- 7 Please provide any additional relevant data/information on the impacts of the proposed levy rate to you / your business / the sector

As above.
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- 8 Are there any other issues you think MPI should be aware of?

No.
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- 9 Do you have any comments on the proposal to remove the ability of the Director-General to reset the levy rate?

We support MPI's preference to remove the ability of the DG to reset the levy rate up to the maximum prescribed under the regulations, given MPI have never used the delegation authority in the past.