



# Response to submissions on seafood industry annual fees under the Animal Products Act 1999

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## Table of Contents

<b>1</b>	<b>Introduction .....</b>	<b>3</b>	
<b>2</b>	<b>Summary of submissions .....</b>	<b>3</b>	
2.1	Small scale seafood operators .....	3	
2.2	Medium scale seafood operators .....	4	
2.3	Large scale seafood operators.....	4	
2.4	Seafood Industry Council (SeaFIC).....	5	
<b>3</b>	<b>Outcome of consultation .....</b>	<b>5</b>	
3.1	NZFSA comment on the consultation process .....	6	
3.2	NZFSA comment on compliance costs .....	6	
	<b>Annex One .....</b>	<b>7</b>	
	New levy system for the seafood industry under the Animal Products Act 1999		7

# 1 Introduction

The New Zealand Food Safety Authority (NZFSA) wishes to thank the submitters for their comments on the NZFSA follow up discussion paper: *Review of Seafood Industry Annual Fees Charging System (17 March 2008)*.

Twelve submissions were received. Most of the submissions came from mainly small operators with a few from medium sized companies. A submission was also received from the Seafood Industry Council (SeaFIC). In addition NZFSA has received feedback from a number of stakeholders through direct communication, mostly in response to queries over invoicing.

## 2 Summary of submissions

### 2.1 Small scale seafood operators

Submissions received from small scale seafood operators all strongly supported the proposal to change the current charging system for NZFSA programme charges which include New Zealand standards and systems, export standards and market access services (industry good services) to a levy system. A few examples indicating their support follow:

- “I agree with virtually all the points proposed in your review notes and agree that the current method has a disproportionately heavy impact on small businesses, of which we are one.”
- “I feel that the proposal to changing to throughput is a much fairer system rather than using a fixed flat fee ...we are in favour of having tonnes processed.”
- “I agree with the proposal to get some equity into the fee structure.”
- “I wholeheartedly support the NZFSA policy as set out in section 3.1 Policy and section 3.2(2) of the review paper. The principles are clearly set out in the Animal Products Act 1999 and are adhered to by most sectors other than the seafood sector.”

Several small scale seafood operators commented that they do not believe that their interests in relation to the proposed changes have been represented by the Seafood Industry Council. Examples of their concerns in regard to SeaFIC's follow:

- “Unlike the Meat sector, the Seafood sector has no voice for the smaller operators ...and we are totally dominated by the vested interests of the major players. ... In the three years I have been

manager of (*name of company*) I have seldom heard from SeaFIC and usually only to enlist our support to make a change that suits the interests of major players. I certainly heard nothing of the October 2006 public discussion document "*made known to persons or organisations that represent the interests of persons likely to be substantially affected by the changes*".

- "I would imagine that the majority that SeaFIC are representing would be a large number of large players ... I cannot understand SeaFIC understanding why lowering fees for small processors may encourage over capitalisation - Again is this just SeaFIC representing the larger players?"
- It is interesting to read that SeaFIC opted to stay with the current system. At no stage do I recall being asked for comment from SeaFIC. I do not believe that they have put these questions to the industry players, other than perhaps a few of the larger companies. Their opinion is not necessarily that of the industry, if they haven't consulted with the industry they are supposed to represent.

## **2.2 Medium scale seafood operators**

Only a few submissions were received from medium scale seafood operators. These submissions were unsupportive of NZFSA's proposal for change. These submitters commented that the current charging system is an adequate means of distributing NZFSA programme costs.

These submitters raised concerns about the administration of NZFSA's proposed levy system e.g. one submitter questioned how NZFSA will verify tonnage information and the other pointed out the complex issue of how NZFSA will account for the different fish species and their relative weights in relation to the tonnage information required to operate an effective and fair levy system.

One of the submitters commented that it is the larger companies who are subsidising the smaller operators in relation to NZFSA time spent on certification work. "Certification is something that is affected by use and is currently charged to the users as they use, without the high use of the larger processors I am sure that these certification costs for the smaller processors would be much higher".

## **2.3 Large scale seafood operators**

No submissions were received from the two large scale operators on the proposed changes to the current uniform fixed annual fees charging system.

## 2.4 Seafood Industry Council (SeaFIC)

SeaFIC maintains its preference to retain the existing charging system (a uniform fixed annual fee for wetfish and for shellfish) for each processing site. In its submission, the Council recommended “that the existing charging methodology should be continued for 2008/09 during which time the methodology should be properly reviewed”. The council considers that there has been insufficient time and analysis of the options to justify changing the charging system at this point in time. The Council notes that very few processors have expressed to them dissatisfaction with the current system.

The Council also questions the application of the Animal Products Act 1999 cost recovery methodology and raises questions around how the proposed levy system based on tonnes of material processed would be administered.

## 3 Outcome of consultation

The analysis of the comments received from NZFSA’s recent consultation with the seafood industry and further analysis of cost and market share information has resulted in NZFSA deciding to proceed with the proposed levy system.

No new information was provided that changed NZFSA’s view that the current charging mechanism (fixed annual fees) for the seafood industry is not consistent with cost recovery principles and guidelines, in particular with respect to equity, and is causing concern to a number of small wetfish and shellfish companies.

NZFSA has concluded that equity considerations suggest that all seafood companies should be paying for NZFSA services in proportion to their use or benefit gained from these services. By introducing a charging method based on tonnes of material (fish and shellfish) processed all seafood companies would pay in proportion to the use of or benefit gained from NZFSA services, and this method would ensure a more equitable distribution of these service costs to small seafood processors.

On 14 May 2008 Cabinet Economic Development Committee confirmed the changes to the charging system for the seafood industry from a uniform fixed annual fee to a levy method, based on the tonnes of material (fish or shellfish) processed for domestic and export markets. This approach is consistent with the current practice of recovering NZFSA costs for similar services provided to the meat, poultry, dairy, and venison sectors. The new levy system for the seafood industry will come into force on 1 July 2008.

The details of the new levy system are attached in Annex One. NZFSA will consult with industry sector organisations to ensure the levy collection system is implemented simply and effectively so as to minimise business compliance and levy collection costs.

### **3.1 NZFSA comment on the consultation process**

In October 2006 NZFSA released a discussion paper: Cost Recovery proposals under the Animal Products Act 1999. NZFSA proposed changing the charging system for the seafood sector, which is based on uniform fixed annual fees per processing site, to a system based on the volume of product processed for domestic and export markets.

The New Zealand Seafood Industry Council, the representative organisation for the seafood sector, indicated its preference to retain a uniform fixed annual fee for each processing site. Given the apparent lack of industry support for the proposal, and insufficient information to justify a change, NZFSA did not recommend altering the seafood sector's charging mechanism for 2007/08.

Following invoicing for the 2007/08 fees NZFSA has had feedback from a number of smaller wetfish and shellfish processors concerned about the impact of the fees on their businesses. In March 2008, NZFSA sent a follow up discussion paper: Review of Seafood Industry Annual Fees Charging System to all known seafood industry operators.

NZFSA considers that the seafood industry has had sufficient time to consider the proposal to introduce a more equitable charging system to recover NZFSA programme costs.

### **3.2 NZFSA comment on compliance costs**

NZFSA considers that the information required to operate within a levy system based on tonnes of material processed should be available within documentation currently held by companies.

The soon to be introduced levy system should be easy to administer (for both NZFSA and seafood operators) as it would be based on seafood companies knowing their approximate annual processing figure.

The new levy system may cause some seafood industry operators some additional compliance costs associated with reporting information to NZFSA.

## Annex One

### New levy system for the seafood industry under the Animal Products Act 1999

The following table details the new levy system for the wetfish and shellfish sectors of the seafood industry under the Animal Products Act 1999. The new levy system will be applied to the seafood industry from 1 July 2008. The figures presented here are GST exclusive.

Levy	Levy on tones of material processed (GST exclusive)	
	Domestic (all processors)	Export processors
Primary processors of fish other than bivalve molluscan shellfish	\$0.42 per tonne of fish (other than bivalve molluscan shellfish) processed	\$0.82 per tonne of fish (other than bivalve molluscan shellfish) processed
Primary processors of bivalve molluscan shellfish	\$3.88 per tonne of bivalve molluscan shellfish processed	\$5.65 per tonne of bivalve molluscan shellfish processed