



Cost Recovery Proposals for
Approvals, Accreditations and
Registrations under the Wine
Act 2003

NZFSA Discussion Paper

March 2007

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NZFSA does not accept any responsibility or liability whatsoever for any error of fact, omission, interpretation or opinion that may be present, however it may have occurred.

The proposals in this paper are for industry engagement purposes and do not necessarily represent agreed Government policy.

Further copies :

Requests for further copies should be directed to :

Policy Group
New Zealand Food Safety Authority
PO Box 2835
WELLINGTON

Email: Policy@nzfsa.govt.nz

Facsimile: (04) 894 2583

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1 Purpose of the Paper

The purpose of this industry discussion paper is to present cost recovery proposals to increase the fees and charges for approvals, accreditations and registrations services provided by the New Zealand Food Safety Authority (NZFSA) to the wine industry under the Wine Act 2003 (Wine Act).

2 Background

The current New Zealand Food Safety Authority (NZFSA) fees and charges for the wine industry are contained in the Wine Regulations 2006.

No changes are proposed for the cost recovery method for dealing with the approval, accreditation and registration services provided by the NZFSA to the wine industry. Changes have been made in how the fees and charges are calculated for these services and the amount of costs to be recovered.

A number of factors have influenced these changes. These factors include:

- The last review took place in the 2004/05 financial year and in the past 3 years there has been an increase in indirect and salary costs for NZFSA. But no corresponding increase in the fees and charges set out in the Wine Act.
- The restructure of NZFSA away from sector based service delivery to a functionality based service delivery approach now covers a wider base of services and has necessitated a change in how services are costed and allocated to sectors or services delivered.
- A more accurate Full Time Equivalent (FTE) time recording system has been introduced, which enables much sharper analysis of the actual time taken to provide NZFSA services to industry.

2.1 Legislative Framework

The Wine Act 2003 provides for cost recovery under section 84(1) which requires that the Minister and the Director-General must take all reasonable steps to ensure that the direct and indirect costs of administering this Act that are not provided for by money appropriated by Parliament for the purpose are recovered under this subpart, whether by way of fees, levies, or otherwise

2.2 Cost Recovery Mechanism and Hourly Rate

The current cost recovery mechanism for the fees and charges for NZFSA approval, accreditations and registrations for the wine industry is by a fixed fee (made up of a time component calculated by the current hourly rate) per application and the current hourly rate thereafter. There is no change to the cost recovery mechanism for these proposals.

The hourly rate is based on the actual and reasonable costs expended in, or associated with, the performance of the NZFSA service or function. See Appendix 1 for the breakdown of the proposed new hourly rate for the Approvals and ACVM Group.

2.3 Services provided

The approval, accreditation and registration services provided through its Wine Programme by NZFSA to the wine industry, includes the following activities:

- registration of wine standards management plans;
- recognition of agencies and persons;
- registration of exporters;

3 Cost of providing approval, accreditation and registration services to the wine industry

This section details the current and future costs for the NZFSA of providing approval, accreditation and registration services to the wine industry. Budget information is provided on the proposed allocation of direct and indirect costs to each area of service, along with the staffing requirements.

3.1 Current situation

The current fees and charges for approvals, accreditation and registration services are based on services provided by the former Dairy and Plants Group of the NZFSA. Since those fees and charges were set in 2004, NZFSA has restructured away from sector-based delivery of services to a structure based on functionality. Under NZFSA's current organisational structure these same service are provided by the Approvals and ACVM Group.

Alignment by function provides for greater efficiency and will assist with the harmonisation across the food sector or food standards on operation systems.

NZFSA costs related to approvals, accreditation and registration services have not been apportioned on a sector basis. The total direct and indirect costs of these services have been built into an hourly rate which has then been apportioned to particular functions based on estimated time taken.

The current fees and charges for providing approvals, accreditations and registrations services are based on an hourly rate of \$86.77 (GST incl). This baseline hourly rate was set three years ago. As a result of NZFSA's cost recovery review and analysis of budgeted expenditure information the hourly rate for these fees and charges would not recover the full cost of providing these same services to the industry.

In order for NZFSA to fully cost recover the cost of these services NZFSA proposes that the hourly rate increase to \$137.25 (incl GST) for approval, accreditation and registration services.

4 Proposed Fees and Charges

This section proposes fees and charges for approvals, accreditations and registrations type services. These are private goods and therefore costs should be recovered from the users of these services at a rate that reflects the actual cost of providing the service. Disbursements and other administrative costs will also be recovered at cost.

Proposals

Fixed fees and annual charges are proposed where an accurate estimate of time taken to perform functions can be made. The fixed charge is made up of time taken and the hourly rate, (see appendix 1) plus known incidental costs. This will assist in minimising transaction costs and providing certainty over fees and charges.

Where there is a large variation in the cost of individual outputs, for example, in the time taken to perform the service, average costing through fixed fees is not an appropriate method therefore hourly rate, plus disbursement costs are provided for.

4.1 Proposed Approval Fees and Charges (GST Inclusive)

NZFSA Service for which a fee or charge is payable	Cost recovery method	Current application fee or charge	Current renewal fee	Proposed application fee	Proposed renewal fee
Registration as exporter under section 49 of Act	Fixed charge plus hourly rate	\$86.77, plus \$86.77 per hour (or part hour) after the first hour	\$86.77 (renewed every 2 years)	Fixed fee of \$137.25 per application plus \$137.25/hr thereafter	Fixed fee of \$137.25 per renewal plus \$137.25/hr thereafter
Registration of wine standards	Fixed Fee	\$86.77		Fixed fee of \$137.25 per application	Fixed fee of \$137.25 per renewal plus

management plan (WSMP) based solely on template approved by Director General				plus \$137.25/hr thereafter	\$137.25/hr thereafter
Registration of WSMP not based solely on approved template	Fixed charge plus hourly rate	\$86.77, per hour (or part hour) after the first hour		Fixed fee of \$137.25 per application plus \$137.25/hr thereafter	Fixed fee of \$137.25 per renewal
Application for amendment to WSMP under section 22 of Act	Fixed charge plus hourly rate	\$86.77 per hour (or part hour) after the first hour		Fixed fee of \$137.25 per application plus \$137.25/hr thereafter	
Recognitions of agency or person under section 69 or section 70 of Act	Fixed charge plus hourly rate	\$86.77 per hour (or part hour) after the first hour		Fixed fee of \$137.25 per application plus \$137.25 thereafter	
Periodic recognition fee under section 77 of Act	Fixed charge plus hourly rate	\$86.77 per hour (or part hour) after the first hour		Fixed fee of \$137.25 per application plus \$137.25/hr thereafter	

4.2 Hourly rate charges

Appendix 1 outlines the approval, accreditation and registration hourly rate calculations.

5 Consultation be undertaken and guidance on issues that might be considered by stakeholders making a submission

5.1 Guidance for submitters

- NZFSA seeks submissions from all interested parties on any aspect of the proposed fees and charges presented in this document. Clear concise comments on the principles and approaches proposed will greatly assist in ensuring that the significance of your comments is understood.
- The following points may be of assistance in preparing comments:
- wherever possible, comments should be specific to a particular section of the document;
- comments on other matters should be clearly stated and indicated;
- comments should be to the point and, where possible, reasons and data to support comments are requested;
- the use of examples to illustrate particular points is encouraged; and
- as a number of copies may be made of your comments, please use good quality type, or make sure that your comments are clearly hand written in black or blue ink.

5.2 Key issues NZFSA seeks comments on

While NZFSA seeks submissions on any aspect of the proposals, the key issues NZFSA seeks comments on (and a view on your preference) are:

- the proposed
- the proposed certification

Requirements for and information on submissions

Submitters are asked to include the following information in submissions:

- the title of the discussion document;
- name and title of submitter;
- organisation's name (if applicable);
- submitter's address and contact details (phone, fax, e-mail if available); and
- the number(s) of the section(s) commented on beside each comment.

Submissions may be the subject of requests for information under the Official Information Act 1993 (OIA). The OIA specifies that information is to be made available unless there are grounds for withholding it, such grounds are set out in the OIA. Submitters may wish to indicate grounds for withholding specific information contained in their submission, such as that the information is commercially sensitive or they wish personal information (for example, name and contact details) to be withheld. Any decision to withhold information requested under the OIA is reviewable by the Ombudsman.

Closing date for Submissions

The closing date for submissions is

Please submit your response by 5.00pm on to: 23 April 2007

Jackie Lay

Policy Group

New Zealand Food Safety Authority

PO Box 2835

WELLINGTON

Alternatively, responses can be faxed to (04) 463 2583 or e-mailed to jackie.lay@nzfsa.govt.nz

Process following Closing date for submissions

The next steps in the review process will be to analyse submissions and develop a summary of submissions. It is intended that a copy of the summary of submissions will be provided to each submitter.

Appendix 1: Fee Calculation Workings

Hourly Rate Calculation (GST exclusive): Approvals, Accreditations, Registrations

Chargeable Hours:

Personnel	1,884,633
Operational	398,784
Contractors	101,000
Indirect Costs	1,590,360
Other Management Units	
	\$3,974,777

FTEs: **27**

Billable Hours Per FTE:	Hours
Working year	1,566 (at 75% chargeable hours)
Less:	
Statutory Holidays	78
Annual Leave	126
Sick Leave	60
Courses and Conferences	30
Technical training	60
Annual Billable Hours	1,212 per FTE
Total Billable Hours	32,724 (over 27 FTEs)
	= \$122/hour