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Cost Recovery Directorate - Corporate Branch
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Proposal to maintain and expand New Zealand Food Safety's core regulatory services under the Food Act 2014

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises more than 30,000 businesses and employs around 230,000 New Zealanders. We have consulted our membership in the preparation of this submission.
2. The proposals to maintain and expand New Zealand Food Safety's services under the Food Act 2014 will potentially impact more than 500 Retail NZ members that have a registered food control plan or import food.
3. Retail NZ supports the objective to ensure New Zealand has a robust food safety system that provides consumers with confidence in the safety and suitability of food for sale in New Zealand.
4. We have also noted the [Auditor-General's recent investigation](#) into MPI's monitoring of the importers of specified high-risk foods and support the recommendations to ensure compliance by importers.

Our feedback

Who should pay?

5. Retail NZ accepts the principle of cost recovery, that the direct cost of providing services should be recovered from those benefiting from those services. However, as noted in the proposal document (at 4.2), New Zealand's food system is critical for protecting and supporting the health of New Zealanders and to support New Zealand's exports. Therefore, as a public good, at least some of the costs of a strengthened food safety system should be borne by NZ Inc, in recognition that consumers and exporters are also benefiting.

Economic headwinds

6. These proposals come at a time when New Zealanders are facing increasing food costs amid a cost of living crisis. A [recent report from World Vision](#) showed that New Zealand was among countries with the highest food cost rises in the past year. It found that the cost of a basket of common food items had increased 56% in New Zealand, with the price in 2023 coming in at NZ\$78.32 compared with NZ\$50.16 in 2022.
7. The latest [Stats NZ data](#) also shows that food prices are continuing to rise, albeit more slowly than in recent months. The data shows that grocery food prices increased 3.9% in the year to February 2024, while overall food prices rose 2.1%.
8. More broadly, retailers are weathering a challenging economic period with a continuing drop in consumer spending and commercial activity indicated in [recent Stats NZ data](#).
9. The costs of the proposed levies will inevitably be passed on to consumers, pushing food prices up still further, and exacerbating the economic challenges of both retailers and New Zealand consumers.

Comment on specific aspects of the proposal

With regard to the specific recommendations in the document, we make the following points:

10. We appreciate the efforts MPI is making to ensure the process for calculating and paying the levy is as simple as possible, removing onerous administration for both MPI and food businesses. We support the proposal to charge the levy at the point of registration and making it a requirement of operation. This will address the challenges of enforcement and ensuring payment.
11. As noted in the proposal document, MPI lacks the data to be able to calculate the benefits that individual businesses receive. We would expect the method of calculating the levies to be reviewed and refined in future, as more data becomes available, and to ensure that costs are shared fairly across impacted businesses.
12. As noted at 5.2 in the document, 'charging beneficiaries encourages them to demand or use only the quantity and quality of services that they value highly enough'. However, food retailers and importers have no choice about paying the food levies. With no competition in the marketplace, they have no ability to switch providers to find better levels of service or quality. They must pay, irrespective of the level of service they are receiving. MPI must bear this in mind when setting levies and ensure they are providing a high quality service that makes good use of businesses' funding.
13. Retail NZ supports the use of memorandum accounting to enable the proposal to phase in the annual Domestic Food Business Levy over three years from 1 July 2025. This will allow businesses time to build the additional costs into their budgets.
14. We recommend that the Food Importer Levy is also phased in over three years from 1 July 2025, so those businesses can also make adjustments to account for the extra costs.
15. Regarding the proposed oversight of territorial authorities' systems and services, we agree that domestic food businesses will benefit from more consistent levels of regulation across New Zealand. However, as noted at 9.2.1, food businesses are the secondary beneficiaries of this service and a levy is being proposed only because MPI cannot currently levy territorial authorities. Therefore, we do not believe that food businesses should be required to fund this service.
16. Similarly, in regard to the proposed oversight of verification systems, we agree that domestic food businesses would benefit from greater consistency of training for verifiers and provision of verification services. However, the proposal document acknowledges at 10.2.1 that food businesses are indirect beneficiaries of this service. Therefore, we do not believe that food businesses should be required to fund this service.
17. Retail NZ requests that MPI seeks to remedy the gap in the Food Safety Regulatory Framework such that MPI cannot charge territorial authorities as the primary beneficiaries of the 'oversight of co-regulator systems and services' and 'oversight of verification systems and services'. This would better align the incentives for improvement, thus should eventually reduce the impost on retail food businesses.
18. Up to date and easily accessible compliance information and guidance is essential for all food businesses. Therefore, Retail NZ agrees with the recommendation to improve business education and support. Option 1 offers the most suitable level of service, and the costs should be shared across all food businesses, not only those who use the service, to ensure that businesses are not restricted from seeking advice.
19. In principle, Retail NZ supports the introduction of a national monitoring programme. However, as noted at 13.1.3 in the proposal document, national monitoring programmes also help exporters access overseas markets. Therefore, the costs should be shared by exporters, or borne by NZ Inc as a public good.

Conclusion

20. Retail NZ has consulted its membership in the preparation of this submission.

21. Thank you for the opportunity to make a submission.

22. No part of this submission should be withheld under the OIA.

Sincerely,



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