

Stage 2 Cost Recovery Impact Statement

Ministry for Primary Industries' cost recovery proposal amend the settings to recover costs for a new electronic certification system – MPI Trade Certification

March 2026

Proactively Released

Contents		Page
1	Executive Summary	1
1.2	Costs of the new system	1
1.3	Allocating costs and identifying fee options	2
1.4	Submitters views	3
1.5	Cost recovery options by sectors	3
1.6	Final Recommendations	6
2	Agency disclosure statement	7
3	Quality Assurance	8
4	Background on cost recovery	9
4.1	How are cost recovery charges regulated?	9
4.2	Cost recovery principles	9
4.3	Determining who should pay	9
4.4	Memorandum accounts	9
4.5	How are cost recovery regimes reviewed?	10
5	Problem definition	12
5.1	MPI Trade Certification services are cost recovered	12
5.2	The cost of MPI Trade Certification	13
6	Allocating Trade Certification costs	15
6.1	Two options for allocating costs	15
6.2	Option 1: sector specific allocation	16
6.3	Option 2: flat fee (<i>MPI's preferred option</i>)	18
6.4	Other discarded options for allocation of costs	20
6.5	What did submitters say?	20
6.6	Assessment against the cost recovery principles	20
6.7	Final recommendation and why	21
7	Wine export certification	22
7.1	Wine export certificates are funded through the wine export levy	22
7.2	MPI Trade Certification costs for wine from 1 July 2026	22
7.3	Options not progressed	24
7.4	Estimated financial and economic impacts	24
7.5	What did submitters say?	23
7.6	Assessment against the cost recovery principles	25
7.7	Final recommendation	25
8	Phytosanitary	27
8.1	Phytosanitary export certification	27
8.2	Methods for recovering costs from phytosanitary users	27
8.3	Impacts from fee increase	27
8.4	What did submitters say?	28
8.5	Assessment against the cost recovery principles	27
8.6	Final recommendation	28
9	Animal Product export certification	30
9.1	How electronic certification system costs are funded for animal products?	30
9.2	Change to how costs will be recovered	31
9.3	Fee options	31
9.4	Estimated financial impact from the proposals	31
9.5	What did submitters say?	32
9.6	Assessment against the cost recovery principles	33
9.7	Final recommendation	33

10	Implementation Plan	34
11	Monitoring and Evaluation	35
12	Review	36
	Appendix A: Further information on cost recovery principles	37
	Transparency	37
	Justifiability	37
	Efficiency	38
	Equity	38
	Relationship between the Cost Recovery Principles	39
	Appendix B: Summary of submissions and responses	40

Proactively Released

1 Executive summary

1.1 The Ministry for Primary Industries' trade certification systems are being replaced

The Ministry for Primary Industries (MPI) provides certification services that enable the trade of primary products with overseas markets. Export certification underpins approximately \$33.0 billion¹ in annual export earnings, while import certification plays a critical role in protecting New Zealand from biosecurity risks.

These services are currently delivered through a combination of legacy electronic systems and manual processes which are reaching the end of their useful lives and no longer represent value for money. The existing systems limit MPI's ability to respond to changing market access requirements and creates increasing operational and delivery risks. Key trading partners have made critical investments in their electronic trading systems. MPI needs to ensure that New Zealand's systems are sufficiently compatible, and suitable in a complex trading environment. Over the last few years, there have been instances where the legacy systems could not support trade into key markets or have become expensive to make changes in response to the evolving trading environment.

To address these issues, MPI is introducing a single integrated electronic certification platform to replace the legacy systems. This system has been funded through Budget 2022, with costs to be recovered from users in line with established cost recovery principles. This will result in a change in level of cost recovery for certification services.

MPI sought industry feedback on proposed changes to Trade Certification cost recovery within this scope. The public consultation ran from 24 October to 5 December 2025. MPI has engaged directly with key industry stakeholders, provided a discussion document outlining the options, and invited written submissions through an online form.

1.2 Costs of the new system

Capital to build and implement the new system was provided through Budget 2022. The capital costs to be recovered for the build is **\$33.182 million** and is on budget. The table below sets out the forecast costs to be recovered for MPI Trade Certification from 2026/27 to 2028/29. The increase in forecast costs is driven by inflation-linked uplifts in ongoing system support and software licence subscriptions for the core platforms that operate MPI Trade Certification.

Table 1: Forecast of costs for MPI Trade Certification, 2026/27 to 2028/29

Cost Category	\$m		
	2026/27	2027/28	2028/29
Depreciation	3.318	3.318	3.318
Support	1.530	1.561	1.592
Licences	2.044	2.093	2.145
Total	6.892	6.972	7.055

MPI has worked to reduce costs that will be recovered from users. This included a full repayment of the capital provided to build the system, which removes the capital charge component from the fee. A saving of approximately \$9.125 million over 10 years. The repayment allows some of the depreciation costs recovered to be used for continuous improvement, another cost component removed from the current proposals.

¹ The detailed business case setting out the case for a new system estimated that this amount of export revenue was subject to certification requirements.

Also, costs for disestablishing the legacy systems and costs of transitioning into MPI Trade Certification have been absorbed into MPI baselines. This includes approximately \$6 million in licence costs.

1.3 Allocating costs and identifying fee options

MPI has developed two options to allocate costs between the current sectors of animal products, phytosanitary, wine and import certification. If other sectors are to be included into Trade Certification, they would enter the system based on whichever option proceeds.

Option 1 allocates charges sectors differently depending on the degree of sector-specific costs. Option 2 charges a uniform fee across all sectors.

Table 2: Options to allocate costs between sectors

Option 1 – Sector specific	Option 2 – Flat fee
<p>Two components to <u>capital costs</u></p> <ul style="list-style-type: none"> Core build \$15.433 m Sector specific \$17.749 m Total: \$33.182 m <p>Core build is allocated amongst sectors by likely usage or value based on Certificates, Assurances or Transfer documents approved within the system per annum.</p> <p>Sector specific costs are determined by “software features”.</p> <p><u>Operational costs</u> are allocated by likely usage or value based on certificate/documents issued per annum.</p>	<p>Sets a flat fee where <u>capital and operational costs</u> are divided by the number of Certificates, Assurances or Transfer documents approved within the system per annum.</p> $\left(\frac{\text{costs}}{\text{Vol of certs}} \right)$ <p>There is also an option whether to have one fee over the three-year period or have a fee that adjusts yearly.</p> <p><i>This is MPI's preferred option</i></p>

The tables below set out the distribution of costs between sectors under the options.

Table 3: Forecast of costs for MPI Trade Certification, 2026/27 to 2028/29

Option 1:

Sector	2026/27 (\$m)	2027/28 (\$m)	2028/29 (\$m)
Animal products	5.167	5.236	5.307
Phytosanitary	0.816	0.823	0.830
Wine	0.637	0.640	0.643
Imports – Border Biosecurity	0.272	0.273	0.275
Total	6.892	6.972	7.055

Option 2:

Sector	2026/27 (\$m)	2027/28 (\$m)	2028/29 (\$m)
Animal products	5.930	5.998	6.070
Phytosanitary	0.565	0.572	0.579
Wine	0.263	0.266	0.269
Imports – Border Biosecurity	0.134	0.136	0.137
Total	6.892	6.972	7.055

The table below sets out the resulting fees under each of the allocation options. Note, there will be no changes proposed to the cost of import certificates. Import certification costs have only been provided for comparison purposes. Refer to section 5 and Appendix A for details on how these options were generated.

Table 4: Proposed fee under the status quo and each of the allocation options

Sector	Legacy system (approximations)	Option 1 (Sector specific)	Option 2 (Uniform fee – MPI’s preferred)	
			One fee	Yearly change
Animal products	\$1.51	\$6.40	\$7.33	2026/27: \$7.32 2027/28: \$7.33 2028/29: \$7.35
Phytosanitary				
Food	\$4.34	\$10.55		
Non-food				
Forestry				
Wine	\$5.86 or \$0.0006/L	\$17.65		
Imports	Covered by levy	\$14.75		

1.4 Submitters’ views

MPI received 42 submissions. Of submissions that expressed a preference, 26 supported Option 2 (flat fee approach) (including 18 favouring a fixed flat fee and 8 favouring a stepped flat fee), compared with 9 preferring Option 1 or a sector-specific variant, while 7 did not indicate a preference or were unsure.

Submitters’ overall feedback favoured an approach that is simple to administer and transparent, and that aligns charges with system use. Many submitters supported a universal per-document fee because it is easier to understand and budget for, and because higher-volume users would still pay more overall due to issuing more documents.

Concerns were also raised, particularly from animal products users, that a uniform fee is perceived as cross-subsidisation, and some submitters preferred a sector-specific approach to more tightly link charges to sector investments. Submitters also raised questions about the inclusion of transfer documents in the charging base and asked for clarity on the drivers of cost and how fees were modelled and would be reviewed over time.

1.5 Cost recovery options by sectors

1.5.1 Wine export certification

We estimate the current cost for the legacy Wine E-cert system is approximately \$5.86 per Certificate/ Assurance document approved within the system, or approximately \$0.0006/litre. The approximate cost of running the legacy system was \$0.204m and fully depreciated. Under Allocation Option 1, in 2026/27 MPI Trade Certification costs are approximately \$0.432m higher than what the sector was paying for the legacy Wine e-Cert system, which was fully depreciated.² Under Allocation Option 2, the costs are approximately \$0.058m higher than the legacy system.

Costs for wine export certification are currently recovered under the wine export levy. The current rate for wine exporters is \$0.0050/litre for exports over 200,000 litres. The levy recovers all costs for services MPI provides which are:

- certification – which covers the electronic certification system and personnel associated with the certification work
- market access
- standards setting
- compliance
- systems audit

² MPI’s Wine Report from December 2024 forecasted Wine E-cert costs to be \$0.678m for 2026/27.

MPI is proposing two methods of recovering costs from the sector. The first is by retaining the levy as the mechanism for all costs. The second is by retaining the levy but separating certification costs into a fee. This second approach would reduce the levy rate, and fees would apply to every certificate required for all exports of wine, including from non-levy payers.

MPI's preferred option is to separate certification costs into a fee. The table below sets out the rates under the two methods and the three allocation options.

Table 5: Proposed cost recovery methods for wine certification under the allocation options

Cost recovery method	MPI Trade Certification Fee	Other wine certification costs	Total	Levy rate
Option: Maintaining the levy mechanism	As per status quo, included in levy rate			Allocation option 1 (sector specific) \$0.0087/litre above the 200,000-litre threshold. This is a 74% increase on the current levy rate.
				Allocation option 2 (likely usage) \$0.0074/litre above the 200,000-litre threshold. This is a 46% increase on the current levy rate.
Option: moving certification costs into a fee (preferred method)	The fee will apply to all exports of wine			The levy will only apply to those exporting above 200,000 litres
	Allocation Option 1 Per each Export Eligibility Statement & official assurance: \$17.65	\$21.64	\$39.29	\$0.0037/litre above the 200,000-litre threshold. This is a 26% reduction on the status quo. and will cover the non-certification services MPI provides.
	Allocation Option 2 Per each Export Eligibility Statement & official assurance: \$7.33 or yearly increase as discussed in allocation chapter	\$21.64	\$28.97	

Wine submitters generally supported shifting certification costs into a user-pays fee so that charges more directly reflect use of certification services, and so that all exporters requiring certification contribute (rather than only exporters above the levy threshold). One submitter suggested phasing in a user-pays model while gradually reducing the levy, and another sought clarity on practical payment settings (e.g., when and how fees would be charged, acceptable payment methods, and account authority). We have generally received positive feedback from early users, but they have also expressed a desire for further functionality

1.5.2 Phytosanitary (plant and forestry)

For phytosanitary certification, this consultation is looking at the component charge for the use of MPI Trade Certification only. Wider changes to phytosanitary fees and charges were covered recently in a separate consultation. The proposed options recognise that there are different approaches to current charges across the sectors, namely that forestry can be charged per volume or per certificate.

We estimate the current cost for the legacy ePhyto system is approximately \$4.34 per export certificate issued. The estimated total cost for the legacy e-Phyto is approximately \$0.267m and is fully depreciated. Under the allocation option 1, MPI Trade Certification adds \$0.549m in 2026/27, and under allocation option 2 it adds approximately \$0.298m in the same year.

Table 6: Proposed cost recovery options for phytosanitary (Plant health related certification)

Method of recovery for Phytosanitary	Type of export certificate	Option 1	Option 2
Fee based	Food	\$10.55	\$7.33 or stepped increase as discussed in allocation chapter <i>(MPI's preferred option)</i>
	Non-food		
	Forestry		
Fee, and volume based for forestry	Food	\$10.50	\$7.33
	Non-food		
	Log volume fee	\$0.0086 per m ³	\$0.0059 per m ³
	Timber volume fee	\$0.0043 per m ³	\$0.0029 per m ³

Phytosanitary (plant and forestry) submitters generally supported an approach that is simple and usage-based, with several favouring a flat per-certificate fee because it is transparent and administratively efficient. Some forestry submitters questioned whether sufficient analysis supported a volume-based approach for forestry, while others preferred volume-based charging for forestry on the basis that it better aligns with forestry's usage patterns. Several submitters argued that the new Trade Certification system should be Crown funded, given the significant public benefit it delivers.

1.5.3 Animal products

The method of cost recovery will change for animal product users. The current method of charging per transaction request will change to per document/certificate. Therefore, the fee options would be determined on the allocation option chosen. Other methods of recovering costs were explored such as value of exports or consignments, but these options were deemed impracticable and inefficient as MPI would need to source this information from other agencies and companies.

Table 7: fee options for animal products

Option	Fee
1: sector specific	\$6.40
2: flat fee <i>MPI preferred</i>	\$7.33 or yearly increase as discussed in allocation chapter

The animal products sector will be the largest user of MPI Trade Certification, therefore will bear the larger share of costs. For 2025/26, the cost of running the legacy AP e-cert is approximately \$1.24m, but it has been fully depreciated. Under allocation option 1, MPI Trade Certification will increase costs by \$3.927m in 2026/27, and option 2 by \$4.689m for the same year.

Animal products submitters raised strong views on fairness and equity, including concerns that a universal flat fee could be perceived as cross-subsidising other sectors and that overall cost increases are unreasonable for exporters in current market conditions. Some submitters preferred a sector-specific allocation approach, while others supported a flat per-document approach as simpler and more transparent. Major animal product stakeholders questioned whether transfer documents should form part of the charging base and, instead, proposed alternative allocation method that applies a sector specific fee excluding transfer documents.

1.5.4 Border Biosecurity import certificates

MPI's costs for biosecurity services to clear goods at the border are recovered through the Biosecurity (System Entry Levy) Order 2010 (BSEL) and phytosanitary exports.³ This includes costs for import certification. There is no change to the scope of services recovered through the BSEL. The cost of

³ There are also several direct charge fees prescribed in the Biosecurity (Costs) Regulations 2010. The full scope of services covered is set out in cl. 7 of the BSEL.

running the legacy system was approximately \$0.23m. Under allocation option 1, MPI Trade Certification increases costs by \$0.042m in 2026/27, but under allocation option 2, the costs are reduced by \$0.096m for the same financial year.

Given this implies no changes for biosecurity and import services, there were no submissions from this sector.

1.6 Final recommendations

MPI recommends proceeding with Option 2 (uniform fee) and adopting one fixed fee for the three-year period (2026/27–2028/29). This option was most supported through consultation, is simplest to administer, aligns charges with system use (higher-volume users pay more overall), and is future-proofed to accommodate additional sectors entering MPI Trade Certification after 1 July 2026 without requiring a redesign of the charging framework.

Under this recommendation, certification system costs will be recovered through a per-document fee of \$7.33 (applying to certificates, assurances, and transfer documents processed in MPI Trade Certification). For animal products, the charging base will include transfer documents as well as export certificates to reflect traceability-driven system use and avoid cost shifting. For wine, MPI recommends moving certification costs into a fee for Export Eligibility Statements and official assurances, alongside a reduced levy for non-certification services. Phytosanitary users would pay the same flat per-certificate fee for the MPI Trade Certification component. Import certification settings are unchanged.

2 Agency disclosure statement

This CRIS has been prepared by MPI.

There have been no significant nor unusual constraints in the preparation of this analysis.

Proactively Released

3 Quality Assurance

The Ministry for Primary Industries' Regulatory Impact Analysis Panel has reviewed the Stage 2 Cost Recovery Impact Statement – Trade Certification (CRIS) and considers that it meets the Quality Assurance criteria. The CRIS is written in plain language and is concise within context of its technical subject-matter. Options have been consulted with affected stakeholders, and the CRIS does a good job of addressing issues raised by submitters. The CRIS presents clear and succinct analysis of the options for the range of affected primary sectors to support a new electronic system to recover costs for trade certification. Ministers can rely on the CRIS in their decision-making.

Proactively Released

4 Background on cost recovery

This section summarises the cost recovery principles and the overall approach to cost recovery.

4.1 How are cost recovery charges regulated?

Legislation allows the Government to recover costs, with regulations setting out specific charges. The relevant regulations are noted as each issue is considered.

The Government may contribute funding for specific activities, and then legislation generally requires MPI to take reasonable steps to recover remaining costs. Reasonable steps include being guided by the cost recovery principles of Transparency, Justifiability, Efficiency, and Equity.

4.2 Cost recovery principles

The cost recovery principles are as follows:

- **Transparency** – costs are transparent
- **Justifiability** – costs are reasonable
- **Efficiency** – costs are recovered in a way that maximises efficiency in service and resource use
- **Equity** – costs are recovered in a way that is fair.

These principles are set out in MPI's cost recovery guidelines,⁴ and legislation⁵ MPI is responsible for administering.

The principles build on each other with Transparency and Justifiability providing a foundation to the consideration of, and sometimes trade-offs between, Efficiency and Equity. MPI can only cost recover if it has sufficiently met the Transparency and Justifiability principles.

Once the Transparency and Justifiability principles have been met, the Efficiency and Equity principles state that the beneficiaries of a service should generally pay for that service; that is, beneficiaries pay 100% of the costs unless there is a strong efficiency or equity reason why they should not.

The figure in **Appendix B** summarises the relationship between the principles.

This principled approach applies to all regulatory systems, whether regulated (prescribed in legislation) or non-regulated (not prescribed in legislation).

4.3 Determining who should pay

MPI uses the principles to identify and assess options around who should pay.

Beneficiaries generally pay

Beneficiaries should *generally* pay for the services they demand and use. If the costs of services are subsidised by others, beneficiaries will demand more and higher quality services than if they faced the full cost. The higher demand is an inefficiency, as it leads to more resources being used in the provision of services than their beneficiaries value or are willing to pay for.

Charging beneficiaries gets beneficiaries to reveal whether they truly consider the benefits of the service to be worth the cost and ensure that the quality and volumes of MPI services are not higher than is economically efficient.

When beneficiaries might not pay

⁴ [Ministry for Primary Industries Cost Recovery Policy Guidance](#), MPI Information Paper No. 2018/08

⁵ This includes the [Agricultural Compounds and Veterinary Medicines Act 1997](#) and the [Animal Products Act 1999](#) which are relevant to the revenue and expenditure reviews, and to some design changes. The [Animal Welfare Act 1999](#) and [Biosecurity Act 1993](#), which are relevant to some design changes, name only equity and efficiency.

Beneficiaries *might* not pay full costs in four situations:

Costs are not reasonable

The first situation is where MPI has not sufficiently demonstrated that it is doing all it reasonably should to keep costs low (i.e. that it cannot meet the Transparency and Justifiability principles). If MPI has not sufficiently demonstrated that past expenditure is justified, then write-offs might occur.

If the Ministry has not sufficiently justified expected future expenditure, it may be appropriate for MPI to:

- change the fees or levies to a level that can currently be justified, and
- cover the remainder of costs, or
- recover the deficit from a future period after further work has been undertaken
- guarantee that fees/levies will not exceed a certain level over the next period, or
- charge fees at a fixed level, rather than variable charges, to encourage efficient service delivery.

Administration costs are excessive

The second situation is where the administrative costs of charging (e.g. invoicing, collection) are excessive compared to the revenue raised and the efficiency gain of precisely charging beneficiaries.

Externalities

The third situation is where there are externalities. Externalities are positive or negative impacts on third parties that result from the demand and supply of a good or service. MPI primarily deals with negative externalities. An example of a negative externality is when consumers demand, and importers supply, overseas products that create a biosecurity risk from the pest incursions on domestic farmers. In this example, charging importers for MPI activities around managing the negative externality encourages importers to reduce risk at their end and, therefore, the need for MPI services.⁷

Externalities are recorded here for completeness. It is not a relevant consideration for trade certification.

Equity reasons

The fourth situation is where the Government determines that there are equity (fairness) reasons as to why the Government, or some other party, should pay or contribute to costs. Equity involves value judgements. It will normally be considered fair that beneficiaries or exacerbators pay (in line with the Efficiency principle), but there may be reasons why Government might want to make a contribution, e.g. because Government wants to support small businesses or emerging industries, or because parties cannot afford to pay and the Government would rather not see parties stop operating.

4.4 Memorandum accounts

MPI generally uses memorandum accounts to track revenue and expenditure associated with cost recovered services. Memorandum accounts record the accumulated balance of surpluses or deficits incurred in providing cost recovered services.

In general, MPI aims to set charges at levels that ensure memorandum accounts trend towards zero over a three-year period.

4.5 How are cost recovery regimes reviewed?

In line with best practice guidance, MPI undertakes reviews of expenditure and revenue annually. Fees and levies may be updated earlier if a material surplus or deficit arise such as if:

- an accumulated deficit or surplus is more than four months (33%) of annual revenue;
- the accumulated deficit or surplus is \$1 million or more; and

- a deficit is due to be written-off (due to time limits in legislation on the recovery of deficits), or a surplus has existed for an equivalent amount of time such that it would be written-off as if it was a deficit.

Frequent and timely reviews help ensure that revenue and expenditure are balanced and are preferred by industry as they help avoid large swings in charges. Material surpluses and deficits are to be avoided, and neither are preferred. MPI takes a long-term perspective when undertaking reviews by forecasting expenditure to ensure that under- or over-recovery does not become too extensive. Reviews of cost recovery settings can also address 'design issues.' Design issues are typically small faults, areas of improvement, or about who pays and how, and rarely impact on the total amount MPI recovers.

MPI Trade Certification is a new electronic system and a significant investment which brings new ways of issuing certification and documentation. It is likely that with the introduction of this system to the wider primary sector, behaviours may change and may reveal different methods of setting fees for use of the system. If that were to occur, MPI would work with industry to develop improved proposals for cost recovery.

5 Problem definition

Until now, certification has been delivered through a combination of legacy digital systems and manual processes. These legacy systems – such as AP E-cert, ePhyto, Wine e-cert, and Tahora - are outdated, expensive to maintain, and lack the functionality needed to keep pace with trading partners who have invested in modern digital platforms.⁶ Some of the legacy systems are well over 10 years of age, for example, AP E-cert has been in use since 2002 for export purposes⁷. Maintaining these systems would cost at least \$28.38m over 10 years and continue to pose risks to data integrity and trade responsiveness.

MPI Trade Certification is a single integrated digital platform designed to:

- respond faster to new market requirements and disruptions
- reduce reliance on paper certificates and manual processes
- support electronic certification for a broader range of products and markets, and
- minimise trade disruptions and improve biosecurity assurance.

MPI consulted on proposals to update cost recovery settings to ensure costs for MPI Trade Certification are recovered transparently, justifiably, efficiently, and equitably.

Capital costs of \$33.182m have been funded through Budget 2022.

Operating costs of depreciation, licences, and support services (forecast at \$6.98–\$7.05m annually from 2026/27 to 2028/29) are eligible for cost recovery provided MPI has sufficiently met the Transparency and Justifiability principles.

MPI has absorbed some costs (e.g., \$6m for legacy system transition and \$9.125m in capital charge savings), but full recovery of system costs is required to maintain compliance with legislation and international trade obligations.

Cost recovery settings must change because legacy charging models no longer align with system use. For example, wine certification costs are currently recovered via a levy paid only by large exporters, which is inequitable. Under the new system, all exporters requiring certificates will pay. For Animal Products: the current per-transaction charge does not reflect actual system use. The new system will charge per certificate or document issued.

Subsidising costs would breach international trade obligations and create inequities. Furthermore, scaling costs down would likely result in future deficits, contrary to cost recovery principles.

5.1 Current MPI Trade Certification services are cost recovered

MPI Trade Certification is provided for a wide range of exports across the sector including certification under both regulated and non-regulated systems⁸. As this is a service that provides a private benefit to exporters (market access) – costs are recovered from users of the system⁹. The table below sets out a high-level summary of the current approach to cost recovery in the various systems, and the legal authority to cost recover.

Table 8: High level summary of cost recovery for trade certification

System	Current charge mechanism	Coverage of current charge	Empowering framework
Animal product certification	Fee per transaction	Certification cost only	Animal Products Act 1999 (APA)

⁶ Key trading partners who have been investing in digitising their trade systems include Australia, China, the European Union, Singapore, and the United Kingdom.

⁷ <https://www.beehive.govt.nz/release/new-zealand-leads-way-electronic-certification-system#:~:text=New%20Zealand%20began%20using%20the,for%20electronic%20transfer%20of%20certificates.>

⁸ While almost all certificates are issued for mandatory market access requirements, a small number of non-mandatory certificates, requested by exporters to support market access, is also provided.

⁹ Costs will be limited in amount to the approximate cost of services rendered under the Trade Certification system by the government.

System	Current charge mechanism	Coverage of current charge	Empowering framework
Phytosanitary certification	Fee per certificate, with some per volume	Certification costs and other costs	Non-regulated
Wine certification	Export levy	Levy covers certification and personnel cost for official assurance, and other activities.	Wine Act 2003
Import certification and government to government data exchange	Biosecurity cargo levy	Costs allocated to phytosanitary certification (export certification), and for Border Biosecurity (import certificates)	Export: no authority Import: Biosecurity Act 1993

5.2 The cost of MPI Trade Certification

Capital to build and implement the new system was provided through Budget 2022. The costs to build MPI Trade Certification is **\$33.182 million** which is the original budgeted cost. The cost to build this system is comparable to the cost to build the legacy systems.

Table 9: costs of developing legacy systems in original and inflation adjusted amounts

Legacy system	Year built	Cost in the year built \$m	Costs adjusted for inflation \$m
AP e-cert	1999-2002	13.300	23.400
	2013/14	2.800	3.752
ePhyto	Aug 2011	0.880	1.213
	Jul 2022	0.363	0.400
Wine E-cert	Oct 2014	2.560	3.424
Tahora	2018	0.137	0.175
Total		20.040	32.364

MPI has worked to reduce costs to users. This includes:

- repaying the capital used to build the system, avoiding the capital charge and saving industry approximately \$9.125 million over 10 years
- investing in continuous improvement, and
- absorbing the cost of disestablishing and transitioning legacy systems, this includes approximately \$6 million in licence costs.

The table below sets out the forecast costs for MPI Trade Certification from 2026/27 to 2028/29.

Table 10: Forecast of costs for MPI Trade Certification, 2026/27 to 2028/29

Cost Category	\$m		
	2026/27	2027/28	2028/29
Depreciation	3.318	3.318	3.318
Support	1.530	1.561	1.592
Licences	2.044	2.093	2.145

Cost Category	\$m		
	2026/27	2027/28	2028/29
Total	6.892	6.972	7.055

Proactively Released

6 Allocating Trade Certification costs

This chapter explains how MPI proposes to allocate the costs of the new Trade Certification system across sectors that use export certification services. It outlines the total capital investment of **\$33.182 million**, which will be recovered over a 10-year period, and the ongoing operational costs for depreciation, system support, and software licences. The section also introduces the principles guiding cost allocation and sets out the forecast annual costs for 2026/27 to 2028/29, which form the basis for the proposed fee structure.

Capital costs of **\$33.182 million** to build MPI Trade Certification will be recovered over a **10-year period**. This chapter sets out the proposals for allocation of costs between the sectors for which an export certificate or related documentation is issued.

As with all services that MPI provides, where there is a direct benefit to the user of the services, costs will be recovered. This includes the costs to build the new system and ongoing costs of supporting the system and can be further categorized as:

Depreciation: is intended to cover the cost of the asset over 10 years.

Support: these costs include system monitoring, proactive maintenance, patching and software upgrades, incident and problem resolution, and defect remediation.

Licences: these are costs for services which support critical functions, and includes Amazon Web Services, Microsoft Azure, and Salesforce.

The table below sets out the costs MPI will be cost recovering for MPI Trade Certification over the next three financial years.

Table 11: Forecast annual costs for MPI Trade Certification, 2026/27 to 2028/29

Cost Category	\$m		
	2026/27	2027/28	2028/29
Depreciation	3.318	3.318	3.318
Support	1.530	1.561	1.592
Licences	2.044	2.093	2.145
Total	6.892	6.972	7.055

6.1 Two options for allocating costs

MPI Trade Certification brings four areas – animal products, phytosanitary, wine, and import certification – into one system. To determine an equitable allocation of the capital and operational costs, two options have been developed. The table below summarises the proposed options.

Table 12: summary of options to allocating MPI Trade Certification costs

Option 1 – sector specific	Option 2– flat fee
<p>Two components to <u>capital costs</u></p> <ul style="list-style-type: none"> Core build \$15.433m Sector specific \$17.749m Total: \$33.182m <p>Core build is allocated amongst sectors by likely usage or value based on certificate/documents issued per annum.</p> <p>Sector specific costs are determined by “software features”.</p>	<p>Sets a flat fee where <u>capital and operational costs</u> are divided by the number of certificates and documents issued.</p> $\left(\frac{\text{costs}}{\text{Vol of certs}} \right)$ <p>There is also an option whether to have one fee over the three-year period or have a fee that adjusts yearly.</p> <p><i>MPI's preferred option</i></p>

Option 1 – sector specific	Option 2– flat fee
<i>Operational costs</i> are allocated by likely usage or value based on certificate/documents issued per annum.	

Over time, other sectors may start using Trade Certification for their certification needs. In that instance, costs from those sectors would be recovered under the allocation option that is chosen at the end of this policy process. The following sections expand on the options and set out how MPI developed and calculated the allocations.

Table 13: estimated volume of certificates & documents used to calculate proposed fees

Sectors	2024/25	2026/27	2027/28	2028/29
Animal products	801,912	809,931	817,950	825,969
Phytosanitary	76,469	77,234	77,998	78,763
Wine	35,547	35,902	36,258	36,613
Imports – Border Biosecurity	18,178	18,360	18,542	18,723
Total	932,106	941,427	950,748	960,069

6.2 Option 1: sector specific allocation

Under this option capital costs have two components, **core build** and **sector specific**. **Core build** costs cover the common components that are needed to run MPI Trade Certification. **Sector specific** costs have gone into the development of specific features that are required to meet the needs of a sector.

6.2.1 Core build costs (A)

For core build costs, MPI has used the number of certificates/documents issued annually under each regulatory system. Currently, a volume-based approach is reflective of system use and would ensure an equitable or fair allocation. Allocation has been determined by the following formula:

$$A = ((\text{sector vol of certs \& docs} / \text{total vol of certs \& docs}) \times 100) \times \$15.432\text{m}$$

6.2.2 Sector specific build costs (B)

Sector specific build costs have been identified via software features. This is a method where a feature developed for a sector has been identified and costs allocated to that sector accordingly. With any bespoke software development, the early stages take more time and money, with the later stages benefiting from lessons learned. To use “system features” could mean sectors that went in earlier would have to pay more compared to sectors that enter the system later. Also, system features do overlap between sectors. Other options of allocating specific costs have been looked at but it is likely that there will still be some overlap of features and is not as clear cut.

6.2.3 Total build/capital costs (A+B)

Combining the core build costs and sector specific build costs provides the total capital costs or depreciation allocated by each sector. The table below sets out how the total build costs of \$33.181m would be shared between the four systems under Option 1. The volumes are based on figures for the 2024/25 financial year.

Table 14: Share of capital costs by regulatory system under Option 1

Regulatory system	Allocation metric	Annual number of certificates/ Documents	%	A	B	A+B
				Core build by % \$m	Sector specific \$m	Total \$m
Animal product certification	Transfer documents and export certificates	801.912	86%	13.277	7.644	20.921
Phytosanitary certification	Export certificates	76,469	8%	1.266	3.966	5.232
Wine certification	Export eligibility statements and official assurances	35,547	4%	0.589	4.418	5.007
Border Biosecurity	Import certificates	18,178	2%	0.301	1.721	2.022
Total		932,106	100%	15.433	17.749	33.182

6.2.4 Operational & capital costs under option 1

With the distribution of capital or depreciation complete, the allocation of support and licencing costs determined the same way as core build is – by likely usage of the system based on number of certificates and transfer documents used. The table below sets out the forecasted costs for MPI Trade Certification over the first three years of its operation.

Table 15: Proposed allocation of costs (capital & operational) between systems, 2026/27 to 2028/29 under Option 1

Sector	\$m		
	2026/27	2027/28	2028/29
MPI Trade Certification costs	6.892	6.972	7.055
Animal products			
<i>Depreciation</i>	2.092	2.092	2.092
<i>Support</i>	1.317	1.343	1.369
<i>Licences</i>	1.758	1.801	1.846
Total	5.167	5.236	5.307
Phytosanitary			
<i>Depreciation</i>	0.523	0.523	0.523
<i>Support</i>	0.125	0.128	0.131
<i>Licences</i>	0.168	0.172	0.176
Total	0.816	0.823	0.830
Wine			
<i>Depreciation</i>	0.501	0.501	0.501
<i>Support</i>	0.058	0.059	0.060
<i>Licences</i>	0.078	0.080	0.082
Total	0.637	0.640	0.643
Imports – Border Biosecurity			

Sector	\$m		
	2026/27	2027/28	2028/29
Depreciation	0.202	0.202	0.202
Support	0.030	0.030	0.031
Licences	0.040	0.041	0.042
Total	0.272	0.273	0.275

The table below sets out the fee per Certificate, Assurance or Transfer document approved within the electronic system for each sector under Option 1 for 2026/27 to 2028/29. Note, there are no changes proposed to amend the fee for imports as MPI proposes to recover costs under the Biosecurity (System Entry Levy) Order 2010. The fee for imports presented below is only for comparison purposes.

Sector	Animal products	Phytosanitary	Wine	Imports
Fee	\$6.40	\$10.55	\$17.65	\$14.75

Note, the volumes used to calculate the fees have inflated the 2023/24 figures in accordance with the Treasury growth forecast which is 1%. The volume numbers have been set out in the **Appendix A** of this document. For the next two options we have taken the same step for volume of certificates and documentation.

Animal products, as the largest sector, have the biggest share of costs, but it is a lower share compared to the next option. Under this option, the other sectors have a far higher share of costs as they were developed earlier and shoulder the higher development costs.

6.2.5 When other sectors enter the system

If Option 1 is the chosen option, when other sectors enter the system, their costs would be calculated on a similar basis. However, if they enter based on built features of another system, MPI will need to re-calculate the new sector's share of costs with the sector whose feature it is sharing. Costs of existing users would need to be calculated as well.

6.3 Option 2: flat fee (MPI preferred option)

Option 2 proposes to allocate costs by setting a flat fee for all sectors. The formula to calculate this would be:

$$\frac{\text{Costs over time period}}{\text{Volume of certs \& docs over time period}}$$

The table below sets out the fee per Certificate, Assurance or Transfer document approved within the system under Option 2 for 2026/27 to 2028/28. Under this option, MPI is proposing to have the fee change annually or have one fee for all three years.

Table 16: Fee per Certificate, Assurance or Transfer document approved within the system under Option 2 for 2026/27 to 2028/28

Year	2026/27	2027/28	2028/29
Yearly fee	\$7.32	\$7.33	\$7.35
One fee	\$7.33		

The table below sets out the allocation of costs over the next three years.

Table 17: Proposed allocation of costs (capital & operational) between systems, 2026/27 to 2028/29 under Option 2

Sector	\$m		
	2026/27	2027/28	2028/29
MPI Trade Certification costs	6.892	6.972	7.055
Animal products			
<i>Depreciation</i>	2.855	2.855	2.855
<i>Support</i>	1.317	1.343	1.369
<i>Licences</i>	1.758	1.800	1.846
Total	5.930	5.998	6.070
Phytopsanitary			
<i>Depreciation</i>	0.272	0.272	0.272
<i>Support</i>	0.125	0.128	0.131
<i>Licences</i>	0.168	0.172	0.176
Total	0.565	0.572	0.579
Wine			
<i>Depreciation</i>	0.127	0.127	0.127
<i>Support</i>	0.058	0.059	0.060
<i>Licences</i>	0.078	0.080	0.082
Total	0.263	0.266	0.269
Imports – Border Biosecurity			
<i>Depreciation</i>	0.065	0.065	0.065
<i>Support</i>	0.029	0.030	0.031
<i>Licences</i>	0.040	0.041	0.041
Total	0.134	0.136	0.137

Animal products share of costs increases in 2026/27 by \$0.763m under Option 2, while the other sectors see a significant decrease with phytosanitary by \$0.251m, wine by \$0.374m, and imports by \$0.137m for the same year. Compared to Option 1, while the increase for animal products may seem comparatively large, the sector does have far higher volumes than the other sectors.

Option 2 is MPI's preferred option. A universal fee is simple to understand and apply. While some system features have been built for specific sectors, additional costs would need to be incurred to quantify the cost of sector specific features. Even if sector specific costs are identifiable, it would be inequitable to attribute all costs to sector for which a feature were first developed as later sectors requiring similar features will benefit from the earlier work. A universal fee also recognises the benefit of economies of scale as other sectors grow or enter the system. Although the fee is flat, higher-volume exporters will still pay more overall, as they use the system more frequently. This option therefore best aligns with the cost recovery principles set out at the end of this section.

6.3.1 When other sectors enter the system

If Option 2 is the chosen option and when other sectors enter the system, the flat fee would apply. However, their number of certificates would be added to determine the new fee.

6.4 Other discarded options for allocation of costs

MPI considered other approaches to allocation based on value of products, volume of products (tonnage), and number of consignments. These were discounted on transparency and efficiency grounds, and in some instances may have contravened trading rules. MPI does not have the information to create a fee structure based on those approaches as it would require information from other agencies and exporters. As MPI does not collect the information, it would mean more costs to develop systems and processes (including regulatory and legislative ones) to be able to create the alternative fee structure(s).

6.5 What did submitters say?

Submitter themes and MPI responses are summarised in Appendix B. In total, MPI received 42 submissions. 26 submissions supported Option 2 (flat fee approach), 9 preferred Option 1 or a sector-specific variant, and 7 did not express a preference or were unsure (see Appendix B for themes and responses). Consultation feedback on allocation focused on equity and transparency, with submitters weighing simplicity against perceptions of sector cross-subsidisation. A large proportion of submitters supported a universal per document fee because it is straightforward to understand, easier to administer, and aligns costs with system outputs, meaning higher volume users still pay more overall due to issuing more documents.

Some submitters (predominantly from the animal products sector) preferred a sector specific allocation approach and expressed concern that a flat fee could be perceived as cross subsidising other sectors. These submitters also asked for greater transparency about cost modelling and for assurance that settings would be reviewed and adjusted if costs or volumes differ from forecasts. Submitters also raised the issue of including transfer documents in the allocation and charging base. MPI considers transfer documents integral to the traceability framework and a major driver of system use; excluding transfers would shift costs away from the users who create traceability demand and increase costs for other sectors/users. Sector-specific implementation, impacts and submitter themes are set out in Chapters 7–9.

MPI has considered whether consultation feedback provides good reason to change the proposed approach. On balance, the submissions reinforce MPI's preference for Option 2 because it best meets the cost recovery principles in practice, is transparent and administratively efficient. It recognises that many system components are shared across sectors; and it is adaptable as new sectors onboard over time. MPI will manage residual equity concerns through routine annual review and recalibration of settings where warranted.

6.6 Assessment against the cost recovery principles

6.6.1 Transparency

MPI provided sufficient information for affected parties to understand the options, the fee construction, and the implications of including certificates and transfer documents in the charging base (including fee comparisons across options). Submitters' requests for further clarity on modelling and testing reinforce the importance of ongoing implementation communications, but overall, the consultation process enabled informed feedback on the proposed settings.

6.6.2 Justifiability

Submitters raised concerns about the reasonableness and timing of fee increases; however, MPI's proposals are limited to recovering reasonable system costs (depreciation, licences, and support) for Trade Certification, and do not seek to recover unrelated activities. MPI also points to actions to reduce the cost impact (e.g., removal of capital charge and absorption of some transition costs), supporting that costs being recovered are appropriate to the service provided.

6.6.3 Efficiency

Option 2 involves a trade-off between allocative precision and administrative efficiency. A sector-specific approach could, in principle, more closely match costs to sector-specific build features;

however, it would require ongoing feature attribution, reallocation when sectors onboard or change usage, and additional assurance and dispute resolution effort. In practice, these administration and compliance costs would reduce overall efficiency and could offset gains from greater precision. Option 2 therefore improves efficiency by lowering ongoing administration costs while still linking total charges to system use through document volumes.

6.6.4 Equity

Equity concerns were a key submitter theme, particularly view of cross-subsidisation under a flat fee. MPI's response is that Option 2 remains the most equitable overall because higher-volume users still pay more in total through higher document volumes, shared system components are difficult to isolate fairly, and annual reviews will recalibrate settings if costs/volumes diverge. Including transfer documents in the charging base improves equity by ensuring traceability-driven system demand is paid for by those who create it; excluding transfers would shift those costs onto other sectors and/or other users.

6.7 Final recommendation and why

MPI's final recommendation is to adopt Option 2 (universal flat fee) with one fixed fee across the initial three-year period (2026/27–2028/29). The consultation feedback provides broad support for a model that is simple, transparent, and linked to system use, and Option 2 best meets these expectations.

MPI recognises that, compared with a sector-specific allocation, a universal fee can result in cross-subsidisation between sectors in any given year. For example, under the 2026/27 modelling, Animal Products would contribute approximately \$0.763 m more under Option 2 than under Option 1, with corresponding reductions across phytosanitary, wine, and imports. This reflects that many system components are shared and difficult to attribute cleanly, and that a more "precise" allocation would require additional ongoing administration, reallocation and assurance costs that reduce net efficiency. On balance, Option 2 provides the most workable and durable framework: it is simple to administer, scalable as sectors onboard, and will be recalibrated through annual review where costs or volumes materially diverge from forecast.

Remaining concerns about cross-subsidisation, particularly from animal products users, are mitigated by including transfer documents in the charging base (reflecting traceability-driven system demand) and by annual reviews to ensure costs remain aligned to actual volumes and expenditure over time.

7 Wine export certification

This chapter outlines the proposed shift from a levy-based model to certificate-based charging for wine export certification under MPI Trade Certification. The current levy is paid only by large exporters, creating an inequitable funding arrangement. The new system enables charging per certificate, allowing costs to be recovered more fairly from all exporters who use the service. This change improves transparency, aligns with cost recovery principles, and ensures the sustainability of certification for the wine sector.

All New Zealand grape wine exported from New Zealand must meet the export eligibility requirements that are set under the Wine Act 2003. These requirements ensure that the safety, integrity, and quality of wine exported from New Zealand are maintained. In November 2024, the wine sector began using MPI Trade Certification to process export eligibility applications and issue Export Eligibility Statements (EES). Official assurances are issued only for consignments where required by importing market access requirements.

7.1 Wine export certificates are funded through the wine export levy

The Wine Act 2003 (the Act) provides the legislative framework for services MPI provides to support the New Zealand wine industry, including to facilitate the entry of wine into overseas markets. Cost recovery for these services is authorised under the Act,¹⁰ with current fees and levy prescribed in the Wine Regulations 2021.

Under the Act, any increases to current charges set out in regulation must generally be in place before the start of the 1 July financial year.¹¹

Since 1 July 2015, all costs for wine export certification have been recovered through the wine export levy. The scope of services covered by the levy is set out in Schedule 3 of the Wine Regulations 2021. The levy covers the following services:

- certification – which covers the electronic certification system and personnel associated with the certification work
- market access
- standards setting
- compliance
- systems audit

Some services above benefit industry (club goods) and are typically recovered through a levy. Certification for export is a private good as it benefits private individuals or businesses rather than the industry as a whole or the public. Generally, private goods would be cost recovered through a fee to the individual or business.

The Wine export levy came into force on 1 July 2015. The levy is set at \$0.0050 per litre is not charged on the first 200,000 litres exported by a business in a financial year. Approximately 90% of exported volume are subject to the levy, which is paid by approximately 25% of businesses exporting grape wine.

7.2 MPI Trade Certification costs for wine from 1 July 2026

The transition from Wine E-cert to the new trade certification system took place in November 2024. In the interim, costs have been recovered via the levy at existing rates.

MPI is proposing two methods of recovering costs from the sector. The first is by maintaining the levy. The second is by moving all certification into a fee. This second approach would reduce the levy rate, fees would apply to every certificate required for all exports of wine, including from non-levy payers.

¹⁰ Part 3 Subpart 2 of the Wine Act 2003

¹¹ Exceptions include when the fee, charge, or levy is reduced, removed, or restated without substantive alteration; or for an increase or a new fee, charge, or levy, following consultation the Minister is satisfied that those who would be substantially affected agree or do not substantially disagree with the alteration or setting.

7.2.1 Option A: continue recovering costs via the export levy

Under this method of cost recovery, the scope of the levy remains unchanged, but the levy rate will increase by 74% **from \$0.0050/litre to \$0.0087/litre** or by 48% to **\$0.0074/litre**. This maintains the status quo in that only those exporting above the 200,000-litre threshold will pay the levy and continues to fund the five services MPI provides.

7.2.2 Option B: recovering certification costs via a fee

This method proposes **that all exporters, even those below the 200,000-litre threshold, will be required to pay for certificates** – EES and official assurances. Under this method, existing levy payers will continue to fund the other services provided, and the levy would be reduced by 26% down to \$0.0036 per litre above the 200,000-litre threshold.

Under allocation option 1, the fee for an EES or official assurance would be **\$17.65 per document** issued, and under allocation option 2, the fee would be **\$7.33 per document issued**.

In addition, certification costs will include personnel and support costs which goes towards processing certification information. The table below sets out their costs from 2026/27 to 2028/29.

Table 18: Wine certification personnel costs 2026/27 to 2028/29

2026/27	2027/28	2028/29
\$832,382	\$849,567	\$868,173

It is proposed that personnel costs be **\$21.63 per Certificate or Assurance approved within the system** for wine users.

The table below summarises the cost recovery proposals for the wine sector.

Table 19: Options on method of cost recovery from wine

Cost recovery method	MPI Trade Certification Fee	Other wine certification costs	Total	Levy rate
Option A: Maintaining the levy mechanism	As per status quo, included in levy rate			Allocation option 1 (sector specific) \$0.0087/litre above the 200,000-litre threshold. This is a 74% increase on the current levy rate.
				Allocation option 2 (likely usage) \$0.0074/litre above the 200,000-litre threshold. This is a 48% increase on the current levy rate.
Option B: moving certification costs into a fee (preferred method)	The fee will apply to all exports of wine			The levy will only apply to those exporting above 200,000 litres
	Allocation Option 1 Per each Export Eligibility Statement & official assurance: \$17.65	\$21.64	\$39.29	\$0.0037/litre above the 200,000-litre threshold. This is a 26% reduction on the status quo. and will cover the non-certification services MPI provides.
	Allocation Options 2 Per each Export Eligibility Statement & official assurance: \$7.33 or yearly increase as discussed in allocation chapter	\$21.64	\$28.97	

7.3 Options not progressed

This consultation considers options to recover costs for MPI Trade Certification. A fee based on consignment volume was considered but not progressed. This reflects that the proposed fees are for a transactional service (to process and approve export certification requests) and while there will be some variation, the costs are not dependent on the consignment volume.

7.4 Estimated financial and economic impacts

This section sets out the immediate financial impact of options at the industry and business-level and then considers how the financial impact feeds through to changes in prices and volumes over the medium- to long-term.

7.4.1 Immediate impacts

Under both methods to recovering costs for wine, the surplus in the memorandum account will be refunded to levy payers. A fee method of cost recovery is MPI's preferred approach as it is equitable and ensures that all who require certification services pay for it.

The approximate cost of running the legacy system was \$0.204m and fully depreciated. Under Allocation Option 1, in 2026/27 MPI Trade Certification costs are approximately \$0.433m higher than what the sector was paying for the legacy Wine e-Cert system, which was fully depreciated.¹² Under Allocation Option 2, the costs are approximately \$0.059m higher than the legacy system.

If the preferred option were to proceed, it means increased costs for all exporters, irrespective of the volume they export. For larger exporters, over the 200,000-litre threshold, while there is a reduction in the levy rate, the increase in costs of certification outweighs the reduction.

7.4.2 Medium- to long-term market-level impacts

Changes in prices are changes in business costs. This feeds through to business margins and over the medium- to long-term, to market prices and quantities.

Under the levy method, in the medium term there are increases to levy rates to recover costs. Under the fee method, exporters not currently subject to the levy will begin to incur costs for electronic certification. For these options this may lead to a decrease in demand for export consignments, particularly small volume consignments.

Annual wine export revenue is forecast to be approximately \$2.07 billion¹³ in 2025. If all the estimated increase per annum in costs for MPI Trade Certification were passed through, this would represent around 0.05%¹⁴ of this export revenue. Over the medium to longer term MPI does not expect this to lead to a material change in the overall wine export market.

7.4.3 Impact on firms

The proposed shift to certificate-based charging will affect wine exporters differently depending on their size and current levy status.

Non-levy payers (firms exporting under 200,000 litres annually) currently pay nothing for certification but would face new costs under both options. On average, these firms would pay \$316 annually under Option 1 (sector-specific) or \$132 under Option 2 (flat fee). This represents the most significant change, as these firms previously received certification services without contributing to system costs.

Levy payers (firms exporting over 200,000 litres) would see a reduction in total costs under both options. For example:

¹² MPI's Wine Report from December 2024 forecasted Wine E-cert costs to be \$0.678m for 2026/27.

¹³ MPI June 2025 Situation and Outlook for Primary Industries

¹⁴ Assumed \$1,115,965 as average costs over three years.

- A low-volume exporter (430,000 litres) currently pays \$805 in levies but would pay \$1,844 under Option 1 or \$770 under Option 2 - a reduction under Option 2
- A medium exporter (2 million litres) currently pays \$6,300 but would pay \$5,180 (Option 1) or \$2,162 (Option 2) - a reduction under both
- A high-volume exporter (11.5 million litres) currently pays \$39,550 but would pay \$31,608 (Option 1) or \$13,194 (Option 2) - a substantial reduction.

Overall, the proposals shift costs from a small group of large exporters to a broader base of users, improving equity and aligning charges with actual certification use.

Exporter type	Est. no. of firms	Export eligibility statement	Official assurance	Status quo ¹⁵	Option 1 Sector specific \$17.65	Option 2 Flat fee \$7.33
Non-levy payers (below 200,000/l threshold)	419	12	6	-	\$318	\$132
Low (on average exports 430,000 litres)	64	76	29	\$138	\$1,853	\$770
Medium (on average exports 2m litres)	37	200	95	\$1,080	\$5,207	\$2,162
High (on average exports 11m litres)	19	1,400	400	\$6,780	\$31,770	\$13,194

Levy impact information

Low – average 430,000 litres; @\$0.0035 per litre above the 200,000-litre threshold = \$805.00 per annum

Medium – average 2,000,000 litres; @\$0.0035 per litre above the 200,000-litre threshold = \$6,300.00 per annum

High – average 11,500,000 litres; @\$0.0035 per litre above the 200,000-litre threshold = \$39,550.00 per annum

7.5 What did submitters say?

Wine submitters generally supported improving equity and transparency in funding certification, including moving certification costs into a fee so charges better reflect actual service use and all exporters requiring certification contribute. Some submitters suggested a phased transition from levy to fee, while others focused on practical implementation questions (payment mechanics and account authority).

Wine submitters also raised operational concerns about whether amendments/replacements should be free and noted functionality gaps and efficiency impacts. MPI's response is that amendments still incur system processing costs that must be recovered, and that functionality improvements are being progressed through continuous improvement releases, with further detail to be provided through implementation planning once settings are confirmed.

¹⁵ Status quo is calculated using \$0.0006/litre over the 200,000-litre threshold, which we estimate to be the approximate share of the overall levy to pay for the legacy certification system. The full levy rate is \$0.0050/litre over the 200,000-litre threshold.

7.6 Assessment against the cost recovery principles

7.6.1 Transparency

MPI has identified the cost components for wine export certification under Trade Certification (system costs and certification personnel costs) and set out how they feed into the proposed fee and levy settings, including indicative rates and who would pay under each option. Submitters sought greater operational detail (e.g., invoicing, payment timing, account authority), indicating a need for clear implementation guidance once settings are confirmed. MPI will support transparency through implementation communications and by reporting, through annual review processes, on actual costs, volumes, and any material over- or under-recovery.

7.6.2 Justifiability

The proposed charges are limited to recovering the reasonable costs of providing wine export certification services and the MPI Trade Certification system component. Submitters raised concerns about specific charging settings (i.e., whether amendments/replacements should be free). MPI's considers that amendments still create system processing costs; waiving fees would shift costs to other users and would not be justified under a beneficiary-pays approach. System cost estimates reflect the budgeted and contracted costs of the platform (depreciation, licences and support). Personnel cost estimates are based on forecast effort to process and approve certification transactions under the wine assurance regime and will be tested against actual volumes and processing effort through annual review once the fee is in place.

7.6.3 Efficiency

Recovering certification costs through a per-document fee improves efficiency because it better links charges to use of the certification service and avoids maintaining a funding approach where a substantial share of exporters does not face the price signal for certification. The fee model is also administratively straightforward and can be monitored and adjusted through standard annual review processes if volumes or costs materially diverge.

7.6.4 Equity

Recovering costs by fee is MPI's preferred method. The rationale is that it is an equitable option, i.e. it will recover the costs of issuing an EES or an official assurance from the new system from the actual user/beneficiary of the certification. The other option subsidises other users/beneficiaries. The current levy arrangements mean only exporters above the threshold contribute to certification system costs, despite certification being used across the export base. Moving certification costs into a fee applies charges to all exporters who require Export Eligibility Statements and official assurances, aligning payment with beneficiary use. Retaining a reduced levy for non-certification services maintains an appropriate mechanism for club-good type services while improving equity for certification as a private good.

7.7 Final recommendation

MPI recommends moving wine certification costs into a fee under MPI Trade Certification from 1 July 2026, with a reduced levy retained for non-certification services. This approach is more equitable than the status quo because it ensures all exporters who require certification contribute to certification system costs, rather than only exporters above the levy threshold.

This recommendation aligns with the overall allocation decision to apply a universal flat fee (Option 2) and enables transparent linking of certification costs to actual use, supported by ongoing monitoring and annual review of cost recovery settings.

8 Phytosanitary (plant and forestry products)

8.1 Phytosanitary export certification

This chapter outlines the proposed cost recovery settings for phytosanitary export certification, including options for recovering system costs from users and the expected impacts on plant and forestry exporters.

MPI is the National Plant Protection Organisation in New Zealand responsible for oversight and management of the export phytosanitary (plant health) assurance system. MPI provides phytosanitary certification for forestry, horticultural and arable plant products exported from New Zealand. Phytosanitary certificates are issued by MPI to provide an official assurance that consignments of plants, plant products or other regulated articles meet specified phytosanitary import requirements of a destination market. The system operated by MPI enables exporters to obtain phytosanitary certification for their products.

Export certification is a private good as it benefits private individuals or businesses rather than the industry as a whole or the public. Generally, private goods would be cost recovered through a fee to the individual or business.

Phytosanitary will move into MPI Trade Certification in February 2026, with costs recovered from 1 July 2026.

8.2 Methods for recovering costs from phytosanitary (plant and forestry products) users

MPI proposes two methods to recovering costs from Phytosanitary. The first method is a fee based approach for all types of products. The second approach is a mix of fees for non-food and food certificates, but with an alternative method of charging for forestry. The fee would be based on volume for logs and for timber. The options for forestry were calculated using the average volumes from 2021/22 to 2023/24 – logs 19,503,080 cubic metres, and timber 1,470,596 cubic metres. The volumes were divided by the system costs to provide the per cubic meter price .

Table 20: Options on mechanism for recovering options for phytosanitary certificates

Method of recovery for Phytosanitary (plant and forestry products)	Type of export certificate	Allocation option 1	Allocation option 2
Fee based	Food	\$10.55	\$7.33
	Non-food		
	Forestry		
Fee, and volume based for forestry	Food	\$10.50	\$7.33
	Non-food		
	Log volume fee	\$0.0086 per m ³	\$0.0059 per m ³
	Timber volume fee	\$0.0043 per m ³	\$0.0029 per m ³

8.3 Impacts from fee increase

We estimate the current cost for the legacy ePhyto system is approximately \$4.34 per export certificate issued. The estimated total cost for the legacy e-Phyto is approximately \$0.26m and is fully depreciated. Under the allocation option 1, MPI Trade Certification adds \$0.556 m in 2026/27, and under allocation option 2 it adds approximately \$0.305 m for the same year.

According to MPI's June 2025 Situation and Outlook for Primary Industries,¹⁶ forestry, horticulture and arable sector are forecast to have export revenues of \$12.97 billion for 2025. If all the estimated increase per annum in costs for Trade Certification were passed through, this would represent around 0.01% under allocation option 1 of this export revenue, and 0.004% under option 2. Over the medium to longer term MPI does not expect this to lead to a material change in the overall phytosanitary export market.

Exporters across food, non-food, and forestry sectors will see increased costs under both options, with impacts varying by certificate volume. Low-usage firms (13 certificates) would pay \$137 (Option 1) or \$95 (Option 2), up from \$56. Medium and high-usage firms face larger increases, e.g. high-volume food exporters (1,886 certificates) would pay \$19,900 (Option 1) or \$13,824 (Option 2), compared to \$8,185 currently. Overall, the increases are modest relative to export revenues and are not expected to materially affect firm behaviour or market access.

Exporter by usage	Average no. of certs	Status quo \$4.34	Option 1 Sector specific \$10.55	Option 2 \$7.33
Food				
Low	13	\$56	\$137	\$95
Medium	295	\$1,280	\$3,113	\$2,162
High	1,886	\$8,185	\$19,900	\$13,824
Non-Food				
Low	13	\$56	\$137	\$95
Medium	192	\$833	\$2,026	\$1,407
Forestry				
Low	13	\$56	\$137	\$95
Medium	270	\$1,172	\$2,849	\$1,979
High	1,139	\$4,943	\$12,018	\$8,349

8.4 What did submitters say?

Phytosanitary submitters generally supported a simple, usage-based approach for recovering MPI Trade Certification system costs, with many favouring a flat per-certificate fee as transparent and easy to administer. Some forestry submitters questioned the robustness of the volume-based approach and encouraged further analysis, while others supported volume-based charging for forestry.

Several submitters argued that Trade Certification should be Crown funded, noting that it delivers significant public benefit.

8.5 Assessment against the cost recovery principles

Transparency

MPI has clearly described the scope of this proposal for phytosanitary users (recovering the MPI Trade Certification system component only), the options considered, and the estimated impacts at a market and firm level. Submitters requested additional detail on cost modelling and cost management,

¹⁶ <https://www.mpi.govt.nz/dmsdocument/69612-Situation-and-Outlook-for-Primary-Industries-SOPI-June-2025/>

which reinforces the importance of clear implementation communications and ongoing annual review reporting.

Justifiability

The proposed charges are limited to recovering the reasonable costs of providing the Trade Certification system (depreciation, licences, and support) allocated to phytosanitary use. While submitters raised concerns about costs and consultation burden, MPI considers recovering the system costs from beneficiaries is justified and the estimated market-level impact is small relative to sector export revenues.

Efficiency

Applying a per-certificate fee for the Trade Certification system component is efficient because it aligns charges with system outputs and avoids more complex charging bases (e.g., value/tonnage) that would require additional data collection and administration. A universal flat fee is also administratively simpler and more scalable as the system evolves, with adjustments managed through routine annual cost recovery reviews.

Equity

The fee approach is equitable because costs are recovered from those who use and benefit from phytosanitary certification services, broadly in proportion to use (higher-volume users pay more overall through higher certificate volumes). Submitters expressed differing views on whether forestry should be volume-based; however, applying a consistent per-document fee for the Trade Certification system component supports equity across users by applying the same charging basis for the same system service, with monitoring and annual review to manage any material divergence in costs, volumes, or unintended impacts.

8.6 Final recommendation

MPI recommends applying the universal flat fee (Option 2) to phytosanitary users for the MPI Trade Certification component from 1 July 2026. This approach is consistent with the overall allocation decision, is simple to administer, and aligns charges with system use through a per-certificate basis. MPI maintains that the primary purpose of MPI Trade Certification is to provide official assurance for exporters, a private benefit that enables market access. As such, cost recovery by the benefitting party applies.

9 Animal Product export certification

This chapter outlines proposed changes to cost recovery settings for animal product export certification under MPI Trade Certification. The current charging model is based on transaction counts, which no longer reflect how services are delivered under the new system. Certification is now issued per document, not time-based usage. The proposed changes aim to align charges with actual system use, improve transparency, and ensure costs are fairly distributed across users who benefit from certification services.

The Animal Products Act 1999 (APA) provides New Zealand's regulatory framework for processing animal material across a range of sectors, including meat and dairy products, poultry, seafood, and honey and bee products. The requirements under the APA ensure that the safety, traceability, and quality of animal products exported from New Zealand are maintained.

There are two components required to deliver this service, transfer documents and an export certificate.

Transfer documents: Operators processing or handling export products need to raise a transfer document every time product moves between premises. Transfer documents ensure traceability throughout the production chain and confirm the product meets:

- New Zealand's requirements (e.g. operate under a risk management programme), and
- the importing country(s) requirements (e.g. the overseas market access requirements).

Export Certificate: When the product is ready for export, exporters can apply for an official assurance. The necessary chain of evidence (traceability) must be available in the electronic certification system for MPI consideration of the verifier and certifier issuing an official assurance.

9.1 How electronic certification system costs are funded for animal products?

Cost recovery for services is authorised under Part 9 of the APA. The regulations giving effect are:

1. Schedule 1, Part 6 of the Animal Products (Fees, Charges, and Levies) Regulations 2007 and Schedule 1, Part 5 the Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015.
 - a. Given effect via notices: *Animal Products Notice: Electronic Certification System Costs - Dairy Industry*, and the *Animal Products Notice: Electronic Certification System Costs – Non-dairy Animal Product Industry*.

The costs for MPI to review and approve official assurances is charged separately to the use of the electronic certification system. The system charges apply each time a registered user accesses the legacy system. This includes for raising transfer documents, loading supporting documents and requesting export certificates.

A separate charge for the electronic system in part reflects the complexity of the regulatory framework for export certification of animal products. The requirement for traceability means that some businesses that use the system are not exporting product but provide export-compliant products as part of the supply chain.¹⁷ The charging method ensures these businesses contribute directly to the cost for system use.

Table 15 summarises the current charges for animal products for use of the legacy AP E-cert system. Note, the previous "cost per second" was discontinued from 1 July 2025.¹⁸

¹⁷ When the product is ready for export, exporters can apply for an official assurance. The necessary chain of evidence (traceability) must be available in the electronic certification system for MPI consideration prior to verification and issuing an official assurance.

¹⁸ See Animal Products (Dairy Industry Fees, Charges, and Levies) Amendment Regulations 2025 & Animal Products (Fees, Charges, and Levies) Amendment Regulations 2025.

Table 21: current fees & charges for use of an electronic certification system and the issue of an official assurance

System charges for the legacy AP E-cert system	
Industry user type	Cost per transaction
For industry users of a class for which recognised agency use of the electronic certification system is not required	\$0.08
For all other industry users	\$0.15

9.2 Change to how costs will be recovered

The first proposed change is to how costs will be recovered. MPI Trade Certification will not have the same pricing structure as the legacy AP E-cert system. From 1 July 2026, it is proposed that costs be recovered via a fee based per Certificate, Assurance or Transfer document approved within the system.

9.3 Fee options

MPI is proposing to have one fee per document or certificate. The fee option is determined on the allocation options as set out in Chapter 6 of this document. The table below sets them out.

Table 22: Fee options for animal products

Allocation option	Fee
1: sector specific	\$6.40
2: flat fee	\$7.33

As discussed in the section on allocation of costs, MPI has considered other options such as the volume and value of products, and the number of consignments. MPI could not pursue these approaches as it did not have the data or would violate trade obligations (value charge).

9.4 Estimated financial impact from the proposals

The animal products sector will be the largest user of MPI Trade Certification, therefore will bear the larger share of costs. For 2025/26, the cost of running the legacy AP e-cert is approximately \$1.24 m, but it has been fully depreciated. Under allocation option 1, MPI Trade Certification will increase costs by \$3.927 m in 2026/27, and option 2 by \$4.689 m for the same year.

Under the legacy system, some companies have been able to optimise their use of the system and kept their costs low. There are also some companies that pay substantially more than the number of certificates or documents they use. With the proposed change to the method of charging – per Certificate, Assurance or Transfer document approved within the system, all companies will find that their costs reflect the portion of certificates and documents are proportionate. MPI acknowledges this may prompt changes amongst companies regarding how they choose to consolidate products into consignments.

The estimated export revenue for the sector for 2025 is approximately \$42.11 billion.¹⁹ If all the estimated increase per annum in costs for MPI Trade Certification were passed through, this would represent around 0.012% under allocation option 1 of this export revenue, and 0.014% under option 2. Over the medium to longer term MPI does not expect this to lead to a material change in the overall animal product export market.

9.4.1 Firm level impacts

The table below provides illustrative, anonymised firm-level examples of how costs could change under the proposed move from transaction-based charging in AP E-cert to a per-document fee in MPI

¹⁹ MPI June 2025 Situation and Outlook for Primary Industries

Trade Certification, where charges apply to both export certificates and transfer documents. These examples are intended to show that impacts will vary significantly across firms depending on their document volumes and current ability to optimise system use. The figures focus on the electronic certification system component only (not wider certification or assurance costs) and are provided to support understanding of distributional impacts while avoiding disclosure of commercially sensitive information.

Table 23: Firm level impacts for Animal Product Sector

	Firm	Export certificates	Transfer Documents	Status quo	Option 1	Option 2
Over \$800m in revenue	High	25,585	51,126	\$115,834	\$490,950	\$562,292
Between \$799m to \$300m in revenue	Medium	2,772	5,996	\$13,240	\$56,115	\$64,269
Below \$300m in revenue	Low	108	322	\$649	\$2,752	\$3,152

9.5 What did submitters say?

Animal products submitters raised concerns about fairness and equity, including perceptions that a universal flat fee could result in cross-subsidisation and that the magnitude/timing of cost increases may be challenging for exporters. Submitters argued that Animal Products sector would end up subsidising other sectors under the proposed charging model, while another noted that a sector specific fee would be inequitable because low-volume exporters would pay the same per-document charge as high-volume exporters.

Submitters also questioned whether costs should be recovered from exporters at all and suggested Crown funding based on public benefits; MPI's position remains that export certification services primarily provide private market access benefits and are appropriately cost recovered from users. MPI does not consider the proposals to result in cross-subsidisation, emphasising that higher fees for the Animal Products sector simply reflect its greater usage of the system. MPI also acknowledges the equity concerns raised about low-volume exporters but maintains that the cost-per certificate is tied to an identical service regardless of exporter size.

A key animal products-specific issue was whether transfer documents should be included in the charging base. MPI considers transfer documents integral to traceability and a key driver of system use; excluding them would shift traceability-driven system costs away from those who create demand and onto other sectors and/or other users. The traceability analysis shows transfer volumes are materially higher than export certificate volumes, and inclusion of transfers more accurately reflects system demand generated by the animal products traceability framework.

Table 24: Traceability analysis – impact of including transfer documents on cost allocations

Sector	TRANSFER DOCUMENTS AND CERTS			CERTS ONLY			Movement
	Allocation	Volumes 26/27	Cost 26/27	Allocation	Volumes 26/27	Cost 26/27	
AP	86.0%	809,931	\$ 5,929,109	62.2%	216,091	\$ 4,284,507	-\$ 1,644,602
PHYTO	8.2%	77,234	\$ 565,390	22.2%	77,234	\$ 1,531,341	\$ 965,951
WINE	3.8%	35,902	\$ 262,824	10.3%	35,902	\$ 711,852	\$ 449,027
IMPORTS	2.0%	18,360	\$ 134,403	5.3%	18,360	\$ 364,026	\$ 229,623
Total	100.0%	941,427	\$ 6,891,726	100.0%	347,586	\$ 6,891,726	\$ -

Submitters also raised implementation and functionality issues (including testing expectations and desired workflow changes). MPI has acknowledged these themes and will consider them through implementation planning and continuous improvement processes, noting that some proposals sit outside the scope of the cost recovery consultation.

9.6 Assessment against the cost recovery principles

9.6.1 Transparency

MPI has set out the proposed change in charging basis for animal products (from transaction-based charging in the legacy system to a per-document fee in MPI Trade Certification), the resulting fee options under the allocation approaches, and indicative firm-level examples to illustrate distributional impacts. MPI has also explained the rationale for including transfer documents in the charging base (traceability-driven system demand) and provided supporting analysis to show how inclusion/exclusion of transfers affects allocations.

Submitters sought additional clarity on modelling assumptions and on the implications of different allocation approaches. The system-wide trade-off between allocative precision and administrative efficiency, and how this interacts with cross-subsidisation across sectors under different approaches, is addressed centrally in Chapter 6 (sections 6.6.3–6.7). MPI will continue to support transparency through implementation communications and through annual cost recovery reviews reporting on actual costs, volumes, and any material over- or under-recovery.

9.6.2 Justifiability

The proposed charges are limited to recovering the reasonable costs of the MPI Trade Certification system component for animal products users (depreciation, licences, and support) and do not seek to recover unrelated activities. Submitters questioned the reasonableness and timing of fee increases; however, the cost base being recovered reflects the costs necessary to operate, support, and licence the system at the required standard.

MPI has taken actions to reduce the cost impact on users (including removal of the capital charge component through capital repayment and absorption of some transition costs), supporting that the costs being recovered are appropriate to the service provided. MPI will manage any material over- or under-recovery through routine annual reviews of expenditure and volumes and recalibrate settings where warranted.

9.6.3 Efficiency

Charging per document processed is an efficient proxy for system use because it aligns charges with the primary outputs handled in MPI Trade Certification (certificates/assurances and transfer documents) and avoids more complex charging bases (e.g., value, tonnage, or consignments) that would require additional data collection and administrative effort.

Including transfer documents improves efficiency by ensuring the price signal reflects traceability-driven demand placed on the system across the supply chain, rather than concentrating system costs only on exporters at the end of the chain. More granular charging approaches could increase allocative precision, but would also introduce additional feature attribution, reallocation, assurance and dispute-resolution costs over time (particularly as system functionality evolves and additional sectors onboard). The system-wide trade-off between allocative precision, administrative efficiency and cross-subsidisation is addressed centrally in Chapter 6 (sections 6.6.3–6.7).

9.6.4 Equity

The fee approach is equitable because costs are recovered from those who use and benefit from the electronic certification service, broadly in proportion to use (higher document volumes result in higher total charges). Transfer documents are integral to the traceability framework and a major driver of this functionality. Excluding them would shift traceability-related costs away from those users and onto other sectors and/or other users, creating inequities across the wider user base. MPI acknowledges distributional impacts across firms (including for lower-volume exporters) and will monitor impacts and recalibrate settings where warranted through annual reviews. The system-wide trade-off between allocative precision and administration cost (including cross-subsidisation considerations) is addressed in Chapter 6 (sections 6.6–6.7) and applies across all sectors using MPI Trade Certification.

9.7 Final recommendations

MPI recommends applying the universal flat fee (Option 2) to animal products users from 1 July 2026, charging per document processed in MPI Trade Certification. This includes both export certificates

and transfer documents, reflecting that transfers are fundamental to traceability and generate significant system demand.

Including transfer documents supports equity across the full user base by ensuring traceability-driven system costs are recovered from those who create demand for traceability functionality, rather than shifting these costs to other sectors or other users. MPI will manage residual equity and implementation risks through ongoing engagement and annual review of volumes, costs, and settings.

Proactively Released

10 Implementation Plan

Wine and Border Biosecurity for import certificates are using MPI Trade Certification. Phytosanitary users will move into the system by February 2026, and animal products by April 2026. All the cost recovery proposals in this document, if agreed to by Cabinet, will come into effect from 1 July 2026.

If there is a delay in meeting the timeframes, this will be communicated with stakeholders, and an up to date timeframe would be made available [here](#). Any delay will change how costs are calculated. Those changes would be considered later via MPI's annual review of cost recovery settings.

Proactively Released

11 Monitoring and Evaluation

MPI constantly monitors revenue and expenditure to ensure that significant deficits and surpluses do not arise. If they were to do so, it would be addressed via MPI's cost recovery annual package process.

Proactively Released

12 Review

Cost recovery settings will be reviewed annually to ensure charges remain aligned with actual costs, system usage, and cost recovery principles. Reviews will consider revenue and expenditure, document volumes, and any material surpluses or deficits, with adjustments made through standard cost recovery review processes where required.

Proactively Released

Appendix A: Further information on cost recovery principles

The four cost recovery principles appear in much of MPI's legislation.²⁰ The legislative definition and interpretations of each principle are set out below.

Transparency

Legislation

'Costs should be identified and allocated as closely as practicable in relation to tangible service provision for the recovery period in which the service is provided.'

Policy interpretation

'Transparency' means providing adequate information to people such that they can understand charges and have an opportunity to input into their calculation and setting.

'Identified and allocated...' means presenting the costs in a way that people can see what services generate what costs, and when. 'Allocated' does not mean 'charged'. How costs are charged is a result of consideration of all the principles.

Justifiability

Legislation

'Costs should be collected only to meet the reasonable costs (including indirect costs) for the provision or exercise of the relevant function, power, or service.'

Policy interpretation

'Reasonable costs' are those necessary to deliver the service at the demanded quantity and quality²¹, acknowledging that small inefficiencies may occur from time to time. Large, persistent inefficiencies would not be justifiable costs.

Efficiency

Legislation

'Costs should generally be allocated and recovered to ensure that maximum benefits are delivered at minimum cost.'

Policy interpretation

Efficiency is about how to recover the justified costs and is made up of several elements:

1. Costs should be charged to:
 - Those who benefit from the service – if the customer pays, they have the incentive to demand only those services that provide them benefit compared to other things they might purchase. If parties other than the beneficiary pays, then the beneficiary will demand more services than otherwise
 - Those whose behaviour can reduce the need and cost of the service – this factor covers situations where there are externalities. In these cases, it may be efficient to charge the third party as well, or instead of, charging the customer/beneficiary.
2. Charges should account for administrative costs – for instance, sometimes it will be administratively prohibitive to charge according to precisely charge those that benefit or those that can reduce costs, so a simplified approach is warranted.

²⁰ <https://www.legislation.govt.nz/act/public/1999/0093/latest/whole.html#DLM35716>
<https://legislation.govt.nz/act/public/2003/0114/latest/DLM223236.html>

²¹ The quality of service is sometimes determined by overseas requirements, sometimes by New Zealand Government requirements (e.g. to address public health risks), and sometimes by users (e.g. how much effort to expend to maintaining market access to countries). The use/quantity of those services is determined by users when deciding how much to produce and export and whether to operate in particular markets.

- Charges should be competitive neutral – MPI should not use any dominant market position to charge inflated prices and make more than a fair economic return.

Efficiency and the type of costs

All relevant costs are potentially recoverable, including:

- direct costs associated with services, such as staff time, travel costs, systems and equipment used in delivering the specific service;
- support costs associated with delivery of the service, such as training and development costs for staff, administrative support costs, management costs, project costs and capital costs; and
- a proportion of wider business support or common costs, for example costs associated with corporate functions like finance, human resources management, information technology, and costs of property and utilities.

It is administratively impractical to precisely allocate wider business support or common costs to the wide range of MPI services. Instead, staff hours are used as a proxy on the assumption that the more staff hours are part of a service, the more property, human resources and other wider support and common costs the service will use.

Efficiency and type of services

If costs are to be recovered from beneficiaries, the appropriate type of charge to use depends on whether the service is a private good or club good.²²

Fees are used for private goods – services that are of direct benefit to individual businesses. Levies pay for club goods – services that benefit sectors or groups of businesses.

If costs are to be recovered from exacerbators, the appropriate type of charge is a levy on the activity, or proxy for the activity, that causes the risk.

Equity

Legislation

‘Funding for a particular function, power, or service, or a particular class of functions, powers, or services, should generally, and to the extent practicable, be sourced from the users or beneficiaries of the relevant function, power or service at a level commensurate with their use or benefit from the function, power, or service.’

Policy interpretation

The Government will usually deem it fair that beneficiaries pay.

On other occasions, the Government will determine that other fairness considerations mean that another party contributes to the costs. For example, sometimes industry will be happy to support parts of its industry. Other times, Governments will want to provide additional support.

Relationship between the Cost Recovery Principles

The principles build on each other with Transparency and Justifiability providing a foundation to the consideration of Efficiency and Equity.

The figure at the end of this chapter summarises the relationship between the principles.

Transparency and Justifiability come before considering Efficiency and Equity

Around Justifiability, MPI legislation says that MPI can only recover reasonable costs.

While the Transparency principle itself doesn't have a similarly strong statement, the very next clause says that costs should not be recovered unless there's been adequate consultation with affected parties including 'sufficient time and information to make an informed contribution'. Adequate consultation can only happen if MPI has been transparent.

²² There is also a category of merit goods – services which the community desires more of than would be provided if charged for at full cost.

With language of 'should not' and 'only', Transparency and Justifiability require²³ some minimum standard to be met. In contrast, Efficiency and Equity are to be achieved 'generally'.

This sequential approach to the principles, rather than considering the principles simultaneously, makes sense. It is not possible to be confident that the efficient way of cost recovering has been identified if costs have not been sufficiently justified, or affected parties have not had a reasonable opportunity to test the costs.

There will sometimes be trade-offs between Efficiency and Equity

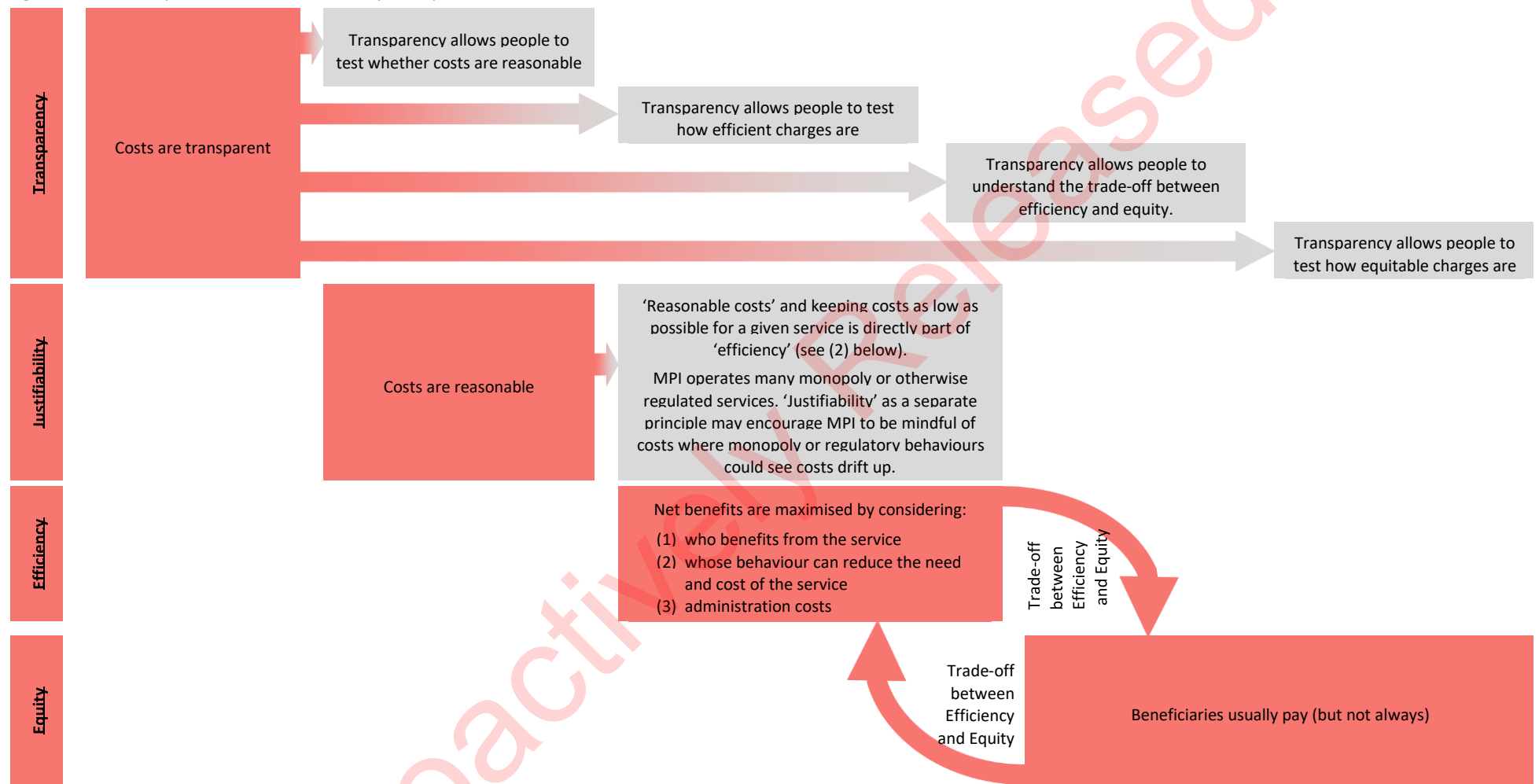
The 'generally' in the Equity principle means that a government might decide to charge someone other than the beneficiary. The 'generally' in the Efficiency principle means that cost recovery settings will not always maximise benefits and minimise costs.

If the Government determines that it is more equitable to pay for a service through Crown funding rather than charging beneficiaries or those whose behaviour can reduce the need for the service, then the cost recovery setting will not be maximising net benefits.

The two 'generally' allow for trade-offs to be made between Efficiency and Equity.

²³ Legislation, such as the Animal Products Act 1999, however, also say that failure to consult sufficiently does not affect the validity of cost recovery charges.

Figure 1: Relationship between the Cost Recovery Principles



Appendix B: Summary of submissions and responses

Sector	Themes	Issue raised	# of Submitters	MPI view
Animal Products	Overall cost levels are too high	Eight submitters view the overall costs levels as too high and one submitter warns that rising fees may push exporters to consolidate shipments, potentially, complicating traceability and compliance requirements.	9	MPI considers the Trade Certification fees to be reasonable and proportionate, emphasising that they recover only actual system costs and align charges with exports' use of the service. While costs for the new system are higher than for legacy systems, they reflect the investment required to deliver a modern, secure, and efficient certification platform. MPI does not expect these costs to materially affect export behaviour, and annual reviews will ensure charges remain fair and proportionate.
	Charging method may cross – subsidise the other sectors in recovering costs for new system	Six submitters argued that Animal Products exports would end up subsidising other sectors under the proposed charging model, while another submitter noted that a sector specific fee would be inequitable because low-volume exporters would pay the same per-document charge as high-volume exporters.	7	MPI does not consider the proposals to result in cross-subsidisation, emphasising that higher fees for the Animal Products sector simply reflect its greater usage of the system. MPI also acknowledges the equity concerns raised about low-volume exporters but maintains that the cost-per certificate is tied to an identical service regardless of exporter size.
	Transfer documents should not be	Two large volume exporters argue that allocating costs based on certificate volumes only (not including transfer documents) better reflects actual system use and benefits across sectors. The same	2	While MPI acknowledges equity concerns, the proposed approach balances fairness with practicality. MPI's preferred Option 2 applies a simple, transparent flat fee across all sectors, aligning with efficiency and equity principles. Transfer

Sector	Themes	Issue raised	# of Submitters	MPI view
Animal Products	included in charging base	submitters requested that transfer documents for dairy products be investigated, and justification provided for why are needed.		documents remain part of the allocation method because they are essential to regulatory integrity and reflect actual system demand. Impacts will be monitored, and annual reviews will ensure charges remain fair and proportionate. An investigation into the role of transfer documents is out of scope for this consultation.
	Need more confidence in new system's functionality and implementation	<p>One submitter expressed concern that the new Trade Certification system may not fully support industry needs, highlighting:</p> <ul style="list-style-type: none"> • insufficient live-data testing, • questioning the necessity of maintaining Salesforce, • and noting potential loss of useful AP eCert functionality. <p>They also sought more operational flexibility, such as:</p> <ul style="list-style-type: none"> • allowing system submissions, • reduced verification frequency, • and requested a dairy-focused regulatory review. <p>One submitter expressed doubt about assumptions of wider sector uptake, while</p>	3	MPI acknowledges these concerns, but several requested system changes cannot be delivered before go-live due to time and budget constraints. Salesforce remains necessary to support verifier and certifier obligations, while broader changes will be considered through the upcoming OAR review and in the establishment of a continuous improvement programme. MPI recognises the potential efficiencies enabled by AI and will incorporate efficiency gains into future reviews.

Sector	Themes	Issue raised	# of Submitters	MPI view
		another noted that MPI's approach should better account for future efficiencies expected from AI.		
Wine	Need to commit to continuous improvement	Two submitters argue that although wine businesses have adapted to the new system, key functionalities are missing and efficiency gaps continue to create extra time and resource burdens.	2	MPI has already delivered continuous improvements since the 2024 Wine Release, with additional wine functionality planned for release this financial year. While the system will continue to evolve, MPI's ability to add new features is constrained by time and budget. A continuous improvement programme is being established. Prioritisation will occur in 2026, and not all desired functionalities will be delivered immediately. Industry may directly fund specific enhancement that fall outside MPI's prioritised work.
	Need more confidence in new system's functionality and implementation	Three different submitters raised concerns about aspects of Trade Certification implementation and functionality for the wine sector: one argued that replacing or amending certificates should not incur fees, another sought clarity on how certification charges and payment process will operate under the proposed model, and a third suggested phasing in user-pays certification fees while gradually reducing the levy to ease the transition for exporters.	3	MPI's view is that fees for replacing or amending certificates are necessary because they reflect real system costs that must be recovered to maintain fairness and sustainability. MPI acknowledges that exporters are after greater clarity on how certification fees will be issued, paid and managed. Detailed guidance will be provided once the preferred cost-recovery option is confirmed. MPI has considered a phased introduction of user-pays certification charges, however the preferred approach is to move to a fee model from 1 July 2026 alongside a reduced

Sector	Themes	Issue raised	# of Submitters	MPI view
				levy as this provides a simpler, more transparent, and principled cost-recovery approach.
Phytosanitary (plant and forestry products)	New system should be Crown funded	Three submitters argue that the Trade certification system should be funded by the crown, as it delivers substantial public benefits.	3	MPI acknowledges that the system supports public outcomes such as biosecurity and food safety. However, the primary purpose of MPI Trade Certification is to provide official assurance for exporters, a private benefit that enables market access. Consistent with cost recovery principles and long-standing practice costs for services that primarily benefit individual businesses are recovered from those users.
	Need more confidence in new system's functionality and implementation	Three different submitters raised concerns about the implementation and functionality of Trade Certification for the Phytosanitary sector. One submitter sought clearer assurance that MPI is actively managing and minimising system costs, while another encouraged MPI to adopt stronger co-design and structured engagement approaches for future system development. A third submitter also highlighted the need for greater equity in how Trade Certification costs are allocated, arguing that charges should be distributed across horticulture	3	MPI's view is that strong governance, assurance and financial management arrangements are already in place to oversee and control programme costs, and co-design principles are embedded in system development and will be strengthened as the system develops. MPI does not consider a volume-based charging approach to be equitable or efficient, as the cost of Trade Certification reflects the processing and issuance of individual certificates rather than the physical volume of product exported. Fees are designed to align with actual system use, with annual reviews ensuring charges remain fair and proportionate.

Sector	Themes	Issue raised	# of Submitters	MPI view
Phytosanitary (plant and forestry products)		based on overall trade volumes rather than on individual certificates.		
	Consultation fatigue at risk for Phytosanitary sector	Two submitters viewed the timing of two public consultations (phytosanitary certification fee and FoC) as frustrating. ²⁴	2	While the concerns are recognised, this is outside the scope of the Trade Certification cost recovery consultation.
	Commit to Annual Review	One submitter suggests that phytosanitary certification fees should be part of the annual cost recovery review.	2	While the concerns are recognised, this is outside the scope of the Trade Certification cost recovery consultation.

²⁴ 'Proposed updates to MPI's cost recovery for plant and forestry export certification' Consultation 20 October – 28 November 2025.