

Research paper, June 2025

## **Cost Recovery by the Ministry for Primary Industries**

### **Introduction**

In February 2025, Business New Zealand (BusinessNZ) held an open forum for leaders of organisations belonging to its Affiliated Industries Group (AIG)<sup>1</sup>. The purpose of the meeting was to ask members what issues they needed support with, and it was notable that Cost Recovery by government departments and agencies was an issue for a large proportion of those present. In response to this, BusinessNZ decided to undertake research to gain a deeper understanding of the issue than was possible from the forum.

The issue of Cost Recovery was most frequently mentioned by leaders of primary and food processing industry associations, so the research was designed to gather information and insights about how the practice affects those two broad industry groups

The research was based largely on the findings from a survey of industry association leaders. The interviews were semi-structured in that they combined a standard set of questions with free-ranging discussion.

The responses tended to relate largely, but not exclusively, to the MPI. This was unsurprising, given the associations' membership and sector interests. Accordingly, in what follows, the focus is mainly on that Ministry.

At the outset, it should be noted that the results presented here reveal some perceived shortcomings on the part of the MPI, but the aim is not simply to find fault. Rather it is intended to be constructive, highlighting problems that have the potential to be ameliorated, if not eliminated.

### **What is Cost Recovery and how is it managed?**

Many government departments and agencies deliver legislated services to individuals and businesses, and there is often provision for the recovery of the cost of the services through the use of fees and levies. In the case of the MPI, businesses can be charged for, amongst other things, inspections and biosecurity measures at the point of import or export, and compliance with regulations.

Both the Treasury and the Office of the Auditor-General (OAG) have issued guidance to state sector bodies on how Cost Recovery systems should be designed and operated. These two sets of guidance are summarised in Appendix 1 to this paper.

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<sup>1</sup> Information on the AIG can be found here: [AIG | BusinessNZ](#)

In 2018, the MPI published its own guidance on Cost Recovery, for use by its various industry teams<sup>2</sup>. The MPI guidance embodied the principles of Equity, Efficiency, Justifiability and Transparency, and the guidance document states that it is intended to align with the principles in the Treasury and OAG guidance.

The MPI guidance also covers issues such as:

*"... whether to seek to recover costs at all, the types of costs that can be recovered, how to approach allocation of costs, and the charging mechanisms that are available. It also describes features of processes that support good management of Cost Recovery arrangements on an ongoing basis."*

Further, the guidance notes that the Ministry has a Cost Recovery Directorate, which:

*"... maintains most of MPI's charging regulations, and has a responsibility to ensure decision making in relation to service funding is of high quality."*

In addition, the guidance specifies that:

*"MPI's policy is to seek to recover all direct costs associated with a service (such as staff time, travel costs, systems and equipment used in delivering the specific service), as well as 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 fair proportion of wider business support or common costs (for example costs associated with corporate functions like finance, human resources management, information technology (IT), and costs of property and utilities)."*

It should also be noted that the MPI has a Cost Recovery Stakeholder Group that aims to play a significant role in ensuring the Cost Recovery system is fair, simpler, and more transparent. The Group was not explicitly referred to in the Ministry's 2018 Cost Recovery Guidance document, so it might be that it was established later.

It is understood that the Group engages in various activities and processes related to Cost Recovery, including:

- Consultation and engagement, particularly on changes to fees and levies for goods crossing New Zealand's border, including discussions on the impact of these changes on businesses and exporters
- Review and feedback on MPI's Cost Recovery arrangements, helping to identify areas for improvement and ensuring that charges are targeted appropriately
- Transparency and reporting, with a view to improving transparency and consistency in reporting Cost Recovery charges. This includes managing information on cost drivers and simplifying charging arrangements for customers
- Advocacy and policy development to seek fair treatment of cost-recovered businesses and ensuring that investment translates into valued outcomes
- Discussing models for public-private benefit cost sharing, and the need for clear criteria and measures for applying different ratios.

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<sup>2</sup> <https://www.mpi.govt.nz/dmsdocument/30855-Ministry-for-Primary-Industries-Cost-Recovery-Policy-Guidance>. The five industry teams cover Biosecurity, Fishing, Forestry, Agriculture, and Food safety.

## **What proportion of MPI costs are recovered?**

The MPI's Cost Recovery guidance document states that 40% of the Ministry's operating costs are recovered through fees and levies, although this is a 2018 figure. More recently, a 2025 paper to the Cabinet Economic Policy Committee<sup>3</sup> stated that the proportion of costs recovered had fallen to 32%.

On the face of it, therefore, it appears that the MPI has become less focused on collecting fees and charges, but it is not clear whether the two figures quoted above were derived in exactly the same way as one another. The precise source of both is also not clear.

## **Responses to the survey questions**

### About the respondents

Eight industry association leaders took part in the survey<sup>4</sup>, including representatives of all three main parts of the primary sector (agriculture, forestry and fishing), as well as food and beverage processing. Six of the leaders were interviewed in person and two submitted written responses.

In combination, the associations responding had approximately 16,000 members, i.e. businesses paying fees and levies. This number excludes one association, for which membership numbers were not provided.

All of the respondents indicated that the MPI's Cost Recovery processes were problematic for them to a greater or lesser degree.

### How big an issue is Cost Recovery to the members?

One respondent said that the issue was moderate, but that costs were always going up.

Another said that it was hard to say because costs had remained static for years but were soon to be doubled.

Two said that it was significant, although one mentioned that Cost Recovery was just one of the cost pressures facing businesses.

Another two said that it was a big issue and, again, one of these mentioned that Cost Recovery was just one of the cost pressures members were facing. One also mentioned that cost pressures were forcing some members to leave their industry.

One responded said that it was an issue of increasing concern.

The remaining respondent indicated that Cost Recovery was not a direct issue for members because MPI levies are deducted from payments to producers by processors.

### To which government agencies do the members pay charges?

All eight of the respondents said that their members paid charges to the MPI. Four also mentioned payments to Customs, albeit only in passing in each case. No other government organisation was mentioned more than once.

### During the past 10 years, how have the charges increased, relative to inflation?

Interestingly, four of the respondents indicated that it was not clear whether charges had increased faster, at the same rate or slower than inflation, and three of them explained that this was because charges had both increased and decreased at different points in time. Two further

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<sup>3</sup> <https://www.mpi.govt.nz/dmsdocument/69372/direct>

<sup>4</sup> For full disclosure, it should be noted that one association declined to participate, saying that the issues they had with the MPI had recently been resolved.

explained that this was because the various MPI Cost Recovery accounts were not permitted to accumulate surpluses.

Two respondents said that charges had increased more slowly than inflation. One explained that this because some charges had been abated during the COVID pandemic. Commenting further, the other respondent said that a jump in charges was expected in the foreseeable future.

Of the remaining two, one said charges had definitely increased faster than inflation and the other could not be certain.

#### What has driven the increase in the charges?

The variety of the responses to this question suggested a lack of a shared understanding, on the part of the respondents, of what had driven changes in charges.

One doubted whether MPI was trying to contain costs, while another complained that it was not clear what MPI was spending money on, and what had been delivered as a result.

Another stated that MPI had yet to explain the reasons for the changes.

Another pointed to charges changing largely as a response to political pressures.

Another acknowledged that charges had changed because of the MPI's response to a disease outbreak, while another mentioned more biosecurity measures in general.

Lastly, another attributed the changes to a drive by the government to reduce operational costs within different agencies. The same respondent also complained that new charges were being imposed for services that were previously free.

#### Was COVID a factor in increasing charges and, if so, how?

COVID was clearly a factor in charges for only one respondent. This respondent said that the increase in charges had been abated during the pandemic to assist the survival of business.

All the other respondents were either unable to say or were unable to separate the effect of COVID from the effect of other influences on charges.

#### What discussions/exchanges have the associations had with government agencies about Cost Recovery?

Four of the respondents said that they participated in MPI forums for industry groups and three specified that they attended the MPI's Cost Recovery stakeholders group meetings.

Three mentioned that they had meetings with different Ministers, although it explained that these meetings tended to be high level and did not necessarily touch upon Cost Recovery.

One said they had regular meetings with MPI senior managers but added that meetings with MPI subject matter experts were more useful when it came to more technical issues.

Another mentioned that they made submissions to the MPI when there were formal consultations.

#### Have the discussions/exchanges been productive? If not, what has been the reason?

As one respondent put it, whether discussions and exchanges with MPI were productive was a bit of a mixed bag. The same respondent commented that there was a genuine will on the part of the MPI to engage, but that it was still difficult to get transparency about decisions on Cost Recovery. Another respondent expressed a similar sentiment, saying that MPI people listen, but that it is not clear what effect meetings have.

Commenting specifically on the Cost Recovery stakeholders group, another respondent said that engagement was productive to the extent that the group can provide information on forthcoming cost increases, or changes to the system. However, it doesn't reveal anything about efficiency or

justifiability of charges, and it didn't allow the respondent to tell how their industry's experience of Cost Recovery compares with other industry groups.

Another respondent perceived there to be some conflict between the MPI and the Treasury, when it came to Cost Recovery. Treasury was seen as pressing for Cost Recovery to be maximized, while the MPI was conscious how this could harm businesses bearing the costs.

Another indicated that different engagements had had mixed results. They credited the MPI with listening to alternative proposals when certain Cost Recovery changes were being consulted upon. But the same respondent was concerned that some Cost Recovery measures benefitted some members while simultaneously disbenefitting others.

#### Other unprompted comments

As was stated in the introduction to this paper, the interviews were semi-structured, to allow the respondents to highlight additional issues and concerns that were not anticipated by the standard interview questions. The unprompted comments are summarised here.

Three respondents argued that, insofar as increased fees and charges were justified, it would be better if the increases were regular and modest, rather than occasional and substantial. One of these respondents argued that the way in which increases are introduced by the MPI reflects mismanagement.

Linked to the point above about the irregularity of increases, another respondent urged that any increases in fees and charges should be signaled earlier than they are normally, so that businesses can budget for them appropriately. It was stated that increases are inevitably imposed after budgets had been set.

One respondent observed that it was often difficult to distinguish between Cost Recovery and more general costs of doing business, including compliance costs. The same respondent complained that it was clear from their contacts with other industry organisations that the approach to Cost Recovery was not consistent across all business teams within the MPI, even though the Ministry has a Cost Recovery Directorate.

Another respondent questioned whether Cost Recovery reflects an appropriate balance between public and private benefits, while another complained that it was difficult to see the value of some of the research and policy activities for which the MPI charges fees.

Another complained that fee increases included a large proportion of historical debt recovery, and that any kind of on-charging should be for services delivered at the time, rather than to recoup something that was beyond current service recipients' control.

Another felt that it would be helpful for the MPI to revisit the challenge of fully explaining and justifying the charges imposed to the participants in the Cost Recovery stakeholders group. This would make it easy for the industry associations to help their members to understand the charges.

Lastly, a respondent argued that the MPI should look at the potential for market delivery options for some of its activities that lead to charges, particularly IT projects. Their view was that the absence of commercial competition plays a part in some of the costs charged.

The same respondent also suggested that the MPI should bear in mind that the primary industries often deal with commodities. This means that MPI costs cannot be added to the price on-charged and recovered from consumers. Instead, these costs are effectively absorbed by the producers and, as such, this potentially has a greater impact on producers, especially when commodity prices don't increase at the same pace as costs.

## Conclusions and recommendations

As was indicated above in the summary of the survey responses, aspects of the MPI's Cost Recovery arrangements are concerning for all the Industry Associations involved. This is especially true for those that have large numbers of SMEs in their membership. It is also evident that the concerns extend beyond simply the dollar amounts; the processes are also problematic.

On face of it, the suggestion earlier that the proportion of its costs that the MPI recovers had fallen in recent years might be taken to imply that the Ministry is not overburdening businesses using its service users with fees and charges. However, this can only be a tentative conclusion because the basis for the relevant proportions could not be checked. Nor did an internet search uncover regular data on this key metric.

The MPI's own guidance on Cost Recovery reflects the principles in the Treasury and OAG guidance documents. And this, combined with the fact that the Ministry has Cost Recovery Stakeholder Group, implies that it is endeavouring to adhere to its principles. Nonetheless, the responses received from the industry associations surveyed suggest that there is, at minimum, either a lack of transparency on the part of the Ministry, or failings in its communications with the associations.

The responses from the associations indicated concerns about the value and effectiveness of the Cost Recovery Stakeholders Group, as well as some lack of understanding as to why the experiences of Cost Recovery seemed to vary across the different industry groups.

The survey also indicated that Cost Recovery was more of an issue for some respondents than it was for others, and there was some evident puzzlement about why there were differences across industry groups in terms of the timing and amount of increases in fees and charges. This does not necessarily mean that there is a lack of equity in the treatment of the different groups, but it reinforces the perception of a lack of transparency and imperfect communications.

It is likely that the variations in the experiences of Cost Recovery practices reflect several factors. These include the facts that the MPI has different industry teams, that fees and charges paid by businesses in different industries arise from different legal instruments, and even that the responsibility for different industry groups is divided between different government ministers. Accordingly, it might be difficult for the MPI's Cost Recovery Directorate to achieve a more equitable approach to Cost Recovery across the entire Ministry, but it is evident that the reasons why this might be the case are not fully understood by the industry associations. Moreover, it would be reasonable to expect the Ministry to make every effort to ensure that differences in Cost Recovery levels and increases across industry groups are fully justified.

Based on these conclusions, Business New Zealand recommends the MPI should:

- **Publish** annual data showing the proportion of its operational costs are recovered through fees and other charges, alongside a commentary to explain any changes in the proportion.
- **Review** how it might be possible to improve the transparency of its decisions to change its individual Cost Recovery settings.
- **Evaluate** the effectiveness of the Cost Recovery Stakeholders Group.
- **Require** the Cost Recovery Directorate to examine the extent to which Cost Recovery changes across the various industry teams could be more standardised.
- **Explore** the potential for introducing any necessary increases in fees and charges more incrementally over time.

- **Consider** the potential for introducing private delivery of some of its support functions that lead to charges for service users.
- **Ensure** that any increases in fees and other charges are notified in a timely, no-surprises fashion.

In making these recommendations, we are aware that MPI recently undertook an internal review of its Cost Recovery processes and published the findings in mid-2024<sup>5</sup>. The overall assessment from the review was that the Ministry has good cost recovery processes in place, and meets the important principles of equity, efficiency, justifiability, and transparency. Nevertheless, it acknowledged that aspects of the processes can always be enhanced.

Specifically, the report of the review indicated that there were opportunities exist to enhance the equity, efficiency, and transparency of MPI's cost recovery practices by undertaking end-to-end cost recovery reviews for the regulatory systems over time. It also suggested that there could be greater involvement by some regulatory system leads in cost recovery processes, and development of longer-term strategic planning to contribute towards more effective funding management.

Further, the report suggested that improved reporting to regulated parties and payers on the regulatory services and activities being achieved with their funding could further enhance transparency. Significant value could be gained by a more collaborative working approach between regulatory business units, and the cost recovery and finance teams.

We infer from the report that our recommendations are largely in harmony with the findings of the MPI's review, although it is not yet clear what changes to the management of Cost Recovery by the Ministry have been, or are planned to be, implemented.

Business New Zealand looks forward to learning about whatever changes there may be, and we would welcome feedback and discussion on this paper.

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<sup>5</sup> [Cost Recovery – A Regulatory Element Review](#)

## Appendix 1 – Treasury and OAG guidance on Cost Recovery

The Treasury guidance<sup>6</sup> specifies that, in recovering the cost of services:

*"... the users and public should be assured that the entities are managing their costs efficiently and effectively, and taking appropriate consideration of principles such as transparency and accountability."*

In brief, **Efficiently** means that services are delivered with reasonable cost constraint. **Effectively** means that services should be designed and delivered to meet their objectives without being over-elaborate. **Transparency** implies that service users should have sufficient information to be satisfied that the costs are reasonable. **Accountability** implies that service providers are accessible to their stakeholders and are able to explain their decisions.

The guidance also specifies that there must be a legal authority to charge, usually via an Act of Parliament. Further, it states that:

*"There are some circumstances where charging at less than full cost may be appropriate. A decision to charge at less than full Cost Recovery would need the shortfall to be made up from general taxation."*

Less than full Cost Recovery would normally apply in circumstances where the benefits of the services accrue to parties beyond those using them, i.e. where there are positive externalities.

The OAG guidance<sup>7</sup> on setting and administering fees and levies for Cost Recovery also focuses on four principles. Like the Treasury's guidance, it emphasises the importance of efficiency and transparency, but it also stresses the importance of equity and justifiability, rather than effectiveness and accountability. However, in totality, the two sets of principles are very similar in their intent.

The OAG defines **Equity** as being about ensuring that public sector bodies administer and manage fees and levies in a way that is fair. This largely means that government bodies should not seek to recover costs from one group that could benefit a previous or future group.

Likewise, **Justifiability** means that the costs recovered through fees or levies should, as far as possible, reflect only the costs of the goods or services that are provided. This means that there should be no cross-subsidisation, and the organisations charging should have an accurate understanding of both the direct and indirect costs of the goods or services.

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<sup>6</sup> <https://www.treasury.govt.nz/information-and-services/state-sector-leadership/guidance/planning/developing-cost-recovery-proposal>

<sup>7</sup> [Setting and administering fees and levies for Cost Recovery: Good practice guide — Office of the Auditor-General New Zealand](#)

## Appendix 2 – About Business New Zealand



The BusinessNZ Network is New Zealand’s largest business organisation, representing:

- Business groups [EMA](#), [Business Central](#), [Business Canterbury](#), and [Business South](#)
- [BusinessNZ](#) policy and advocacy services
- [Major Companies Group](#) of New Zealand’s largest businesses
- [Gold Group](#) of medium-sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) - country of origin licensing organisation for NZ-made products, NZ-grown ingredients, and NZ-coded software services

The BusinessNZ Network is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

The BusinessNZ Network contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and Business at OECD ([BIAC](#)).

