

Copy list

Meat Hygiene Policy Forum Members:

Association of British Abattoir Operators
Association of Meat Inspectors
Association of Independent Meat Suppliers (AIMS)
British Association for Shooting and Conservation
British Deer Society
British Meat Processors' Association (BMPA)
British Poultry Council (BPC)
British Retail Consortium (BRC)
British Veterinary Association (BVA)
British Veterinary Association (Scottish Branch)
British Wild Boar Association
Campden & Chorleywood FRA
Chartered Institute of Environmental Health (CIEH)
Cold Storage and Distribution Federation
Country Land and Business Association
DARDNI
Deer Commission of Scotland
Deer Initiative
Deer Management Qualification
Defra
FACE – UK Countryside Alliance
Farmers Union of Wales (FUW)
Federation of Wholesale Distributors
Foodaware
Food Commission
Guild of Welsh Lamb and Beef Suppliers
Halal Food Authority
Human BSE Foundation
Haemolytic Uraemic Syndrome Help (HUSH)
International Meat Trade Association
Islamic Cultural Centre
The Livestock and Meat Commission for Northern Ireland
Local Authorities Co-ordinators of Regulatory Services (LACORS)
Meat & Livestock Commission (MLC)
Meat Hygiene Service (MHS)
Meat Training Council
Muslim Council of Britain (MCB)
National Association of British Markets Authorities)
National Association of Catering Butchers)
National Consumer Council
National Consumer Federation
National Council of Schechita Board (NCSB)
National Council of Women (GB)
National Farmers Union (NFU)
National Farmers Union, Cymru Wales (NFUCW)
National Farmers Union of Scotland

National Federation of Meat and Food Traders (NFMFT)
National Federation of Women's Institutes
National Game Dealers Association
National Gamekeepers Organisation
Northern Ireland Meat Exporters Association (NIMEA)
Northern Ireland Poultry Federation
Quality Meat Scotland
Royal College of Veterinary Surgeons (RCVS)
Royal Environmental Health Institute, Scotland (REHIS)
RSPCA
Royal Society for the Promotion of Health (RSPH)
Scottish Association of Meat Wholesalers (SAMW)
Scottish Consumer Council
Scottish Executive
Scottish Federation of Meat Traders Association
Scottish Game Dealers and Processors Association
Small Abattoir Federation (SAFe)
Soil Association
Sustain
TAPPAG
Townswomen's Guild
The Ulster Farmers Union
UNISON
Veterinary Public Health Association
Welsh Assembly Government)
Welsh Consumer Council
Which? (formerly Consumers Association))

Others

National Association of Poultry Suppliers (*MIF*)
Royal Society for the Prevention of Cruelty to Animals (*MIF*)
Chairman and Members of the Meat Inspection Charges Task Force

SRM CHARGING

Introduction

1. When SRM controls were introduced in 1996, it was envisaged that enforcement costs would be met by industry. However, following representations from industry the Government deferred charges until 2002, and this position has to date been maintained by the FSA. In 2005-06, the cost to the FSA of SRM controls was £12.7 million.

The proposed way forward

2. The FSA does not believe that as a general principle it should subsidise the cost of official controls for businesses and, in addition, we wish to re-align expenditure more appropriately across all of our strategic priorities. To help achieve these aims the FSA is investigating ways to progressively reduce the net cost of enforcement of SRM controls through a combination of reducing enforcement costs and introducing charges for SRM controls. As part of this, the FSA is considering the phasing-in of SRM charges starting from the 2007/2008 financial year to recover £2 million of the cost of these controls in the first year of charging. It is envisaged that recovery targets for later years would be set each year subject to an assessment of the impact on industry and the overall costs of the controls, moving towards recovering the full cost of SRM enforcement. The introduction of charges for these controls would be in line with Government policy on cost sharing.

The charging system

3. There are a number of possible charging options that could be used. Examples include moving towards full cost recovery under a system similar to, and possibly linked with, the current charging arrangements for meat hygiene controls, known as the 'Maclean system'¹ in Great Britain. This would involve a move towards full cost recovery from larger meat plants requiring SRM controls, but by charging on throughput where this is less than time costs there could be an element of financial support for smaller plants. Another option might be to move, over time, to full cost recovery from all meat plants requiring SRM controls via a system of time cost charges.

Impact on industry

4. Illustrative figures using the 'Maclean' charging framework suggest that a recovery target of £2 million in 2007-08 would result in additional costs to business of around £120 annually for micro plants, £530 annually for small plants, rising through £4,640 for medium-sized plants to £22,200 for large plants².

¹ In 2001 the Government decided that hygiene enforcement costs in GB should be subsidised, particularly for smaller slaughterhouses and cutting plants. This charging framework is referred to as the "Maclean" system. A similar charging arrangement was already in place in Northern Ireland.

² Micro - less than 500 animal units (AUs) per year, Small - between 500 and 1500 AUs, Medium - between 1500 and 15000 AUs, Large - more than 15,000 AUs. One AU represents 1 bovine or 5 sheep/goats.

Reducing the level of controls and associated costs

5. The FSA is planning to review the level of supervision of SRM controls so as to take a more risk-based approach to enforcement. This review will take into account the latest change to SRM controls following the lifting of the beef export ban and the harmonisation of UK controls with other moderate BSE risk EU Member States. A reduced level of controls would reduce both the total cost of the controls and therefore the charges that would be needed to recover those costs.

Your comments

6. Comments are sought from stakeholders on:

- i. ***the general principle of charging industry for SRM enforcement;***
- ii. ***the charging system that might be used. Whether this should be via a 'Maclean' system, a time cost only charge, or other charging arrangement; and***
- iii. ***the impact on UK industry if SRM charges were to recover £2 million of the cost of SRM controls in the first year of charging and how this impact might vary under different charging options.***

MEAT HYGIENE CHARGES

CHANGES ON 1 JANUARY 2007 TO IMPLEMENT PROVISIONS OF THE EU REGULATION ON OFFICIAL FEED AND FOOD CONTROLS RELATING TO THE FINANCING OF OFFICIAL CONTROLS (OFFC)

Introduction

1. The legal basis for charging for official controls changes on 1 January 2007 when the finance provisions in EU Regulation 882/2004 on official feed and food controls (OFFC) come into force.

2. The Articles and Annexes of the Regulation relevant to meat hygiene charges are attached at Appendix 8 for your information. The new Regulation will continue to require charges to be made for meat hygiene controls and will require little change to be made to the current charging arrangements on 1 January 2007.

Changes required from 1 January 2007

3. Paragraph 3 of Article 27 of the OFFC Regulation allows Member States to continue to use the charging rates set out in the current charging directive (Directive 85/73/EEC), i.e. the throughput rates that are currently charged in the UK, for a transitional period until 1 January 2008. The intention of the FSA is to make use of this provision such that, with one exception, neither the current charging system, nor the throughput charging rates will change on 1 January 2007.

4. The one exception is the need to abolish the current minimum charge on 1 January 2007, which is required under the present EU Charging Directive. This change should benefit operators who currently pay charges at the minimum level.

Proposed abolition of the minimum charge

5. The current EU Charging Directive requires that, as a minimum, charges for meat hygiene controls must be no lower than 45% of the relevant standard Community throughput rates. The application of this rule to the UK system of meat hygiene charges means that where charges are based on time costs (because they are less than the charge that would be payable using throughput rates) the amount of the charge must be no lower than 45% of total charges calculated on a throughput basis. This means that if time costs are less than 45% of charges calculated on a throughput basis, the higher 45% figure is the amount that is charged. Paragraph 4(a) of Article 27 of the OFFC Regulation provides that fees collected for official controls shall not be higher than the costs borne by the control authority. It is therefore necessary to abolish the current minimum charge rule. This will mean that businesses that are currently paying charges at the 45% minimum rate are instead likely to pay a lower charge.

Public consultation

6. A 12-week public consultation exercise will be carried out during the Summer on the implementation of the finance provisions of the OFFC Regulation on 1 January

2007 as they relate to meat hygiene charges. I have included these brief details in this communication so that you are aware that it is not anticipated that this will impact negatively on the industry. However, should you wish to comment on this issue at this stage you are welcome to do so.

7. Please note that at this stage it is not proposed that the above mentioned consultation will cover the implementation of Article 28 of the OFFC Regulation. This article, which provides that Member States shall charge operators for the costs of official controls that exceed the control authority's normal control activities, applies to all food, feed, animal health and welfare sectors and is likely to be subject to separate consultation.

MEAT HYGIENE CHARGES - THE CHARGING SYSTEM

Introduction

1. The OFFC Regulation continues to require charges to be made for meat hygiene controls and requires that, save for exceptional circumstances, these charges must be no lower than minimum charging rates set out in the OFFC Regulation and no higher than the cost of the controls. Within these boundaries, however, the OFFC Regulation leaves it to Member States to determine the level of charges. The OFFC also provides Member States with some flexibility within which to determine the charging system provided that specified factors are taken into account.
2. We therefore have the opportunity to consider whether the current system of meat hygiene charging in the UK (i.e. charging the lesser of time costs or throughput rates, plus additional charges for increased control costs due to the inefficient operation of plants) should continue, or whether a new system should be introduced.
3. Four different charging systems have been identified that could be applied under the OFFC:
 - Option (a)** charge time costs only;
 - Option (b)** charge on a throughput basis only;
 - Option (c)** charge flat rate fees;
 - Option (d)** charge a mixture of time and throughput charges, i.e. as now.
4. An assessment of the above options is set out below. This suggests that, whilst there may be scope to improve the current meat hygiene charging system (e.g. to simplify the system and to build in further incentives for some operators to make more efficient use of MHS/DARD time), there does not appear to be a strong case to move to a completely new charging system.

Assessment of the Options

5. Options (a) to (c) appear at first sight to provide some scope to simplify current meat hygiene charging arrangements. Option (a) appears to provide for the most transparent form of charging with the charge being directly related to the cost of the controls carried out. Option (a) would also provide the most scope for providing incentives to industry to be compliant to the extent that increased compliance could lead to a reduced level of controls and therefore reduced charges. However:
 - **option (a)** would disadvantage the majority of meat plants (and particularly small and medium sized businesses) that currently pay charges based on throughput rates that are lower than the charges that would be payable on a time costs basis. In view of this, a time cost charging system would need to have some provision to ensure that charges were affordable to these businesses and to be compliant with the requirements of OFFC. This might entail, for example, a sliding scale of time cost charges if this were feasible such that different rates of time costs could be charged relative to the throughput of businesses. This might mean that businesses with the largest throughput would pay 100% of the time

costs incurred whilst businesses with a smaller throughput might pay a reduced percentage. Within such a system there could be a number of throughput bands that would trigger an increase in the percentage of time costs charged with increased throughput. However, this would complicate the charging system and thereby remove one of the advantages that time cost charging appears, at first sight, to offer. In addition, meat hygiene throughput charges would still need to be calculated to satisfy a requirement of the OFFC Regulation that charges should generally be no lower than those that would be payable using the new minimum EU throughput rates specified in the OFFC Regulation to calculate the charge;

- **option (b)** does not appear to offer significant scope to change the current charging system. The great majority of plants currently pay charges based on throughput rates and would continue to do so. The time costs of controls would still need to be calculated to satisfy the requirement of the OFFC Regulation that charges must not exceed the actual cost of the official controls carried out. Where time costs were lower than throughput charges, the charge payable would generally have to be held at the level of time costs. So, in effect, plants paying time cost charges now (because they are less than throughput charges) would continue to do so. In addition, a charging system based on throughput levels would not provide an inherent incentive for compliance and the effective use by plants of MHS/DARD resources;
- **option (c)** A simple system of flat rate charges, where all plants pay a standard flat rate charge for the provision of MHS/DARD controls, would subsidise larger plants at the expense of smaller plants since the charge would not be linked to the volume of controls undertaken. If such a system was not to impact disproportionately on small businesses it would be necessary to introduce a number of different flat rate fees to take account of economic and other factors (e.g. plant size, throughput, volume of official controls undertaken etc.) that vary within the industry. Again, therefore, this system would not offer the simplicity that it seems to offer at first sight, and, as with option (b), this system would not provide an inherent incentive for compliance and the effective use by plants of MHS/DARD resources.
- **option (d)** would continue the current GB and NI systems of meat hygiene charges. In Great Britain this was developed by an industry task force², was supported by industry representative organisations, and was designed to afford a level of protection from charges for vulnerable plants. A similar system is in place in Northern Ireland. Under this system, the majority of cutting plants (which have recently moved to time cost charging because less OVS attendance is required under the new EU Hygiene Regulations) and larger slaughterhouses would be likely to continue to pay time cost charges that provide an inherent incentive for them to be compliant and make efficient use of MHS/DARD time. However, charges to other slaughterhouses and possibly cutting plants with a very low throughput would continue to be based on throughput rates which do not in themselves provides an incentive to make efficient use of MHS/DARD time. In addition, the current charging system is complicated for operators to understand and for MHS and DARD to administer. Therefore, if the current system were to continue, it would be important to consider whether the system could be simplified and whether further incentives to make efficient use of MHS/DARD

² The Meat Inspection Charges Task Force, chaired by Colin Maclean, which reported in June 2000 and led to the Maclean charging system.

time could be introduced for plants paying charges on a throughput basis. These issues are discussed further in Appendix 7.

Your comments

6. Comments are sought from stakeholders on:

- ***whether the current charging system should be continued. If you do not believe that it should be continued, please explain why you hold this view and indicate whether any of the options discussed above, or any other option that you may think of, should be explored.***

MEAT HYGIENE CHARGES

CHANGES TO THROUGHPUT CHARGING RATES REQUIRED BY 1 JANUARY 2008 UNDER THE EU OFFC REGULATION

New minimum throughput charging rates

1. As explained in Appendix 3, the transitional period during which EU Member States may continue to use the charging rates provided in the current Charging Directive ends on 1 January 2008. From or before this date Member States must ensure that charges are generally no lower than the minimum throughput rates specified in Annex IV of the OFFC Regulation (see Appendix 8).

2. The new minimum charging rates are in most cases less than the throughput rates that are currently charged. Where this is the case, the FSA propose that the starting point for setting the new rates that will be introduced before or on 1 January 2008 should be at least equal to the current rates. The reason for this is that current charging rates are already at levels that recover significantly less than the costs of the controls. As such, the FSA propose to increase rates, not to reduce them. This issue is discussed further in Appendix 6.

3. In the case of adult bovines, some turkeys, and boar the new minimum charging rates are higher than the current throughput rates, as follows:

Charges applicable to slaughter	Current rate (Euros)	New minimum (Euros)
Beef, adult bovine animals	4.5	5.0
Turkeys, less than 2kg	0.01	0.025
Turkeys, 2kg to 5kg	0.02	0.025
Boar	1.3	1.5

In these cases the new minimum rates will need to be applied unless a case can be made that, in specific circumstances or in respect of certain types of businesses, rates lower than the minima should be charged. Paragraphs 5 and 6 of Article 27 of the OFFC Regulation set out the circumstances in which this may be possible (see Appendix 8).

Your comments

4. Comments are sought from stakeholders on:
- the impact of the new minimum rates for adult bovines, turkeys and boar were they to be applied; and***
 - whether you believe a case could be made under paragraphs 5 and 6 of Article 27 of the OFFC Regulation for applying rates lower than the minima in respect of these animals.***

Structure of charging rates

5. There are fewer charging categories specified by animal age or weight in the OFFC Regulation than currently exist for many animals processed at slaughterhouses or at game handling establishments (i.e. for sheep meat and goat meat, poultry meat, turkeys, farmed rabbit meat, small game birds, and small ground game). Conversely, there are more charging categories and rates for different types of meat processed at cutting plants than is currently the case. See the table at the end of Appendix 8 for details. This raises the question as to whether the structure and number of charging rates to be introduced on or before 1 January 2008 should reflect the OFFC Regulation or whether the current structure and number of rates should be maintained. Reducing the number of charging rates would simplify the charging system but it would reduce the scope to retain differentials between the charging rates for different ages or weights of species.

Your comments

6. Comments are sought from stakeholders on:

- ***whether to retain the current structure of throughput rates.***

Scope to reduce charging rates in certain circumstances

7. Paragraphs 5 and 6 of Article 27 of the EU OFFC Regulation set out the circumstances in which Member States need to consider whether it is appropriate to set lower charging rates for certain types of business. The current GB and NI charging systems result in many businesses, in particular small and medium sized businesses, benefiting from paying throughput charges that are lower than the time costs charges that would otherwise apply. This approach is broadly consistent with Paragraph 5 (b) of Article 27 that refers to the interests of businesses with a low throughput.

8. The current systems of charging in the UK also ensures that time cost charges reduce where official controls are carried out with reduced frequency. This happens, for example, where less frequent plant audits are carried out due to a higher level of compliance at the plant. This is in line with paragraph 6 of Article 27.

9. However, paragraphs 5 and 6 of Article 27 include other circumstances where Member States may determine that lower charges should be applied, e.g. plants located in regions subject to geographical constraints and plants using traditional methods of production, processing and distribution.

Your comments

10. Comments are sought from stakeholders on:

- ***whether the UK charging system should take further account of the circumstances set out in paragraphs 5 and 6 of Article 27 in addition to those identified in paragraphs 8 and 9 above, and how this might be done.***

MEAT HYGIENE CHARGES

A PROPOSAL TO INCREASE CHARGES TO COVER AN INCREASED PROPORTION OF THE COST OF MEAT HYGIENE CONTROLS

Introduction

1. The Maclean system of charging was introduced in Great Britain in 2001 in recognition of the need to subsidise the cost of meat hygiene controls to the meat industry, in particular for smaller slaughterhouses and cutting plants. A similar system was already in place in Northern Ireland. However, the level of this subsidy has grown over the last five years. The main reason for this is that, whilst time cost charges have been increased to cover inflation and to move these charges closer to full cost recovery, throughput charging rates have not been increased since they were introduced. This has meant that the difference between throughput charges and the actual cost of the controls has increased and that an increasing number of plants have moved to throughput based charges. The cost of meat hygiene controls that were charged to industry during 2005/06 was subsidised by some £40 million pounds (about 60% of the total cost of meat hygiene controls).

Proposed way forward

2. The FSA does not believe that as a general principle it should subsidise businesses and, in addition, we wish to re-align expenditure more appropriately across all of the FSA's strategic priorities. To help achieve these aims the FSA wishes to progressively reduce the net cost of meat hygiene controls through a combination of increasing charges for these controls and reducing enforcement costs. Increasing charges in this area would be in line with Government policy on cost sharing.

3. Increasing charges within the current charging system would entail annual increases to both throughput charging rates and time cost charges to cover:

- i. inflationary increases; and
- ii. an amount above inflation to gradually bring the level of the charges closer to full cost recovery.

As indicated above, time cost charging rates have been increased in this way for a number of years.

Impact of increased charges

4. It is envisaged that the percentage increase to the charges would be set each year subject to an assessment of the impact on industry. It would be helpful to receive your views on the likely impact on the industry if meat hygiene charges were to be increased in 2007/08 by 3% above the inflationary increase in the costs to MHS/DARD of carrying out the controls. This might mean that the total increase to charges in 2007/08 would be in the region of 6%, which we estimate would cost the industry approximately £1.3m.

The number of plants paying charges on a throughput basis, compared to those paying on a time cost basis

5. The current charging systems were designed to provide a level of support for small and medium sized businesses. However, the number of plants that benefit from paying throughput charges has increased to the point where the great majority of plants, including a number of large plants, now pay charges on a throughput basis. As explained above, the reason for this is that, unlike time cost charging rates, throughput charging rates have not been increased since they were introduced in GB in 2001, with the effect that throughput charges are less than time costs charges for the great majority of plants. Given that the OFFC provides scope to reduce charges to low throughput businesses (but not to medium or high throughput businesses solely on the basis of throughput) the question arises as to whether throughput rates should in future be increased by a higher percentage than the increase to time cost rates so that, over time, an increasing number of high and medium throughput plants move to time cost charging. It would, however, require throughput rates to be increased by a much higher percentage than time cost charges for there to be a small movement of plants from paying throughput rates to time cost charges. For example, we estimate that a 10% real terms increase in throughput rates and a 3% real terms increase in time cost rates would result in just 2% of red meat slaughterhouses moving from throughput charges to time cost charges.

Your comments

6. Your views would be appreciated on:
- i. ***the principle of increasing meat hygiene charges by more than the cost of inflation on a year-by-year basis to recover increasingly more of the costs of the controls;***
 - ii. ***the impact that such increases would have on the industry; and***
 - iii. ***the principle of increasing throughput charges by more than increases to time costs so that over time more plants would pay charges on a time cost basis.***

MEAT HYGIENE CHARGES

OTHER POSSIBLE CHANGES TO SIMPLIFY THE CURRENT CHARGING ARRANGEMENTS

Please note, some of these do not apply to Northern Ireland

The attached papers set out a range of possible changes that might be developed to simplify the current meat hygiene charging arrangements. More work would need to be done to develop these possibilities but ***your comments on them would be welcome, including whether in principle you would support or oppose each of these changes.***

The possible changes are:

1. Introducing an average OV charge-out rate (GB only¹);
2. Removing the requirement for cutting plants to routinely provide throughput information for charging purposes;
3. Charging poultry plants at the standard Meat Hygiene Inspector (MHI) rate instead of having two charge-out rates for poultry and red meat (GB only²);
4. Capping the cost to the FSA of Agreed Slaughterhouse Staff Costs (formerly PIAs) – applies to white meat plants only;
5. Introducing a system for setting binding operating hours for plants and related changes to the levying of additional charges;
6. Removing Euros from the charge calculation
7. Increasing the throughput charge for pigs and other relevant species to recover the cost of new testing requirements for Trichinella
8. Enabling the earlier withdrawal of MHS/DARD service because of non payment of charges;
9. Changing the consultation arrangements on charging matters (GB only³);
10. Changing the method of charging certain allowances that form part of time costs.

-
1. Does not apply to NI, as all meat inspection staff, including OVs, are directly employed by DARD.
 2. This does not apply to NI.
 3. Does not apply to NI - any savings would be minimal as there is a small number of consultees.

Introduction of an average OV charge-out rate in Great Britain

1. The change would be to have one average OV charge-out rate in GB rather than charging individual charge-out rates for each plant. The use of average charge-out rates would be in line with generally accepted accounting practice and would reduce the amount of complex data to be captured and processed.

Issue

2. The MHS uses a large number of Contract OVs in carrying out official controls. There are over 1000 licensed/approved meat establishments and, at present, there may be different charge-out rates for each establishment's Contract OV. This depends on the rate agreed with the contractor during the contract tender negotiations. The current range of charge-out rates for official controls starts at around £30 and goes to above £100 per hour, with the highest tending to be incurred by plants subject to geographic constraints. Excluding the latter, an average rate (which could also be applied to establishments using MHS employed OVs) is expected to be towards the lower end of the range, at approximately £40 per hour.

Benefits / Savings

3. The following benefits/savings have been identified:
- i. a single charge-out rate for all establishments would simplify the MHS charging process and deliver administrative resource savings;
 - ii. all food business operators would be charged at the same rate creating a more consistent charging system;
 - iii. there would be no need to consult with each food business operator every time there is a contract change or rate change; and
 - iv. plants currently paying high time cost charges due to their geographic constraints would benefit from a reduction.

Disadvantages / Costs

4. There would be winners and losers for plants paying charges on a time cost basis, with some operators paying a higher charge and others paying a lower charge. There would be no impact for plants paying charges on a standard (throughput) basis, unless these plants move over time to time cost charging.

5. Charges would bear no direct relationship with the actual OV costs for individual plants.

History

6. This proposal was consulted on in GB in 2001. At that time, the cost of all OVS contracts would have had to have been included in the calculation of the average and strong concern was expressed by industry stakeholders that the change would disadvantage plants paying charges on a time cost basis.

Removal of the requirement for cutting plants to provide throughput information for charging purposes.

1. This proposal would mean that MHS/DARD would calculate charges on a time cost basis only for all or most cutting plants.

Issue

2. Due to reduced OV attendance under the new EU Hygiene Regulations, the great majority of currently approved cutting plants are already paying charges on a time cost basis. In addition, changes required to the Charges Regulations (in order to comply with the OFFC) means that from 1 January 2007 the minimum time cost charge of 45% of the standard charge will be abolished and operators currently paying charges at the 45% level will instead pay lower time cost charges.

3. The combination of these changes means that almost all of the currently approved cutting plants will pay charges on a time cost basis and would only be better off paying charges on a throughput basis if there were to be a significant reduction in their throughput levels. In light of this the FSA wishes to consider whether, except in the circumstances identified below, all cutting plants should be charged only on a time cost basis to deliver, and should not be required to provide throughput information.

Exceptional circumstances

4. There is a possibility that a small number of operators would be charged on a time cost basis when throughput charges would be less. Were this to be a significant risk, a system could be developed so that:

- i. plants were given the option of remaining on throughput charges, and
- ii. advice could be given to plant operators paying time cost charges of the likely change in throughput that would be required to make throughput charges more beneficial to them. It would then be for plant operators to ask MHS/DARD to calculate future charges on a throughput basis.

Benefits/Savings

5. The following benefits/savings have been identified:
- i. invoices to cutting plant operators would be simpler as they would only show a time cost charge;
 - ii. cutting plant operators would not have to complete and return weekly throughput forms; and
 - iii. the MHS would have some 40,000 fewer throughput returns to process each year, leading to cost savings.

Disadvantages/Costs

6. None identified.

History

7. This is a new proposal.

To charge GB poultry plants at the dual-qualified Meat Hygiene Inspector (MHI) rate instead of the lower charge-out rate for poultry meat.

1. This change would simplify the charging system as operators would be charged the same MHI rates.

Issue

2. To help achieve a professional MHS workforce equipped to provide a flexible and quality service, the majority of meat inspectors are now dual qualified (i.e. they can work in both red and white meat establishments), and MHS policy is to work towards a fully dual qualified service. Staff that can work in both red meat and poultry plants can be more easily and flexibly deployed, leading to greater efficiency through a reduction in un-worked time. Historically, operators of poultry plants have been charged at a lower rate for MHS services than were the operators of red meat plants, even where the same individual carries out the work. To support the provision of a dual qualified workforce, the poultry rate could be removed so that all customers were charged in a consistent manner.

Benefits / Savings

3. The following benefits/savings have been identified:
- i. fewer charge-out rates would simplify charging policy, invoices and backing schedules, making charges easier to understand;
 - ii. the MHS would make resource savings in having fewer rates to administer and maintain; and
 - iii. there would be consistent charging rates for operators.

Disadvantages / Costs

4. The time costs for poultry operators would increase by around £1.70 per hour. However, the vast majority of these operators currently pay throughput based charges and would not be affected by this increase whilst they continued to pay charges on this basis.

History

5. This proposal was consulted on in GB in 2004 but was not pursued at that time after taking account of comments from representatives of the poultry industry. In 2004, this change would have increased total charges to poultry plants by approximately £12,000 per annum, this extra cost being shared between some 12 plants that were charged on a time cost basis.

To cap the cost to the FSA of Agreed Slaughterhouse Staff Costs (formally PIAs) (applies to white meat premises only)

1. This proposal would be to pay the actual PIA salary and relevant overhead costs, but capped to an agreed limit (e.g. that applicable to the comparable average MHS costs for that work).

Issue

2. Operators of poultry and rabbit slaughterhouses are allowed to claim the Agreed Slaughterhouse Staff Costs in respect of the time that the authorised slaughterhouse staff spend working on certain official controls.

3. Allowances are calculated by reference to the salaries of those staff undertaking the official controls. The employer's pension and National Insurance costs are added to the salary cost before a further 25% is added to cover the operator's overheads.

4. A minority of operators use highly paid senior staff to undertake these official control duties and therefore benefit from large allowances. These allowances are offset against charges for official controls, with the result that around 50 or more operators pay no meat hygiene charges, and charges for other operators are significantly reduced.

5. The FSA is considering whether to limit the allowance to a level of salary that is reasonable for the work being undertaken.

Benefits / Savings

6. The following benefits/savings have been identified:
- i. reduced costs to the FSA; and
 - ii. a more consistent system across poultry and rabbit slaughterhouses.

Disadvantages / Costs

7. Some poultry and rabbit slaughterhouses would face increased charges if they continued to employ highly paid slaughterhouse staff.

History

8. This is a new proposal.

The introduction of a system for setting binding operating hours for plants and related changes to the levying of additional charges

1. This change would provide for a working hours and working practices agreement to be set, and for charges to be calculated against it, in the absence of agreement between the MHS/DARD and the plant operator.

Issue

2. MHS/DARD and plant operators are required by the current Charges Regulations to agree the working hours and working practices of the plant. This agreement is key in enabling the MHS/DARD to resource operations efficiently. The agreement is also key in enabling the levying of additional charges that are there to encourage operators to use MHS/DARD resources efficiently.

3. There is currently no provision in the regulations that determines an agreement where the operator and the MHS/DARD do not agree. In this situation MHS/DARD endeavour to staff the plant as required, but, without the ability to forward plan, and potentially being subject to the short term demands of the operator, may not be making the best use of staff resources. More certainty in the operational hours of all plants is therefore required than is currently the case.

4. A system might be introduced along the following lines:

- i. MHS/DARD and plant operators discuss operating hours and seek to agree optimum arrangements as happens now for the great majority of plants;
- ii. the plant operator then declares binding operating hours. For plants charged on a throughput basis, this would be in the knowledge that time costs (i.e. additional charges) would be levied for under-used MHS time and for any extra time required. These additional charges would be levied in most circumstances, regardless of whether these were due to plant inefficiency. This would mean that operators of plants charged on a throughput basis would carry more of the commercial risk associated with their plants. This would be consistent with the position of operators charged on a time cost basis;
- iii. As now, plant operators would be able to declare revised operating hours and MHS/DARD would work to these provided that sufficient notice was given; and
- iv. if the plant operator failed to declare binding operating hours, the plant would be charged for all chargeable controls on a time cost basis.

Benefits / Savings

5. The following benefits/savings have been identified:

- i. MHS/DARD would be able to deploy staff more efficiently creating savings in resource;
- ii. a reduction in MHS/DARD management time when trying to secure working hours and working practices agreements;

- iii. plant operators charged on a throughput basis would be able to declare the operating hours that incurred the least MHS/DARD cost, provided that sufficient notice was given.

Disadvantages / Costs

6. The following disadvantages/costs have been identified:
 - i. as now, operators with varying operating hours or practices might incur some additional time costs in the form of additional charges when they worked outside or less than their declared hours and practices;
 - ii. plants that did not declare binding operating hours would pay higher charges based on time costs; and
 - iii. operators of plants paying charges on a throughput basis would carry more of the commercial risks associated with their businesses and pay additional charges if these risks are materialised.

History

7. This is a new proposal.

Removal of Euros from the GB Charge Calculation

1. To end the current GB system of calculating throughput charges in Euros for some 1000 plants each month and then having to convert each one into sterling using the Euro/sterling exchange rate.

Issue

2. The current Charges Regulations set out standard charges in Euros and require that charges be calculated in Euros for each slaughterhouse and cutting plant before converting into sterling. It is proposed to remove this requirement and that throughput charges should be quoted in sterling. The EU OFFC regulation does not include the current requirement to use a specific sterling/Euro exchange rate and, therefore, this will not be required in the new domestic charging Regulations. Checks to ensure that throughput rates are greater than the EU minimum charges would be carried out by the MHS/DARD, e.g. at the same time as the annual review of hourly charge-out rates.

Benefits / Savings

3. The following benefits/savings have been identified:
- i. simplification of the charge calculation and calculation software by removing the requirement to calculate charges in Euros then convert to sterling;
 - ii. simplified invoices and backing schedule for plant operators; and
 - iii. reduced MHS administration costs;
 - iv. would bring GB into line with current NI practice.

Disadvantages / Costs

4. None identified

History

5. This is a new proposal.

Increasing the throughput charge for pigs and other relevant species to recover the cost of new testing requirements for Trichinella.

Issue

1. Testing for Trichinella was introduced on 1 January 2006. It is proposed to increase the throughput rate for relevant species so that those operators dealing with these species contribute to paying the cost of the controls.

Benefit / Savings

3. The following benefits/savings have been identified:
- i. reduced costs to the FSA; and
 - ii. the relevant part of the industry contributes to the cost of the controls carried out. This would be consistent with the position of operators charged on a time cost basis.

Disadvantages / Costs

4. Increased standard charges to relevant industry sectors.

History

5. This is a new proposal.

Service withdrawal: the introduction of a legal provision enabling the MHS/DARD to withdraw service from plants prior to receiving judgement on a debt.

Issue

1. MHS/DARD is currently unable to withdraw service to operators who do not pay their charges until a court judgement is received. This can take a considerable length of time during which the operator can continue to operate and run up considerable debts. Where these debts can not be recovered the FSA and ultimately taxpayers suffer the cost. If MHS/DARD were able to be more flexible and withdraw service at an earlier stage, then this would better protect FSA funds and resources. A written protocol setting out the process would be developed to ensure consistency and fairness in applying the policy.
2. This proposal would be in line with general credit control principles and help to limit the level of bad debt arising.

Benefits / Savings

3. The following benefits/savings have been identified:
 - i. a reduction in the level of outstanding FSA debt;
 - ii. a reduction in administrative time pursuing cases to the point of judgement;
 - iii. would encourage operators to pay their charges; and
 - iv. would be fairer to plants that pay their charges on time, as defaulting plants would not have a commercial advantage through non-payment.

Disadvantages / Costs

4. Defaulting plants might have service withdrawn earlier than at present.

History

5. This is a new proposal.

Changes to the MHS consultation arrangements

1. It is proposed to remove the requirement in the Charges Regulations to consult with all operators on the changes to MHS time based charges and charging policy and, instead, insert a requirement for the MHS to consult with meat industry organisations representing Food Business Operators. An opt-in arrangement could also be used to allow individual plant operators to be consulted where this was their wish.

Issue

2. The MHS currently reviews its charge-out rates annually. In accordance with the Charges Regulations, the MHS consults all licensed/approved operators on any variation to charge-out rates or policy that may affect operators charges. This means that on an annual basis the MHS must issue around 1000 letters in consultation to Food Business Operators on the subject of changes to charge-out rates. The MHS then has to consider the representations that are made and issue the same number of letters to notify Food Business Operators of the results of the consultation. This is a costly and resource intensive process. Over recent years, the MHS has received a response rate of around 1% with most responses being received from meat industry organisations.

3. The MHS publishes all consultations via the FSA's website and would also ensure that the proposals are reported in the trade press.

4. MHS Industry Forum representatives have already asked for this change and therefore support this proposal.

Benefits / Savings

5. The following benefits/savings have been identified:
- i. a reduction in MHS stationery and postage costs;
 - ii. a reduction in level of mail received by Food Business Operators from the MHS; and
 - iii. a reduction in MHS administrative time and costs;
 - iv. would bring GB into line with current NI practice.

Disadvantages / Costs

6. None identified

History

7. This is a new proposal.

Change in the method of charging allowances that form part of time costs

1. The aim of this proposal is to simplify the current system of charging MHS/DARD staff allowances to operators.

Issue

2. The MHS/DARD currently passes on chargeable allowances to operators (for example shift and irregular working hours allowances). Depending on the type and regularity, these allowances are claimed on a weekly basis or are paid to them monthly as part of their salary.

3. Calculating and billing on these allowances to plant operators as part of time cost charging is a highly resource intensive process and there is therefore scope to achieve administrative savings by introducing a simpler and more cost effective method for charging these costs.

4. We recognise that some of these allowances (e.g. shift allowances) apply to a minority of plants and questions of fairness would arise if these were not to be charged to the plants concerned. However, other allowances (e.g. for irregular working hours) are more generally applicable and the FSA proposes that a more simple method for recharging these costs should be developed, for example by including them in the hourly charge-out rate so that all plants paying time costs would contribute to the cost.

Benefits / Savings

5. The following benefits/savings have been identified:

- i. resource savings;
- ii. charges, invoices and backing schedules would be easier to understand; and
- iii. operators paying throughput charges are unlikely to be affected by any proposed change.

Disadvantages / Costs

6. Depending on the method of simplification, the likelihood of winners and losers with some individual operators paying increased charges and others paying less.

History

7. This is a new proposal.

Finance Provisions of the Official Feed and Food Control Regulations Entering into force on 1 January 2006

Article 26

General principle

Member State shall ensure that adequate financial resources are available to provide the necessary staff and other resources for official controls by whatever means considered appropriate, including through general taxation or by establishing fees or charges.

Article 27

Fees or charges

1. Member States may collect fees or charges to cover the costs occasioned by official controls.
2. However, as regards the activities referred to in Annex IV, section A, and Annex V, section A, Member States shall ensure the collection of a fee.
3. Without prejudice to paragraphs 4 and 6, fees collected as regards the specific activities mentioned in Annex IV, section A and Annex V, section A shall not be lower than the minimum rates specified in Annex IV, section B and Annex V, section B. However, for a transitional period until 1 January 2008, as regards the activities referred to in Annex IV, section A, Member States may continue to use the rates currently applied pursuant to Directive 85/73/EEC.

The rates in Annex IV, Section B and Annex V, Section B shall be updated at least every two years, in accordance with the procedure referred to in Article 62(3), in particular to take account of inflation.

4. Fees collected for the purposes of official controls in accordance with paragraph 1 or 2:
 - (a) shall not be higher than the costs borne by the responsible competent authorities in relation to the items listed in Annex VI [set out below];
and
 - (b) may be fixed at a flat-rate on the basis of the costs borne by the competent authorities over a given period of time or, where applicable, at the amounts fixed in Annex IV [set out below], section B or in Annex V, section B.
5. In setting the fees Member States shall take into consideration:
 - (a) the type of business concerned and relevant risk factors;
 - (b) the interests of businesses with a low throughput;
 - (c) traditional methods used for production, processing and distribution;

(d) the needs of businesses located in regions subject to particular geographical constraints.

6. When, in view of own-check and tracing systems implemented by the feed or food business as well as of the level of compliance found during official controls, for a certain type of feed or food activities, official controls are carried out with a reduced frequency or to take account of the criteria referred to in paragraph 5(b) to (d), Member States may set the official control fee below the minimum rates referred to in paragraph 4(b), provided that the Member State concerned provides the Commission with a report specifying:

- (a) the type of feed or food or activity concerned;
- (b) the controls performed in the feed and food business concerned;
- and
- (c) the method for calculating the reduction of the fee.

7. When the competent authority carried out several official controls at the same time in a single establishment, it shall consider these controls as a single activity and charge a single fee.

8. Fees relating to import controls are to be paid by the operator or his representative to the competent authority in charge of import controls.

9. Fees shall not directly or indirectly be refunded, unless unduly collected.

10. Without prejudice to the costs deriving from the expenses referred to in Article 28, Member States shall not collect any fees other than those referred to in this Article for the implementation of this Regulation.

11. Operators or other relevant businesses or their representatives shall receive proof of their payment of fees.

12. The Member States shall make public the method of calculation of fees and communicate it to the Commission. The Commission shall examine whether the fees comply with the requirements of this Regulation.

Article 28

Expenses arising from additional official controls

When the detection of non-compliance leads to official controls that exceed the competent authority's normal control activities, the competent authority shall charge the operators responsible for the non-compliance, or may charge the operator owning or keeping the goods at the time when the additional official controls are carried out, for the expenses arising from the additional official controls. Normal control activities are the routine control activities required under Community or national law and, in particular, those described in the plan provided for in Article 41. Activities that exceed normal control activities include the taking and analysis of samples as well as other controls that are required to check the extent of a problem, to verify whether corrective action has been taken, or to detect and/or substantiate non-compliance.

Article 29

Level of expenses

When setting the level of expenses referred to in Article 28, account shall be taken of the principles laid down in Article 27.

ANNEX VI

Criteria to be taken into consideration for the calculation of fees

The salaries of the staff involved in the official controls.

The costs for the staff involved in the official controls, including facilities, tools, equipment, training, travel and associated costs.

The laboratory analysis and sampling costs

ANNEX IV

ACTIVITIES AND MINIMUM RATES FOR FEES OR CHARGES RELATED TO OFFICIAL CONTROLS IN RELATION TO COMMUNITY ESTABLISHMENTS

SECTION A: ACTIVITIES

1. The activities covered by Directives 89/662/EEC, 90/425/EEC, 93/119/EC and 96/23/EC for which Member States are currently collecting fees pursuant to Directive 85/73/EEC.

2. The approval of feed establishments.

SECTION B: MINIMUM RATES

Member States shall collect for controls relating to the following list of products, at least the corresponding minimum rates for fees or charges.

CHAPTER I

Minimum rates for fees or charges applicable to slaughter inspection	Euro/Animal	
	<i>[Note. current rates as per Directive 85/73 (amended) in square brackets]</i>	
(a) beef meat		
- adult bovine animals:	5	<i>[4.5]</i>
- young bovine animals:	2	<i>[2.5]</i>
(b) solipeds and equidae:	3	<i>[4.4]</i>
(c) pigmeat: animals of a carcass weight		
- of less than 25kg:	0.5	<i>[0.5]</i>
- equal to or greater than 25kg:	1	<i>[1.3]</i>
(d) sheepmeat and goatmeat: animals of carcass weight		
- of less than 12kg:	0.15	<i>[0.175]</i>
- equal to or greater than 1kg:	0.25	<i>[0.35 - 12kg to 18 kg]</i> <i>[0.5 - more than 18kg]</i>
(e) poultrymeat		
- poultry of genus Gallus and guinea fowl:	0.005	<i>[0.01 broilers & hens]</i> <i>[0.01 less than 2kg]</i> <i>[0.02 not adult, 2kg to 5kg]</i> <i>[0.04 adult, at least 5kg]</i>
- duck and geese:	0.01	<i>[0.01 less than 2kg]</i> <i>[0.02 not adult, 2kg to 5kg]</i> <i>[0.04 adult, at least 5kg]</i>
- turkeys:	0.025	<i>[0.01 less than 2kg]</i> <i>[0.02 not adult, 2kg to 5kg]</i> <i>[0.04 adult, at least 5kg]</i>

- farmed rabbit meat:	0.005	<i>[0.01 less than 2kg] [0.02 not adult, 2kg to 5kg] [0.04 adult, at least 5kg]</i>
CHAPTER II		
Minimum rates for fees or charges applicable to cutting plants controls		
Per tonne of meat:	Euro	
- beef, veal. Pig, solipeds/equidae, sheep and goatmeat:	2	<i>[3]</i>
- poultry and farmed rabbit meat:	1.5	<i>[3]</i>
- farmed and wild game meat:		
- small game birds and ground game:	1.5	<i>[3]</i>
- ratites meat (ostrich, emu, nandou):	3	<i>[3]</i>
- boar and ruminants:	2	<i>[3]</i>
CHAPTER III		
Minimum rates for fees or charges applicable to game processing houses		
(a) small game birds:	0.005	<i>[0.01 less than 2kg] [0.02 not adult, 2kg to 5kg] [0.04 adult, at least 5kg]</i>
(b) small ground game:	0.01	<i>[0.01 less than 2kg] [0.02 not adult, 2kg to 5kg] [0.04 adult, at least 5kg]</i>
(c) ratites:	0.5	<i>[1.3]</i>
(d) land mammals:		
- boar:	1.5	<i>[1.3]</i>
- ruminants:	0.5	<i>[1.3]</i>