

Appendix 2

Individual Country Experiences with User Fees

Argentina

Dr. Luis Barcos, president of Argentina's meat inspection agency SENASA, wrote the following unofficial translation to Mr. Gary Groves, Agricultural Counselor:

“Those establishments qualified by SENASA for slaughter, storage, or elaborate products, subproducts and derivatives of animal origin, have to pay a monthly fee for the Inspection Service they get from SENASA. This fee is established through the regulations of *Fees for Inspection Services* that prescribes the charges for the different activities in the establishments. Its annual income is approximately US\$40,000,000 from which US\$27,000,000 come from fees paid for slaughtered animal by specie (US\$1.85 per head slaughtered bovine, US\$1.37 slaughtered pork, US\$0.013 per slaughtered chicken or hen, etc.) and the rest, US\$13,000,000 from activities like deboning, cold cut elaboration, cooked meat, offal, tinned meat, etc. where fees are determined according to the volume of production. There is no discrimination in current fees regarding the destination of the elaborated products (domestic consumption or exports) as they affect slaughtering activities or elaboration in its productive level, paying for each of them. Current income is used to cover direct or indirect expenses originated from the inspection service, consequently in order to finance the activity, support from users is requested. There exist other fees for other types of control and related to establishments' activities such as residues, chloros, anabolics, etc. (laboratory) and for doing the administrative paperwork. The inspectors are present at all times during the slaughter process.”

Australia

In the mid-1980's, the Australian Government issued a policy decision that required all agencies, wherever possible, to recover fees for services provided. Many of these agencies had provided non-chargeable, or community obligation services, which were funded by tax dollars. Each agency had to determine how to recover the cost of its services.

The Agriculture Quarantine and Inspection Service (AQIS), a unit of the Australian Department of Primary Industries and Energy, is responsible for functions per-

formed by FSIS and by APHIS in the United States. Because of the differences in functions, the AQIS established different methodologies for user fees for export meat inspection and animal-related activities.

When the concept of cost recovery was introduced, the AQIS needed to determine the best method to capture 100 percent of the cost to inspect export meat products. Australia's Treasury Department developed a program for cost recovery which would reflect what it considered the true cost of inspection. This agency's true cost includes inspector and veterinarian salaries plus any additional overhead the AQIS incurs, such as benefits, headquarters staff, and facilities expenses. User fees were introduced to the meat industry on a gradual basis. A 40-percent user fee was introduced, followed by an increase to 60 percent, and to 100 percent in 1991. It was determined that a phased-in approach would help offset adverse reactions from the industry.

Brian Macdonald of the Meat Inspection Division of the AQIS responded to FSIS in a November 19, 1997, FAX as follows:

“In the Australian domestic sector a registration fee paid by individual registered establishments to the respective State government meat regulatory authority is used to finance government inspection activity. This fee supports registration, standard setting, legislation, accrediting and approving auditors, applying sanctions, etc. Registered establishments must have a fully comprehensive HACCP-based Quality Assurance (QA) system approved by the State regulatory authority. Within this framework, companies employ their own fully qualified meat inspectors. The system is subject to regular audit by accredited third party auditors approved by the State.”

User fees relating to quarantine services are based on a fee schedule which includes hourly, daily, and unit rates. Brian Macdonald also wrote:

“The Australian export sector is supervised by the Federal Government and operates on a full cost recovery basis. This system involves government on-plant veterinary officers and meat inspectors and is supervised and audited by senior technical managers (veteri-

nary circuit supervisors). A charging regime is maintained which includes: fee for service for inspectors, on-plant veterinarians and senior technical managers audits; a registration fee for the program's overhead structure; and documentation fees.

“The cost of the inspection program is fully recovered from user fees. User fees are developed in consultation with industry. Broadly speaking, fees are set to finance the cost of the specific service to which they relate.

“Government inspectors are present at all times during slaughter operations in all export abattoirs in Australia. Government inspectors are not necessarily present at all times during processing operations. The Australian export meat industry has access to QA arrangements approved and supervised by AQIS which enable certain further processing operations to occur without the immediate and constant supervision of government inspectors. However, a peripatetic presence is maintained on a daily basis where importing country authorities require it.”

Resistance to user fees existed in both the inspection force and the export meat companies. For the inspectors, heavier workloads occurred as a result of a reduction in force, and the AQIS experienced a significant increase in inspector absenteeism. AQIS executives met with union officials to rectify some of the problems that were occurring. One recommendation, which was adopted, included providing inspectors with additional opportunities for advanced skill training in HACCP, microbiology, and other disciplines. Inspectors are now referred to as Food Standard Officers with a wide range of skills to offer.

Companies resisted the user fee charges and tried to modify inspection standards, including facility layout, equipment usage and overtime. The AQIS was pressured to reduce the size of the inspection service and establish a minimum number of inspectors on-site at plants. AQIS conducted time and motion studies to determine appropriate staffing levels for different plants by considering the number of cattle slaughtered, facility layout, and the time it takes to complete all aspects of a task. The size of the inspection service was reduced as a means to offer companies a minimum number of inspection staff required at plants.

In November 1995, Australia's meat inspection program received a bad review from FSIS: 6 of 30 establishments were rated unacceptable and 8 plants received a

marginally acceptable rating. AQIS then reevaluated its staffing levels and determined that three senior positions were needed. It is also reconsidering if too many inspection personnel were let go, if there is a need for additional manpower, and how it would be funded. In addition, the Agency has asked the Australian inspection authorities to develop a plan to address the problems that were encountered. The Australian government is trying to work through these problems while maintaining a 100 percent user fee program.

Although the intent of issuing user fees was to achieve 100 percent cost recovery, the AQIS has still not been able to balance its budget, and it receives approximately 12 percent from the community service obligation (taxes). Meat plants are directly billed for services they receive and are charged penalties if payment and fees are not received on time.

In January 1998, the meat processing industry and John Anderson, the Minister for Primary Industries and Energy, announced a new agreement to defer \$2.9 million in increases in recovery of AQIS meat inspection fees in future financial years and to reduce fees by \$3.6 million for 1997/98 and by \$1.4 million for 1998/99 (AQIS bulletin, 1997). Mr Anderson is quoted as saying:

“These changes mean the revenue collected from industry will be the same as in 1996/97 and will give AQIS an opportunity to implement the Government's reforms to reduce the impost on industry even further.”

Small establishments are expected to benefit from this new fee structure, including establishments that do not slaughter meat and establishments that process for emerging export industries such as pork, deer, and ostrich (*AQIS Bulletin*, 1997).

Canada

Canada did not respond to our information request, so our discussion below is taken from the March 1996 “User Fee Study” developed by FSIS.

In May 1995, the Canadian Government started to impose user fees to its many clients, including the meat industry (98 percent of Canadian meat production is subject to inspection). A primary reason for imposing such fees was to reduce or recover some operating costs, and to develop alternative means for delivering inspection services. Agriculture and Agri-food Canada

reviewed all inspection programs, and cost sharing agreements were negotiated with all sectors. The fees are the result of numerous consultations with the meat industry pursuant to the Food Production and Inspection (FBIP) Business Alignment Plan, 1992. Five cost recovery initiatives were established, and the Meat Inspection Regulations, 1990, were amended to include the following user fee categories: overtime, inspection of registered establishments, label and recipe registration, importation, and exportation. The user fees are based on an hourly rate for overtime and set fees for the other categories.

Although the Canadian user fee program is relatively new, these amendments should help the Department to meet its fiscal obligations by reducing inspection services. The new fees also reflect the principle that the primary beneficiary of the service, the meat industry, should be expected to pay for the service. Agriculture and Agri-Food Canada will conduct annual reviews of the fees and services identified in the amendments, and industry groups will have an opportunity to participate in the reviews.

Denmark

Patrick Sondergaard of the Royal Danish Embassy wrote the following FAX to Karen Stuck, FSIS:

“Actual expenses for government inspection for meat/poultry slaughter and processing for product produced for the domestic market are entirely financed by the producing company. The same applies for production for exports. User fees paid in accordance with the above cover the actual costs of veterinary inspection of meat and poultry. Cost recovery is assessed according to actual expenses. Government inspectors are present at all times during meat and poultry slaughter operations. In meat processing establishments approved for exports, government inspectors have until now been present at all times during meat and poultry processing operations. However, the Danish Veterinary and Food Administration expects that with the implementation of approved own check programs based on the Hazard Analysis and Critical Control Points (HACCP) system, the requirements for the permanent presence of government inspectors will be relaxed and adjusted according to the approved own checks programs, the product range, and the volume of production of the individual establishments. Whatever the level of the above men-

tioned adjustment, government inspectors would however still be required to visit establishments at least once a day.”

Great Britain

R.A. Bell, Head Veterinary International Trade, Ministry of Agriculture, Fisheries, and Food (MAFF) wrote the following FAX to C. Scott, FSIS:

“In Great Britain, the production of red meat intended for sale for human consumption is covered by the Fresh Meat (Hygiene and Inspection) Regulations 1995 (as amended). These Regulations implement in Great Britain the EC Fresh Meat Directive 91/497/EEC (as amended by 95/23) and require all meat to be produced to a single standard of hygiene under veterinary supervision. The day to day responsibility for meat inspection and hygiene enforcement in licensed premises is carried out by the Meat Hygiene Service (MHS), an Executive Agency of MAFF.”

From the MHS home page (9/27/96):

“The Meat Hygiene Service (MHS) was launched on 1 April 1995. It took over from some 300 local authorities responsibility for enforcing meat hygiene, inspection and animal welfare and slaughter legislation in 1,875 licensed fresh meat premises in England, Scotland, and Wales. Public health and animal welfare are safeguarded in plants by Official Veterinary Surgeons and Meat Inspectors working on inspection teams. The MHS headquarters is based in York and there are six Regional Offices located in Cambridge, Cardiff, Edinburgh, Taunton, Wolverhampton and York.”

Bell again reports the following:

“Under the Regulations all licensed slaughterhouses must be supervised by an Official Veterinary Surgeon (OVS) of the MHS. Their principal role is to ensure that meat intended for sale for human consumption is produced hygienically and to the standards set down in law.”

The OVS is also responsible for the overall supervision of the plant including ante-mortem inspection of all animals, the post-mortem inspection of all carcasses and, although it is not directly required under the Regulations, the actual slaughter process. The OVS is assisted by one or more fully trained and qualified meat

inspectors. Their main duty is to assist with the post-mortem inspection of carcasses, although they may also assist the OVS with other activities.

Statutory requirements for the production of poultry meat, which implement the Poultry Meat Directive 92/116/EEC are laid down in the Poultry Meat, Farmed Game Bird Meat and Rabbit Meat (Hygiene and Inspection) Regulations 1995. Inspection requirements are similar to those for fresh meat. Once again, the MHS is responsible for enforcement in licensed premises.

Under European Community law, Great Britain is obliged to recoup costs for meat inspection from the industry. Directive 85/73/EEC (as amended) requires meat inspection charges to be made via a standard charge per animal, or by charging actual costs. The Directive is implemented in Great Britain by the Meat (Hygiene, Inspection and Examination for Residues Charges) Regulations 1995. Additional charges may also be raised for the completion of veterinary health certificates to accompany exports of consignments. These charges are again subject to cost recovery from the industry.

Japan

Mike Woolsey, Agricultural Attache for Foreign Agricultural Service in Tokyo, reported in his November 17, 1997, memo to FSIS that:

“There are currently about 2,600 publicly employed inspectors working in a total of 302 meat and poultry slaughtering plants in Japan. Government meat inspection is financed by both public funds and user fees. Salaries of the 2,600 meat inspectors are financed by the Government of Japan and paid through local prefectural governments. In addition, user fees are collected by local prefectural governments to cover expenses incurred by testing materials and overhead. The Government of Japan sets the upper ceiling for the fee that may be charged by each local government, which is currently set at 1,300 yen per head. Within the above limit, the actual fee is determined at the discretion of each local government. Operating hours of the plant is normally one day shift (i.e., 8:00-5:00). Inspections are carried out during operating hours of the plant.”

Korea

Korea reports that it does not rely on user fees.

Mexico

Octavio Carranza responded to Lewis Stockard, FAS/Mexico, as follows:

“Inspection is financed through SAGAR for the plants authorized to export meat and meat products. Some plants which are not authorized to export are under the supervision of SAGAR-approved veterinarians whose payment is covered by that company. State supervisors in charge of reviewing the activities of both official and approved veterinarians are paid by SAGAR. The fees paid for the approved veterinarians are 100 percent covered by the company. In the case of veterinarians responsible for the establishments authorized to export, the inspection cost are covered by SAGAR. The fees charged to users in the case of approved veterinarians are determined on the basis of the established (official) minimum salary. The inspectors remain in the establishment during its operations.”

New Zealand

New Zealand's Meat Act requires the Ministry of Agriculture (MAF) to recover the costs of government inspection for slaughter and for processing from the licensed processor. This applies both to the domestic and export markets. MAF is in charge of both ante- and post-mortem inspection. Sandra Newman, Executive Manager at MAF, wrote to Maxine Yule, Agricultural Assistant at the U.S. Embassy in Wellington:

“User fees cover not only the direct costs of inspection, but also the indirect costs such as the cost of negotiations with importing countries, setting standards, audit of compliance, and the overhead costs of running the Ministry of Agriculture, including the appropriate share of the costs of the Director General and his team, legal costs, accommodation, depreciation and capital charge, etc.”

There is a complex budgeting and costing process which determines the appropriate costs for each financial year. MAF works on a basis of being transparent and accountable to the users for expenditure and consults each year with the representatives of each sector on these costs. For product on the New Zealand domestic market, the requirements of the Meat Act and Regulations must be met, i.e., full time presence is required. Poultry for the domestic market is currently regulated under the Food Act administered by the Ministry of Health and full time presence is not specified under this Act.

For product destined for domestic consumption, once it leaves the slaughter and dressing process, the Food Act applies and full time presence is not specified (processing refers to all operations after completion of slaughter and dressing). Product for export is handled in accordance with the Meat Act and according to importing country requirements.

New Zealand's Technical Directive 95/160 states that poultry processing is controlled by two departments, the Ministry of Health and MAF, and:

“The premises can alternate between each jurisdiction during a processing day. This situation does not allow MAF to investigate an audit approach to surveillance. Technical Directive 95/130 specifies inspection and surveillance requirement for poultry and states that in the absence of ante- and post-mortem inspection certification, inspectors are required to be on the premises during the slaughter and processing of poultry product covered by other kinds of MAF health certification. Poultry product for export requires both ante- and post-mortem inspection.”

Appendix table 1-Verbatim responses from foreign agencies to user-fee survey

Country	How do you finance inspection for meat and poultry slaughter and processing?	Are user fees used for any or all of the financial support?	Are inspectors present at all times? When are inspectors present?
Argentina	Those establishments qualified by SENASA for slaughter, storage, or elaborate products, subproducts and derivatives of animal origin, have to pay a monthly fee for the Inspection Service they get from SENASA. This fee is established through the regulations of "Fees for Inspection Services" that prescribes the charges for the different activities in the establishments.	Its annual income is approximately US\$40,000,000 from which US\$27,000,000 come from fees paid for slaughtered animal by specie (US\$1.85 per head slaughtered bovine, US\$1.37 slaughtered pork, US\$0.013 per slaughtered chicken or hen, etc.) and the rest, US\$13,000,000 from activities like deboning, cold cut elaboration, cooked meat, offal, tinned meat, etc. where fees are determined according to the volume of production. There is no discrimination in current fees regarding the destination of the elaborated products (domestic consumption or exports) as they affect slaughtering activities or elaboration in its productive level, paying for each of them. Current income is used to cover direct and indirect expenses originated from the inspection service, consequently in order to finance the activity, support from users is requested. There exist other fees for other types of control and related to establishments' activities such as residues, chloros, anabolics, etc (laboratory) and for doing the administrative paperwork.	The inspectors are present at all times during the slaughter process.

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Appendix table 1-Verbatim responses from foreign agencies to user-fee survey—continued

Country	How do you finance inspection for meat and poultry slaughter and processing?	Are user fees used for any or all of the financial support?	Are inspectors present at all times? When are inspectors present?
Australia	For the domestic sector, a registration fee is paid by individual registered establishments. For the export sector, a charging regime is maintained which includes: a fee for service for inspectors, on-plant veterinarians and senior technical managers audits, a registration fee for the program's overhead structure, and documentation fees.	User fees are developed in consultation with industry and are set to finance the cost of the specific service to which they relate.	Inspectors are present at all times during slaughter operations in all export abattoirs but not necessarily during processing operations.
Canada	In May 1995, the Canadian government started to impose user fees to its many clients, including the meat industry. Agriculture and Agri-food Canada reviewed all inspection programs and cost sharing agreements were negotiated with all sectors. The fees are the result of numerous consultations with the meat industry pursuant to the Food Production and Inspection (FBIP) Business Alignment Plan, 1992. Five cost recovery initiatives were established, and the Meat Inspection Regulations, 1990, were amended to include the following user fee categories: (1) overtime, (2) inspection of registered establishments, (3) label and recipe registration, (4) importation, and (5) exportation.	The user fees are based on an hourly rate for overtime and set fees for the other categories.	No information received.

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Appendix table 1-Verbatim responses from foreign agencies to user-fee survey—continued

Country	How do you finance inspection for meat and poultry slaughter and processing?	Are user fees used for any or all of the financial support?	Are inspectors present at all times? When are inspectors present?
Denmark	Actual expenses for government inspection for meat/poultry slaughter and processing for product produced for the domestic market are entirely financed by the producing company. The same applies for production for exports.	User fees cover the actual costs of veterinary inspection of meat and poultry. Cost recovery is assessed according to actual expenses.	Government inspectors are present at all times during meat and poultry slaughter operations. In meat processing establishments approved for exports, government inspectors have until now been present at all times during meat and poultry processing operations. However, the Danish Veterinary and Food Administration expects that with the implementation of approved own check programs based on the Hazard Analysis and Critical Control Points (HACCP) system, the requirements for the permanent presence of government inspectors will be relaxed and adjusted according to the approved own checks programs, the product range, and the volume of production of the individual establishments. Whatever the level of the above mentioned adjustment, government inspectors would however still be required to visit establishments at least once a day.
Germany	No information provided, but EC directives require member states to rely on user fees.	No information provided, but EC directives require member states to base fees on actual expenses or on uniform charges per carcass.	No information provided.

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Appendix table 1-Verbatim responses from foreign agencies to user-fee survey—continued

Country	How do you finance inspection for meat and poultry slaughter and processing?	Are user fees used for any or all of the financial support?	Are inspectors present at all times? When are inspectors present?
Great Britain	<p>Under European Community law, Great Britain is obliged to recoup costs for meat inspection from the industry.</p>	<p>Directive 85/73/EEC (as amended) requires meat inspection charges to be made via a standard charge per animal, or by charging actual costs. The Directive is implemented in Great Britain by the Meat Hygiene (Inspection and Examination for Residues Charges) Regulations 1995.</p> <p>Additional charges may also be raised for the completion of veterinary health certificates to accompany exports of consignments. These charges are again subject to cost recovery from the industry.</p>	<p>The day to day responsibility for meat inspection and hygiene enforcement in licensed premises is carried out by the Meat Hygiene Service (MHS), an Executive Agency of Ministry of Agriculture Fishery and Food. Under the Regulations all licensed slaughterhouses must be supervised by an Official Veterinary Surgeon (OVS) of the MHS. Their principal role is to ensure that meat intended for sale for human consumption is produced hygienically and to the standards set down in law.</p> <p>The OVS is also responsible for the overall supervision of the plant including ante-mortem inspection of all animals, the post-mortem inspection of all carcasses and, although it is not directly required under the Regulations, the actual slaughter process. The OVS is assisted by one or more fully trained and qualified meat inspectors. Their main duty is to assist with the post-mortem inspection of carcasses, although they may also assist the OVS with other activities.</p>
Japan	<p>Government meat inspection is financed by both public funds and user fees. Salaries of the 2,600 meat inspectors are financed by the Government of Japan and paid through local prefectural governments. In addition, user fees are collected by local prefectural governments to cover expenses incurred by testing materials and overhead.</p>	<p>The Government of Japan sets the upper ceiling for the fee that may be charged by each local government, which is currently set at 1,300 yen per head. Within the above limit, the actual fee is determined at the discretion of each local government.</p>	<p>Operating hours of the plant is normally one day shift (i.e., 8:00-5:00). Inspections are carried out during operating hours of the plant.</p>

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Appendix table 1-Verbatim responses from foreign agencies to user-fee survey—continued

Country	How do you finance inspection for meat and poultry slaughter and processing?	Are user fees used for any or all of the financial support?	Are inspectors present at all times? When are inspectors present?
Korea	No user fees	Not applicable	Not applicable
Mexico	Inspection is financed through SAGAR for the plants authorized to export meat and meat products. Some plants which are not authorized to export are under the supervision of SAGAR-approved veterinarians whose payment is covered by that company. State supervisors in charge of reviewing the activities of both official and approved veterinarians are paid by SAGAR.	The fees charged to users in the case of approved veterinarians are determined on the basis of the established (official) minimum salary.	The inspectors remain in the establishment during its operations.
New Zealand	The costs of government inspection for meat and poultry slaughter and processing are covered by the licensed processor. This applies both to the domestic and export markets. User fees cover not only the direct costs of inspection, but also the indirect costs such as the cost of negotiations with importing countries; setting standards; audit of compliance; and the overhead costs of running the Ministry of Agriculture—including the appropriate share of the costs of the Director General and his team; legal costs; accommodation; depreciation and capital charge etc.	There is a complex budgeting and costing process which determines the appropriate costs for each financial year. MAF works on a basis of being transparent and accountable to the users for expenditure and consults each year with the representatives of each sector on these costs.	A full-time presence is required for meat in the domestic market but not for poultry in the domestic market. For product destined for domestic consumption, once it leaves the slaughter and dressing process the Food Act applies and full time presence is not specified. Product for export is handled in accordance with the Meat Act and according to importing country requirements

Source: ERS/FSIS Survey of Meat Inspection Agencies