



## Distilled Spirits Aotearoa (NZ) Incorporated

New Zealand Business Number (NZBN): 9429047031708

Certificate of Incorporation: 2716891

Registered office: 71 Sandymount Rd, Sandymount, Dunedin, OTA 9077

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DistilledSpiritsAotearoa.org.nz

To:

**Cost Recovery Directorate  
Ministry for Primary Industries  
PO Box 2526  
Wellington 6104  
costrecovery@mpi.govt.nz**

14 March 2024

### **Cost recovery proposal to maintain and expand New Zealand Food Safety's core regulatory services under the Food Act 2014**

**Distilled Spirits Aotearoa is grateful for the opportunity to submit on the Cost recovery proposal to maintain and expand New Zealand Food Safety's core regulatory services under the Food Act 2014**

This consultation relates to a proposal to maintain and expand New Zealand Food Safety's services under the Food Act 2014, which provides education, oversight, rules, and monitoring services. The proposal includes cost recovery from the industries that benefit from New Zealand Food Safety's services:

- Introduction of an annual Domestic food business levy (from the 2025/26 financial year) of \$115 by 2027.
- Introduction of an importer levy of \$67.50 applicable to those importing between 0 (zero) and 118,500kg of food and \$0.57 per tonne of imported food thereafter.

#### **Distilled Spirits Aotearoa:**

Distilled Spirits Aotearoa (DSA) currently represents 103 New Zealand distilleries, plus 19 pre-commercial distilleries expecting to start business in 2024/25. We estimate DSA membership coverage is 78% of the NZ spirits industry.

#### **The New Zealand Distilled Spirits Industry:**

The New Zealand spirits industry is made up of more than 150 distilleries, which employ approximately 910 jobs with an estimated \$41 million per year in wages. The industry is largely made up of small and medium family businesses, with over 65% located in rural and regional New Zealand. The industry has a downstream economic value of \$16.8 million across other industries such as tourism, hospitality, research, agriculture, and manufacturing, providing approximately 1,547 downstream jobs.

Our distillers are recognised amongst the best in the world, bringing home prestigious awards such as the World's Best Gin at the International Wine and Spirits Competition on three different occasions. The New Zealand spirits' sector currently has an export value of \$45.8 million, with New Zealand-made spirits having the potential to match if not exceed the value of New Zealand's Wine Exports.

#### **Submission**

The Food Act states that the Minister for Food Safety and the Chief Executive of MPI must take all reasonable steps to ensure that the direct and indirect costs incurred in administering the Food Act that are not provided for by Crown funding are to be recovered. The Food Act allows for the creation of a levy in regulations if the Minister is satisfied that the Principles of Cost Recovery have been met.



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The Consultation document states that NZFS currently has limited or temporary Crown funding available for certain areas such as rules setting work, education and system oversight. The system is facing challenges in maintaining Food Act regulatory services sufficient to mitigate risks of market failures. The document states that in some areas there is no longer a rationale for continued Crown funding, now that the Food Act regulatory system is fully embedded. The document suggests further improvements should now be paid by beneficiaries of the service.

**DSA applauds** the ambition to continue to streamline and enhance the activities of the NZFS.

**DSA does not** support food business levies and fees as outlined in the Consultation document. We suggest that MPI should go back to the Crown to request an adequate pool of funding to support its business unit activities. In particular, the oversight of co-regulator systems and services, the introduction of performance rules for Territorial Authorities, monitoring and support for 67 local councils, should be funded sufficiently by the Crown (9 Oversight of co-regulator systems and services: Option 2).

Fundamental national and local government infrastructure improvements should not be funded by new taxes on food businesses.

In addition, DSA does not support some of the activities that the levies are intended to fund. In particular the intention to add a new level of auditing of businesses that are already audited by independent verifiers (who themselves are regulated by NZFS) is simply adding additional levels of bureaucracy and inefficiency at a time when the Government policy is to reduce bureaucratic compliance costs to NZ businesses.

### **Domestic food business levy**

Significant taxes are already paid by the alcohol industry in New Zealand. Currently the taxes of: Excise Tax, Health Protection Agency levy and GST are imposed on distilleries and represent over 50% of a distillery's overheads.

New Zealand distillers do not receive excise tax relief, which most of our peer countries have introduced to encourage the growth of their small distilleries. Australia, for example, provides an excise tax rebate of up to \$350,000/ year per distillery to expand operations, employ more people and support more local businesses. They have a distinct advantage when their products are imported into New Zealand at a lower price, competing directly with our local products.

Most New Zealand distilleries will make only \$5-\$8 profit per 700ml bottle they sell. New Zealand's distillers are struggling on a day-to-day basis to survive, and cash flow is a constant issue. Many bottles of spirits need to be sold to cover any increase in overheads.

Distilleries like all New Zealand Food Businesses are also already paying fees to Local Government and to Independent Verifiers to be registered under Food Act 2014. Additional fees to simply add more layers of compliance is inefficient and wasteful.

If however any of these additional services really are required to keep New Zealanders food safe then NZFS should have a good argument to the Crown that these expanded services will provide a general good to all New Zealanders that eat food and so fundamentally should be Crown funded.

### **Importer levy**

Most distilleries in New Zealand produce gin. The legislated predominant ingredient for gin is juniper, but this berry is not grown in New Zealand and must be imported from countries such as eastern Europe (Macedonia and Albania), with the average cost of importing into New Zealand at \$22,000 a tonne and rising.

While our industry is actively working to establish local sourcing of juniper and other botanicals, this is a 10-20 year plan. The proposed levy of imports of key ingredients would be one further taxation burden on our industry.



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**DSA accepts** the ambition to maintain and expand NZFS's services under the Food Act 2014 (Food Act).

**DSA does not accept** that these services should be cost-recovered from food industries. The Crown should support more of the activities covered in the Consultation document, using existing taxpayer funds.

Yours faithfully

Richard Wilson

Chair – Distilled Spirits Aotearoa (NZ) Inc