

Dawn Lumley-Myllari
Executive Director
Policy and Regulatory Affairs Directorate
Policy and Programs Branch
Canadian Food Inspection Agency

Re: User Fees and Cost Recovery Modernization Key Principles and Considerations

Dear Ms. Lumley-Myllari,

The Canadian meat and poultry industry has historically been the most regulated food sector, and already pays a substantial amount of service fees per year. In its latest proposals on cost recovery modernization, the Canadian Food Inspection Agency (CFIA) has proposed significant increases in fees, without involving industry directly in the discussion and with an apparent single aim in mind – to recover more cost. Comparably, the Australian government consulted significantly with their meat industry in the development of their user fees framework. Given the high operating costs of the CFIA, it is understandable that more cost needs to be recovered, but the current approach is not very strategic for several reasons:

- There has been no indication to date that the cost recovery modernization process is looking at innovative or creative ways to deliver services or structure fees, in a fee for service model. It appears that this initiative focuses mostly on how to recover more costs without looking at continuous improvement of service, review of alternative service delivery options, or correlation with current CFIA modernization activities.
- It is unknown whether CFIA is looking at improving its quality of service based on performance for better providing the basis for risk-informed, preventative, outcome based approaches to food safety that aligns with its mandate.
- By increasing industry funded services fees for a portion of its federally mandated activities, the CFIA will continue to take away any incentive to manage program costs, develop efficiencies, or improve results, unless it is held accountable as a service provider

The Canadian government has an agri-food export goal of \$75 billion by 2025. The government is also focused on innovation and continuing to build a competitive industry domestically and globally. The Agri-Food economic strategy table was designed to support these goals, made up of several food industry leaders. Its work has informed the regulatory modernization goals within the 2018 federal budget to pursue a regulatory reform agenda that is focused on supporting innovation and business investment. The Treasury Board Secretariat will explore agri-food regulatory priorities over the coming months as part of that agenda as well.

The current direction the CFIA is taking on service fees will only work to prevent these objectives from being successful, effectively stifling meat industry growth, innovation and competitiveness.

The CFIA is a dynamic organization, undergoing constant change. This is especially true right now, with several initiatives that will impact resources and service including Agency restructuring efforts, SFCR implementation and ongoing enforcement, and inspection modernization changes.

It is imperative that the CFIA carefully consider how these ongoing changes will effect service delivery and fee structure, and how these processes would be better understood and aligned if considered in tandem. Increased cost to industry for service fees, without improved service levels, on top of the growing regulatory burden initiated by Health Canada and other government departments, will have a significant impact on the ability for the meat processing industry to succeed.

As you are aware, the Canadian meat and poultry industry has created a Cost Recovery working group that aims to develop a common understanding within the meat industry supply chain, and with the Canadian government on key principles and expectations, that can be used as a guideline in the development of a truly innovative and modernized service fee system that works for all stakeholders. There are several key principles that this working group will be exploring. Any successful service fee system should be able to meet the following expectations of the meat and poultry industry:

1. ***The CFIA and meat industry should be working together on this initiative because the outcome will significantly impact both parties.***
 - a. This idea is different than the regulator consulting the regulated party, and considers building a partnership in developing a mutually beneficial framework that works for all stakeholders.
 - b. The impacts to businesses, especially SMEs if fees are increased were not fully realized by the CFIA in its initial proposal, since it is impossible to understand the impact to business before the actual fees are published.
 - c. Meaningful work was done together back in 2008-2010 by the Working Group on User Fees, that was created by Ministerial direction, and chaired by both CFIA and AAFC VP/ADMs at that time. This work considered international benchmarking, and the working group hopes that this is still the case.

2. ***Service fees should be aligned with and similar to the United States and other countries with which Canada has significant trade.***
 - a. Canadian companies should be paying the same fees under similar structures as the United States and other countries, to align with trading partners and remain globally competitive.
 - b. US companies for example, do not have to pay regular inspection fees. This alone would be a great step forward for the Canadian model, giving plants more flexibility on scheduling their businesses.

3. ***Clear, transparent rationale should be used and identified to justify any potential increase in fees***
 - a. For example, exports are not solely a benefit to the private, as increased exports provide for a more vibrant economy and increased job opportunities, from which the public benefits. The CPTPP agreement for example has the potential to create significant growth in both jobs and trade within the meat and other sectors. The government of Canada's current position on agri-food exports, pouring significant public resources into market access and development, is contradictory to how this was outlined in the service fee consultation documents.
 - b. Federally mandated inspection services should be considered a mostly public benefit, as it is in the US, and since industry already successfully manages its own daily food safety practices using other methods, should not be cost recovered.
 - c. Industry is already bearing increased food safety, animal health, and sustainability compliance costs following the rapid growth and uptake of private standards and assurance systems along different points of the food value chain. Industry is also taking on more direct responsibility and labour costs for former CFIA inspection activities (i.e. modernized slaughter inspection program, modernized poultry inspection program).

4. ***The quality of service should be based on more than just the service standards of time to acknowledge a request and time to respond.***
 - a. CFIA services should be held accountable to a performance standard, as per the *Service Fees Act* S.C. 2017, c. 20, s. 451 that allows for adjustments to service fees based on the performance of services.
 - b. The CFIA should explore a legal opinion on how a 'fee for service' model would work
 - i. For example: Any service that is of 100% private interest should have contractual obligations and arrangements.
 - ii. As sole service provider for some services under this model, the CFIA must be held accountable by contract so that the services provided meet minimum standards for performance, quality, and true market value.
 - iii. Perhaps the Government of Canada is not the best supplier of some services, which could be done by the private sector more efficiently, and at a better cost and higher quality of service.
 - iv. The CFIA should explore privatizing certain services where it makes sense (e.g. what happened with beef grading).

The industry-government Cost Recovery Working Group will continue to explore the above principles and expectations, as well as compare industry cost data between Canada and the US as a baseline, which will be shared with CFIA upon completion. This work will highlight the key values that the meat and poultry industry feels should form the basis of cost recovery modernization. Moving forward without significant further consultation with stakeholders is not strategic, and under the very complex circumstances that exist, will not have a successful outcome. With this in mind, the meat value chain

asks that the CFIA work to allow the longest period for consultation possible, so we can best assess the true implications of any proposed fee increases.

The meat and poultry industry asks the CFIA to carefully consider these points through significant consultation and engagement opportunities moving forward. Representatives of the working group would gladly meet with the CFIA to discuss the details of these principles and work together on developing a system that truly works well and achieves the mandate of the CFIA, while maintaining competitiveness of the industry for continued growth and innovation.

Thank you very much for your time, and we look forward to your response and meeting with your team to discuss further, at your convenience.

Kind regards,

A handwritten signature in black ink, appearing to read 'CNash', written in a cursive style.

Chris Nash
Director, Regulatory Affairs
Canadian Meat Council

On behalf of the Cost Recovery Working Group

Copied:

Julie Hartlieb, Director, CFIA
Donald Boucher, Director, AAFC