

25 February 2019

HELP SHAPE OUR POLICIES CONSULTATION

Meat Official Control Charges – Proposal to Remove Plant Inspection Assistant Discount

Summary Report of Stakeholder Responses

The Meat Official Controls Charges – Proposal to Remove Plant Inspection Assistant (PIA) Discount consultation was issued on 14 December 2018 and closed on 29 January 2019.

The consultation proposed the removal of the element of the current system of discounts on charges for meat official controls specifically relating to PIA costs. It further proposed alternative options to help mitigate the impact of the removal of the PIA discount.

Under a PIA system suitably qualified staff employed, or contracted, by Food Business Operators (FBOs) working in poultry or rabbit slaughterhouses carry out some official controls under the supervision and direction of the FSA Official Veterinarian. FBOs can make claims for a supplementary discount in recognition of their costs for the time their staff spend carrying out official controls.

The supplementary PIA discount was developed by industry stakeholders who were members of the Steering Group on Meat Charging. The PIA discount was intended to act as an incentive for FBOs to switch from Meat Hygiene Inspectors (MHIs) to PIAs. It sought to do this by ensuring that the official controls charges for an FBO making such a switch would be no higher than if they used MHIs and they could be lower.

The main element of the discount on charges for official controls charges was introduced in 2016/17. This applies to all slaughterhouses and game handling establishments charged for meat official controls under European legislation ((EC)882/2004) and domestic legislation (the Meat (Official Controls Charges) (England) Regulations 2009 and the Meat (Official Controls Charges) (Wales) Regulations 2009). The main element of the discount system is unaffected by the proposed changes.

It was proposed that the PIA element of the official controls charges discount

should be removed for the following main reasons:

1. The process is administratively burdensome for FBOs and the FSA with information required from FBOs on an annual and monthly basis. This data is collated, validated and processed by the FSA for inclusion in the charges calculation.
2. The supplementary discount was developed by meat industry stakeholders as part of the Steering Group on Meat Charging's work as an incentive for poultry and rabbit slaughterhouses to switch to PIAs.
3. There has been no discernible impact attributable to the discount on decisions by FBOs that they wish to switch to PIAs.
4. The value of the PIA discount in 2017/18 was less than £32,000 across the industry but approximately 70% of this was received by four FBOs. The discount is greatest where the costs of the PIAs are relatively high.

Proposals

The FSA proposed that with effect from the start of the 2019/20 financial year, 1 April 2019, the provision for a supplementary discount on charges for meat official controls, which is allocated to some poultry and rabbit slaughterhouses operating PIA systems, would be removed. The removal of the PIA discount, and ceasing to require FBOs to provide the FSA with details of their PIA pay rates and hours data, would reduce the overall level of discount to the poultry sector if no further action were taken. The reduction would not be confined to the PIA discount. This is because the available discount funding is split proportionately between the red meat, game and poultry sectors according to the number of hours of OV, MHI and (in the case of poultry) PIA time. In order to mitigate this effect the FSA proposed two alternative options summarised below:

Option A – increase OV and MHI hours in the discount calculations by a factor of an additional 0.7

The PIA hours represent a factor of 0.7 of the OV and MHI hours in the poultry sector. In order to equalise the proportionate split of poultry sector hours, compared to red meat and game, in the overall discount allocation the OV and MHI hours in the poultry sector would need to be increased by a factor of an additional 0.7.

Option B – increase OV and MHI hours in the discount calculation by a fixed number of hours

As an alternative a fixed number of hours, to reflect PIA hours, could be added to the OV and MHI time for the proportionate split of overall discount funding between the red meat, game and poultry sectors. The number of hours proposed is 228k which reflects PIA hours in the 2017/18 discount calculation. For the same period in the poultry sector the OV hours were 197k and the MHI hours were 152k.

The FSA is grateful to those stakeholders who responded and the table below sets out the responses received during the consultation. The FSA's considered responses to stakeholders' comments are shown in the final column of the table.

Decision

The FSA has thoroughly considered all the responses to this consultation and decided that it will cease to apply the supplementary discount for poultry slaughterhouses with PIAs with effect from 31 March 2019. In its place the FSA will introduce Option A outlined above and apply an increase to the OV and MHI hours in the core discount calculation for 2019/20 by a factor of an additional 0.7. This will mitigate the impact of the removal of the PIA discount for the poultry sector as a whole. The new policy will be applied with effect from 1 April 2019.

A list of stakeholders who responded to the consultation can be found at the end of the document.

Richard Collier
Head of Finance - Charging

SUMMARY OF SUBSTANTIVE COMMENTS TO THE FSA HELP SHAPE OUR POLICIES CONSULTATION – PROPOSAL TO REMOVE PLANT INSPECTION ASSISTANT DISCOUNT

A total of 12 responses were received by email and post which are summarised in the table below:

Respondent	Number
Poultry Food Business Operator with PIAs	6
Poultry Food Business Operator without PIAs	1
Industry representative	3
Individual	1
Other	1
Total	12

Plant Inspection Assistants (PIAs) are FBO employees, or contracted staff, who are authorised to carry out certain official controls under the supervision of the FSA OV in poultry and rabbit slaughterhouses.

- Q1 - Do you currently operate a Plant Inspection Assistant (PIA) system at your poultry or rabbit slaughterhouse?

Respondent	Comment	Response
Q1 – Of the 12 responses received six were from companies and sole traders operating poultry slaughterhouses. Of these six there were five that operated PIA systems and one that did not.		

Hierarchy of Hours

- Q2 - Do you agree with the proposal to remove the supplementary PIA discount?

Respondent	Comment	Response
Q2 – Eight of the 12 responses agreed with the proposal to remove the PIA supplementary discount, two responded that they neither agreed nor disagreed and two strongly disagreed with the proposal.		

- Q3 - If you disagree with the proposal to remove the supplementary discount please outline:
 - a) the impact on your business; and
 - b) any alternative proposals you have in respect of the operation of PIA systems.

Respondent	Comment	Response
Q3 – This question was commented on by three respondents; two who had strongly objected to the proposal to remove the supplementary PIA discount and one who agreed with the proposal.		
Respondent 5	<p>We agree with the proposal to remove the supplementary PIA discount but wish to explain our rationale. The current system is burdensome, bureaucratic and time-consuming for everyone, with little or no financial benefit for most of those having to administer the system. However, another important reason for supporting the removal of this system is that it requires detailed evidence and information to be submitted by the FBO to the FSA. Where the FBO chooses to outsource the PIA service delivery, the outsourced provider is required to pass confidential information regarding the terms and conditions of their staff to the FBO for onward submission to the FSA. This creates numerous commercial and data protection issues.</p> <p>The only reason why we have chosen to ‘agree’ with this proposal and not ‘strongly agree’ is that we would support the maintenance of such a ‘declaration’ system if it carried with it commensurate benefits for the industry which the current system does not.</p>	<p>The FSA agrees with the rationale presented for the ending of the supplementary PIA discount on meat official control charges. The FSA notes the frustration of the Respondent to a burdensome administrative process where those seeking the additional discount may be uncertain that they will derive any benefit until a claim has been submitted unless they undertake significant additional administration themselves.</p> <p>The requirement for evidence to support claims for the supplementary PIA discount arises from the need to ensure public funds are allocated appropriately. The FSA appreciates the concern about providing confidential and personal information in support of discount claims. It is another factor in the proposal to end the PIA element of the discount system. The FSA can provide assurance that all the information provided in relation to the PIA discount has been treated in strict confidence and held in line with GDPR requirements.</p>

		<p>An issue with the current PIA discount is that the benefits are largely skewed towards a particular group within those poultry slaughterhouses with PIAs. This is a flaw in the system. Maintenance of the current system with greater benefits would be likely to result in many gaining some small benefits but a few gaining considerably more than at present which would not be equitable. An entirely new PIA supplementary discount was considered but the costs associated with its development and ongoing administration were a concern. Therefore, the simpler proposal of amending the core poultry sector discount was developed.</p>
Respondent 6	<p>3.a) We are a small abattoir doing a half day kill per week. This would put a great extra cost per bird on our small throughput.</p>	<p>The FSA acknowledges that the fact the current supplementary PIA discount is flawed does not make change any more palatable to those who will lose under the proposals for reform. Any FBO facing an increase in charges should consider their particular circumstances and a discussion with their Inspection Team Leader may be worthwhile to assess any efficiencies that could be achieved in the deployment of FSA staff, changes to pattern of operation, etc.</p>
Respondent 12	<p>3.a) The removal of the PIA discount will have a significant financial impact on my business.</p> <p>b) PIA hours are already assessed against the OV hours and it should be a simple matter of applying a fixed adjustment to the OV times to derive a figure for PIA hours. The fact that the value of the PIA discounts was only £32,000 nationally would suggest that the discount should be more generous. OVs and PIAs are installed in the plants at the taxpayers</p>	<p>The FSA acknowledges that the fact the current supplementary PIA discount is flawed does not make change any more palatable to those who will lose under the proposals for reform. Any FBO facing an increase in charges should consider their particular circumstances and a discussion with their Inspection Team Leader may be worthwhile to assess any efficiencies that could be achieved in the deployment of FSA staff, changes to pattern of operation, etc.</p>

	<p>behest and it is equitable that they should bear some of the cost.</p>	<p>An issue with the current PIA discount is that the benefits are largely skewed towards a particular group within those poultry slaughterhouses with PIAs. This is a flaw in the system. Maintenance of the current system with greater benefits would be likely to result in many gaining some small benefits but a few gaining considerably more than at present which would not be equitable. An entirely new PIA supplementary discount was considered but the costs associated with its development and ongoing administration were a concern. Therefore, the simpler proposal of amending the core poultry sector discount was developed. Taxpayer funded discounts to slaughterhouses will continue at a high level. £19.2m of taxpayer funding was included in the calculation of the meat industry discounts in advance of the 2018/19 year.</p>
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- Q4 - In order to mitigate the impact of the removal of the PIA discount having wider impact options are proposed and estimates are provided in Annex B. Option A is based on increasing the Official Veterinarian and Meat Hygiene Inspector poultry sector hours in the discount calculation by a factor of an additional 0.7 and Option B is based on increasing the hours by a fixed number. Please state your preferred option below. If you select neither Option A or B please outline your alternative proposals in the comments section below.

Respondent	Comment	Response
Q4 – Of the 12 responses seven were in favour of Option A, four selected neither of the options or made no response and one selected Options A and B with an indication either would be acceptable. Four of the respondents made comments.		
Respondent 2	<p>In response to the consultation on removing the PIA discount AIMS has considered the proposal, which it agrees to in the interests of the majority of its poultry slaughterhouse members. The current system does not incentivise the uptake of PIAs as intended.</p> <p>AIMS strongly supports option A to increase official control hours by a factor of 0.7 as the best way to re-distribute the savings to poultry FBOs.</p>	<p>Noted, there has been no discernible impact attributable to the supplementary discount on decisions by FBOs that they wish to switch to PIAs.</p> <p>Noted</p>
Respondent 4	<p>The BPC recognises the arguments put forward in the consultation and we agree to the removal of the PIA discount.</p> <p>We agree that the burden to both FBOs and the FSA only adds to the complexity of the charging system, and any effort to reduce that is welcome. The original intention was to encourage the uptake of PIAs, but from our perspective is no longer fulfilling that purpose. For both those reasons the discount should be removed.</p>	<p>Noted</p> <p>Noted</p>

	<p>Our one question is over the rate of removal of the discount. While we appreciate that an incremental withdrawal manages the impact on affected businesses, we are concerned that doing so adds an unnecessary complication into the charging system. Given the relatively small amount (£32,000) in comparison to both the overall inspection charging figure and the then ongoing cost of administration, we suggest that the discount is removed in its entirety as of the start of the next financial year.</p> <p>Overall, we are very pleased with the level of engagement the FSA has with industry over the inspection charging system and would like to continue examining where improvements, even small incremental ones like this, can be made.</p>	<p>Noted and the FSA will explore this with industry stakeholders during 2019/20.</p> <p>Noted and the FSA intends to follow the same approach to future incremental enhancements to the charging system. The FSA will work with stakeholders on this during 2019/20.</p>
Respondent 5	Specific benefits will depend on the scale of operation but both seem fair.	Noted
Respondent 8	<p>The NFU support the removal of the PIA discount to be replaced with a new more equitable financial solution for our processor members, ie option A as outlined below:</p> <p>Option A – increase OV and MHI hours in the discount calculations by a factor of an additional 0.7. The PIA hours represent a factor of 0.7 of the OV and MHI hours in the poultry sector. In order to equalise the proportionate split of poultry sector hours, compared to red meat and game, in the overall discount allocation the OV and MHI hours in the poultry sector would need to be increased by a factor of an additional 0.7.</p>	<p>Noted</p> <p>Noted</p>

Respondent 12	As stated in point 3, PIA hours bear a close correlation to OV hours and OV hours reported could be used to assess the PIA discounts. Plants which employ PIAs should be compensated for the related cost. The PIA discount was intended to act as an incentive to switch from MHIs to PIAs and the low value of the PIA discount take up suggests that the system as designed is not sufficiently generous.	An issue with the current PIA discount is that the benefits are largely skewed towards a particular group within those poultry slaughterhouses with PIAs. This is a flaw in the system. Maintenance of the current system with greater benefits would be likely to result in many gaining some small benefits but a few gaining considerably more than at present which would not be equitable. An entirely new PIA supplementary discount was considered but the costs associated with its development and ongoing administration were a concern. Therefore, the simpler proposal of amending the core poultry sector discount was developed as a more appropriate way of utilising available taxpayer funding.
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• Q5 - If you are the Food Business Operator of a poultry or rabbit slaughterhouse that does not currently operate a Plant Inspection Assistant (PIA) system how did the existence of a supplementary PIA discount affect your view on whether or not to implement a PIA system?

Respondent	Comment	Response
Q5 – Four of the 12 respondents commented on this question.		
Respondent 5	If FSA really wants to encourage all FBOs to move towards PIA systems and realise the financial benefits that this would bring to the Agency then a much more meaningful financial mechanism of encouragement	An entirely new PIA supplementary discount was considered but the costs associated with its development and ongoing administration were a concern. Therefore, the simpler proposal of amending

	needs to be put in place. For instance, a standard additional discount which would apply regardless of any comparison with an FSA inspection system.	the core poultry sector discount was developed.
Respondent 6	The question sounds like rubbish.	Noted
Respondent 10	The existence of a supplementary PIA discount had no influence for me as an FBO to use it.	Noted
Respondent 12	We were persuaded by the plant vet at the time to operate the PIA system and after incurring costs of training found the system initially to be beneficial. The benefits of the system have been eroded over time.	The discounting system introduced from 2016/17 is much more consistent and equitable than the one in place before this. Under the previous system some FBOs were charged a few pence per hour for Official Veterinarians and Meat Hygiene Inspectors. In addition, under the previous discount system the poultry sector received proportionately more discount than the red meat sector. In addressing these issues, and with no additional funding available for discounts, there were losers as well as winners under the system introduced from 2016/17.

List of Respondents

1.	Leonard Ames (Ampthill) Ltd
2.	Association of Independent Meat Suppliers
3.	Baileys Turkeys Ltd
4.	British Poultry Council
5.	Eville & Jones
6.	James R Mee, Beryl A Mee, Stewart L Mee & Nigel L Mee T/A Springfield Poultry
7.	Moy Park Ltd
8.	National Farmers Union
9.	Noble Foods Ltd (Poultry Division)
10.	Robert Gardner & Ross Gardner T/A Otter Valley Poultry
11.	Claire Pearson
12.	John Smith T/A Leicestershire Farm Fresh Turkeys