

Minutes

Steering Group on Meat Charging

Tuesday 11 February 2014
11:00-14.00
Conference Room 5, 4th Floor
Aviation House, 125 Kingsway, LONDON WC2B 6NH

Attendees:

Bill Stow	(BS)	(Chair)
Phil Hadley	(PH)	(EBLEX)
Ian Anderson	(IA)	(SAMW)
Mike Bailey	(MB)	(NFU Poultry Board)
Richard Stevenson	(RS)	(NFMFT)
Stephen Rossides	(SR)	(BMPA)
Peter Hewson	(PHe)	(AIMS)
Richard Griffiths	(RG)	(BPC)
Gillian Gallagher	(GG)	(Ulster Farmers' Union)
Phelim O'Neill	(PO)	(Northern Ireland Meat Exports Association)
Jeff Halliwell	(JH)	(FSA Board Member)
Martin Evans	(ME)	(FSA)
Richard Collier	(RC)	(FSA Observer)
Gary Welsh	(GW)	(FSA Observer)
Shyam Desai	(SD)	(FSA Observer)
Stephen Crookes	(SC)	(Secretariat)
Ken Anderson	(KA)	(FSA Observer)

Apologies:

Uel Morton	Quality Meat Scotland
Karen Bellis	Women's Food & Farming
Peter Coleman	Creedy Carver Ltd
Mick Sloyan	BPEX/AHDB
William Lloyd Williams	NFMFT
Roger Kelsey	NFMFT
Hazel Wright	Farmers Union of Wales
Chris Edwards	FSA
Nicholas Daniel	FSA
Norman Bagley	AIMS

1. Welcome

1.1 The Chair welcomed the Steering Group and explained his aims for the meeting.

2. Minutes of 13th November Steering Group Meeting

2.1 The minutes from the last meeting were agreed as a true reflection of the meeting.

3. Presentation of the data analysis

3.1 SD presented a detailed presentation of the high level data analysis for each of the options, high lighting the main advantages/disadvantages of each of the options and providing a clear understanding of all the winners / losers of each option. SD also gave a clear understanding of how the indirect / direct cost has been worked out for the comparative analysis.

3.2 The Chair, with agreement from the steering group, thanked Shyam and Nicholas for all the work that has been carried out to produce the high level data analysis.

4. Summary Options assessment

4.1 RC gave a brief introduction to the Summary of Options Assessment paper, explaining the linking of the original questions, previously set by Steering Group, against each of the Options.

5. Group Discussion of analysis

5.1 The Chair asked the group for their reaction of the data analysis.

5.1.1 IA asked if charging of direct cost only is a realistic option that the FSA will accept, and should there be an option to have any plant having 100% discount. The Chair confirmed that he will be bringing the subject of direct and indirect costs up with the FSA Board when they meet on 4th March. Following discussion over the option for any plant to have 100% discount it was agreed by the group that no plant should get exempt from 100% discounts.

JH reiterated that the FSA Board are clear that they want a definitive solution to the meat charging review.

5.1.2 PHe made reference to an FBO who has started legal proceedings against the FSA charging indirect costs to their business and the impact that this case could have on the meat charging in the future. The Chair stated that this is something that is out of the Steering Groups control, SR suggested that we need to concentrate on the issues that we can do something about.

5.1.3 RG raised a general point that he would like to know more about how inefficient the current system is and how this inefficiency is measured and if there is anything that can be adopted in the current system to make the inefficiencies more efficient.

5.2 Questions for Analysis:

5.2.1 Impact on FBO: The Chair started discussion off by making the following general points:

- The analysis focuses mainly on winners & losers
- Measurable on how difficult each option would be to getting full agreement from everyone
- Poultry sector tend to be the biggest losers and in some cases biggest winners, looking at the mean discount rate by sector poultry get a higher discount rate in almost every scenario put forward.

5.2.2 The Chair asked if it would be possible to get the groups thoughts on which options are worth further exploration and which are not worth exploring any further.

- Following general group discussion regarding the various options looking at the current unbalanced system and the issues relating to the impact on poultry plants it was agreed that:
 - No plant should have 100% discount
 - Remove option 1 in its entirety from the review due to politics issue around poultry and that there are more losers than winners
- Agreement for a selection of anonymised plants to be presented to demonstrate the effects of Option 2 on individual plants; **Action SD**

5.3 Promoting Efficiency

5.3.1 RC pointed out that when we (FSA) moved towards timed based methods of charging in 2009 we saw a change in various areas and because it was based on hours used we looked at ways to be more efficient and to reduce the FSA input.

5.3.2 PHe highlighted that Option 3 is a hybrid scheme using time based for larger plants and head-age based for smaller plants. ME commented that due to the complexity of option 3 it would make it very difficult to implement so that everyone understands how the charging works.

IA made comment that some of his members do not understand the current charging system and to have a system that is more complicated would just make the situation worse.

ME reiterated that one of the reasons for the Steering Group is to make the scheme simpler rather than more complicated.

5.3.3 The Chair summarised that we need a system to drive greater efficiency and simpler to understand:

- Hourly charge would drive greater efficiency in plant
- LUS potentially might drive greater efficiency for FSA

5.4 Implementation & Administration

5.4.1 The Chair pointed out that either option could take approximately 12 months to implement and that Option 2 provides more scope for administration efficiency compared to Option 3 which is more complex. Asked for the groups views.

5.4.2 KA gave an overview of IT implementation highlighting the following:

- Greater level of complexity would result in:
 - Greater costs
 - More testing and greater length of time to implementation
 - Greater ongoing costs
- Simpler is better
- Essential that all required information for the option is known from the outset.
- Paramount that the Beta system is thoroughly tested prior to full implementing

The Chair asked if it would be a possibility for an implementation date of April 2015 or if a mid-financial year implementation be an option. KA – April 2015 possible but cannot commit until all requirements known. RC – Mid-financial year implementation is a possibility.

5.4.3 The Chair raised his concerns that with Option 3b any system with appeals and penalty charges could lead to ongoing disputes between FSA and Industry which is not in anyone's interest. PHe disputed this saying that he could not see any increase in appeals due to the appeal system and complexity of Option 3b.

5.5 Following discussions regarding direct and indirect costs the Chair confirmed that he will be taking this question to the FSA Board on the 4th March for their opinion. **Action Chair.**

5.6 Incorporating EU minima – the Chair stated that each of the options do incorporate the EU minima

5.7 Incentivising the use of PIAs – The Chair stated that there are other ongoing groups looking at incentivising the use of PIAs. The Chair also pointed out that there is a potential issue for the poultry industry with either of the options.

6 Conclusions:

6.1 The Chair concluded the following:

Agreement was made on:

- Dropping Option 1 in its entirety
- Look at an option where there is no complete small plant exemption.
- Further data analysis

We should focus on Option 2, but not totally disregard Option 3 at the moment, as the option that potentially meets the requirements for administrative simplicity and incentives for greater efficiency compared to option 3.

Agreement to look at a further variant of data analysis for option 2, In which no set of plants receives a maximum discount of 100%, and no set of plants receives a maximum discount of 0%. **Action SD**

This has 2 main attractions of no one pays nothing and that there still is a discount.

Further data analysis of actual anonymised plants for real cost comparisons and to produce a scatter pot of poultry plants to see what it shows. **Action SD**

Any new scheme will take approximately 12 months to implement.

6.2 FSA Board briefing on 4th March

The Chair discussed some of the areas that he will be briefing the FSA board with on the 4th March, highlighting the following:

- We're making good progress.
- Specific problem with poultry sector.
- 12 month implementation process
- Views from Board regarding Direct & Indirect costs

6.3 Future meetings – The Chair would like to have a Sub Group meeting towards end of March and a full Steering Group meeting towards end of April beginning of May. **Action SC**

Post minute note:

Sub Steering Group meeting taking place on 27th March at 11:00-13:00 in Aviation House.

Steering Group meeting taking place on 6th May at 11:00-15:00 in Aviation House.

AOB:

SR, with agreement of the group, thanked SD for all of his work so far with the data analysis which has helped immensely with the progress that the group has made.

Meeting closed