

## **EXPLANATORY STATEMENT**

### **Select Legislative Instrument 2009 No. 110**

Issued by the authority of the Minister for Agriculture, Fisheries and Forestry

*Export Inspection (Quantity Charge) Act 1985*

*Export Inspection (Quantity Charge) Amendment Regulations 2009 (No. 1)*

The *Export Inspection (Quantity Charge) Act 1985* (the Act) imposes a charge on the inspection of certain commodities intended for export. The charge is calculated based upon the quantity of the prescribed commodity for which an export permit is granted.

Subsection 7(1) of the Act provides that the rates of charge in respect of a prescribed commodity are the rates that are prescribed under the regulations. Subsection 7(3) sets out the rates of charge that must not be exceeded for certain commodities.

Section 10 of the Act provides, in part, that the Governor-General may make regulations, not inconsistent with the Act, prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

The *Export Inspection (Quantity Charge) Regulations 1985* (the Regulations) provide the rates of charge for prescribed commodities, for the purposes of subsection 7(1) of the Act.

The purpose of the *Export Inspection (Quantity Charge) Amendment Regulations 2009 (No. 1)* (the Amendment Regulations) is to amend the rates of charge set out in the Regulations that are applicable for the export of grain, which is a prescribed commodity.

The Amendment Regulations simplify the existing rates of charge for grain (currently 2.3, 7.7 and 26 cents per tonne) by providing instead a single rate of charge of 20 cents per tonne applicable only to grain that is exported in bulk and not prepared under an arrangement. They remove charges entirely for grain prepared under arrangements (whether for export in bulk or in container system units). The last alteration made to these charges was in 2001, when the rates of charge that applied were reduced by 36%. This reduction in charges was a result of the Australian Government providing a 40% contribution towards the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticulture export industries.

The contribution was not equally applied to all charges. Based on advice from the various Industry Consultative Committee's the contribution was directed to those areas where it was considered to generate the greatest returns for the particular industry. This 40% Australian Government contribution lapses on 30 June 2009. The rate of charge has been amended to cover the costs of providing services associated with the inspection of bulk grain. The new rate of charge of 20 cents per tonne does

not exceed the limitation of \$1.00 per tonne for grain that is exported in bulk as imposed by subsection 7(3) of the Act.

The Amendment Regulations also make a minor amendment to one definition.

The Australian Quarantine and Inspection Service (AQIS), within the Department of Agriculture, Fisheries and Forestry, commenced consultation with its Industry Consultative Committees (ICCs) following the Government's decision to allow the 40% contribution to lapse. Further to this, joint AQIS/Industry Ministerial Taskforces were also established for the fish, grain, dairy, meat, horticulture and live animal export industries. The Ministerial Taskforces were consulted regarding the revised fees and charges resulting from the impending cessation of the 40% Australian Government contribution.

Consultation with the grain industry was undertaken through the AQIS Grain Industry Consultative Committee (AGICC). Consultation through the AGICC ensured that all relevant industry groups were consulted. The AGICC comprises of representatives from the following key industry sectors:

- AWB Ltd
- ABB Grain Ltd
- Australian Seed Federation
- National Agricultural Commodities Marketing Association
- Australian Oilseeds Federation
- Sunrice
- GrainCorp Operations Ltd
- Australian Fodder Industry Association
- Australian Cotton Seed Industry Association
- Pulse Australia Ltd
- CBH Group and Grain Pool Pty Ltd.

As these amendments make changes in relation to cost recovery, a Cost Recovery Impact Statement was prepared.

Details of the Amendment Regulations are set out below.

Regulation 1 specifies the name of the Amendment Regulations to be the *Export Inspection (Quantity Charge) Amendment Regulations 2009 (No. 1)*.

Regulation 2 provides that the Amendment Regulations commence on 1 July 2009.

Regulation 3 provides that Schedule 1 amends the *Export Inspection (Quantity Charge) Regulations 1985*.

#### Schedule 1 – Amendments

Item 1 amends the definition of 'certification assurance arrangement' in regulation 2 by omitting the term 'certification assurance arrangement' and replacing it with 'approved arrangement'. This updates the terminology used to refer to the arrangements. The substance or intent of the definition is not altered.

Item 2 amends paragraph (c) in column 2 of item 1 in Schedule 1 by omitting the term 'a certification assurance arrangement' and replacing it with 'an approved arrangement'. This reflects the amendment made by Item 1 to the definition of 'certification assurance arrangement', which updates the terminology used to refer to the arrangements.

Item 3 amends column 3 of item 1 in Schedule 1 by increasing the rate of charge from 7.7 cents to 20 cents for each tonne or part of a tonne.

The rate of charge, which is payable by a person in whose name the export permit is granted, recovers the cost of services associated with inspecting bulk grains (not shipped in container system units) at flow rates at and above 400 metric tonnes per hour and not prepared for export using a system implemented under an approved arrangement. Services for the inspection of bulk commodities involve, amongst other things, verifying the importing country conditions, conducting the physical inspection of the commodity, as well as completing associated inspection documentation.

The revised rate of charge is modelled on an expected bulk export activity of 15 million tonnes for the 2009–2010 financial year. The revised rate of charge is determined on the basis of the proposed total expenses per annum to deliver the inspection service associated with inspecting 15 million tonnes of grain per annum, divided by the average number of recoverable tonnage units (hours) to conduct bulk grain inspection encompassed by two financial years 2006–2007 and 2008–2009.

The revised rate of charge also takes into account the direct and indirect costs of providing the service. The direct costs include staffing costs, accommodation costs, travel costs, capitalisation costs, as well as the cost of materials and services such as stores, computer services and services obtained on a contract basis. The indirect costs form part of general user group costs and are not easily attributed to particular activities. These include executive, financial services, personnel, registry, library and audit services and other corporate costs.

Based on an expected increased export activity of 15 million tonnes, the rate of charge has been increased to ensure that the Grain and Plant Products Export Program, within AQIS, continues to recover the costs of providing services associated with inspection of bulk grains. The predicted revenue in 2008/09 is \$1,200,000.00. It is estimated that the revenue in 2009/10 will be \$3,000,000.00.

For completeness, all other fees that are applicable to the export of prescribed grain under the *Export Control (Fees) Orders 2001* are payable in addition to this rate.

Item 4 amends Schedule 1 by omitting items 2 and 3.

The effect of these amendments is to remove all charges for grain prepared under an arrangement (whether shipped in bulk or in container system units). This leaves a single tonnage charge for grain that is exported in bulk.

In early 2008, the Australian Government commissioned an independent review of quarantine and biosecurity arrangements to identify areas for improvement. The review was conducted by a panel chaired by Mr Roger Beale AO. The final report, *One Biosecurity: A Working Partnership* (September 2008), recommended a number

of reforms to Australia's biosecurity system. Recommendation 76 of the final report stated that the number of individual charges where possible, should be reduced. This change is in accordance with this recommendation.