EXPLANATORY STATEMENT

*Australian Meat and Live-stock (Quotas) Act 1990*

*Australian Meat and Live-stock Industry Act 1997*

***Australian Meat and Live-stock Industry***

***(High Quality Beef Export to the European Union)***

***Order 2015***

**Legislative Authority**

*Under the Australian Meat and Live-stock (Quotas) Act 1990* and the *Australian Meat and Live-stock Industry Act 1997*, the Secretary of the Australian Government Department of Agriculture (the department) may, where restrictions are imposed on exports of Australian meat, establish a scheme to allocate quota among holders of meat export licences.

This order is made under section 17 of the *Australian Meat and Live-stock Industry Act 1997*.

**Purpose**

The purpose of the order is to set out the administrative arrangements for the fair and equitable allocation of, and access to, the European Union high quality beef (EU HQB) quota. The quota permits Australian exporters to export 7150 tonnes of high quality beef to the EU at a reduced tariff rate. The order also sets out the administrative arrangements for the EU high quality grain fed beef quota.

**Background**

Australia’s high quality beef shipments to the European Union under quota arrangements are small compared to total beef exports but valuable (about $10 086 a tonne for European Union shipments compared with $5291 a tonne for global shipments in 2013-14).

The EU allows Australia to ship each financial year (1 July to 30 June) a quantity of high quality beef to EU member countries at reduced tariff rates under a country-specific quota. Australia manages the quota on a cost-recovery basis.

The aim of the quota allocation is to optimise the value of the quota for the collective benefit of the Australian beef industry. The HQB quota is divided into 6650 tonnes of standard quota and 500 tonnes of non-standard quota to make provision for new entrants to the EU beef market.

Australia also has access to the EU’s 42 800 tonne high quality grain fed beef quota. This quota is administered by the EU, but requires exporting countries to issue quota certificates to identify product as entering under quota conditions.

**Impact and Effect**

The order provides for administrative arrangements to ensure fair and equitable access by regular quota users and new entrants to the EU beef market. The impact of the order is minimal as it provides for administrative arrangements that are similar to the previous quota year.

**Consultation**

In April 2015 the Department of Agriculture (the department) consulted with the meat export industry’s peak body (the Australian Meat Industry Council) on arrangements for supplementary quota allocation timing. The discussions revolved around simplification of the allocation process, allowing for allocation to be completed in one process. The changes are minor in nature, but may affect the way exporters organise their businesses and their business decisions. Further explanation is provided in the sections below.

A response from the Australian Meat Industry Council was received on 4 May 2015. The council supported the department’s recommendation for future arrangements, and the 92.5% full usage rate. This rate is a change from 95% full usage which effectively allows exporters to ship less in a shorter time frame. Given the shipping time to the EU, full usage is generally known by mid-May and as such, the date change (and proportional rate change) will not affect exporters. This change does not come into effect until 2016, allowing the department to advertise the changes to all exporters well in advance.

Accordingly the department has continued with current arrangements in the order with minor modifications outlined in this explanatory statement. These arrangements are in line with the agreed recommendations from the independent review conducted in 2011 (agriculture.gov.au/SiteCollectionDocuments/ag-food/quota/red-meat/eu-hqb-review.pdf).

A regulatory impact analysis was conducted in line with Office of Best Practice Regulation guidelines (ID 18727 refers) and it indicates that the changes would have low or no impact on businesses.

**Operation**

The order sets out

* which exporters are eligible for quota entitlement
* the two stages of allocation process
* how the amount of entitlement is determined
* the different arrangements for standard quota holders and first, second, and third year new entrants
* conditions under which quota can be withdrawn
* conditions for the transfer of entitlement
* how to obtain approvals and quota certificates.

The quota allocation process is made about six weeks before the end of the quota year. This gives exporters enough time to have approved consignments arrive in the EU at the beginning of the new quota year.

The administrative rules encourage exporters to use their entitlement to the fullest extent possible or return them to the department for re-distribution. Entitlement may be transferred (or traded) to another exporter in most instances. The transfer rules place limits on how much may be transferred to ensure that trade in quota is not the principle business model. Failure to use the quota appropriately results in forfeiture of current entitlement or penalties that are applied against the next year’s entitlement.

The order is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

**Explanation of the Amendments**

*Supplementary allocation process*

Amendments to section 23 of the order allow for the supplementary allocation of quota to occur at the time of initial allocations – the standard and non-standard quota allocations.

The supplementary allocation process previously nominated 4 August as the date when supplementary quota allocation would be known, and distributed. To ensure consistency with the rest of the order and to simplify administrative processes, the amendment makes provision for demand for supplementary quota to be known at the time of initial allocations in May. This change will take effect from May 2016 onwards. This change has been agreed to by the peak industry body, the Australian Meat Industry Council.

*Reduction of allocation of quota entitlement by preceding year penalty amount*

Amendments to section 20 of the order allow for penalties to be processed and applied at the same time as initial and supplementary allocation processes.

The penalty provision previously nominated 2 June as the date at which preceding year’s penalty amount is calculated. Bringing the date forward to 16 May allows for initial allocations and the application of penalties to occur at once, reducing administrative burden and improving certainty for exporters regarding their allocations.

This will increase certainty for planning of shipments by exporters and reduce workload throughout the year for departmental staff. This change has been agreed to by the peak industry body the Australian Meat Industry Council.

*Administrative dates*

The administrative dates in the order have been amended to cover future quota years indefinitely. Previously, the order was updated annually with new administrative dates for the upcoming quota year. Such dates have been reworded to cover future quota years indefinitely. This change has no direct impact on exporters. It simply removes the need to remake or amend the order each year to update dates.

**Attachment A**

**Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

**Australian Meat and Live-stock Industry**

**(High Quality Beef Export to the European Union)**

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

**Overview of the Legislative Instrument**

The European Union (EU) allows Australia to ship each financial year (1 July to 30 June) a quantity of high quality beef (HQB) to EU member countries at reduced tariff rates under a country-specific quota. The order is updated each year to continue existing administrative arrangement into the next quota year.

**Human rights implications**

This Legislative Instrument does not engage any of the applicable rights or freedoms.

**Conclusion**

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

**Cathrine Stephenson**

**Delegate of the Secretary of the Department of Agriculture**