

## **EXPLANATORY STATEMENT**

### **Select Legislative Instrument 2006 No. 325**

Issued by Authority of the Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

*Primary Industries Levies and Charges Collection Act 1991*

*National Residue Survey (Customs) Levy Act 1998*

*National Residue Survey (Excise) Levy Act 1998*

*Primary Industries Levies and Charges (National Residue Survey Levies) Amendment Regulations 2006 (No. 4)*

Section 30 of the *Primary Industries Levies and Charges Collection Act 1991*, section 8 of the *National Residue Survey (Excise) Levy Act 1998* and section 8 of the *National Residue Survey (Customs) Levy Act 1998* provide that the Governor-General may make regulations prescribing matters required or permitted by those Acts to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to those Acts.

The National Residue Survey (NRS) implements chemical residue monitoring programmes and recovers the costs of the programmes from participating industries. These programmes form the basis for documentation that enables the Australian Government to certify that raw food products bound for export and domestic consumption are free from significant chemical contamination.

The purpose of the Regulations is to raise the NRS excise levy and NRS customs levy on cattle to 29.0 cents per transaction (an increase of 17.0 cents) to provide adequate funds for a sustainable NRS Cattle Residue Monitoring Programme in the longer term.

Statutory levies are the preferred mechanism by which primary industries choose to meet the cost of compulsory residue-monitoring programmes required for access to international and domestic markets. These levies are collected at the same time, and in the same manner, as other statutory levies such as marketing, research and development (R&D) and Australian Animal Health Council levies in order to reduce collection costs for industries. A number of levies are applied to cattle transaction, resulting in a \$5.00 aggregate cattle transaction levy (CTL).

Clause 2 of Schedule 1 to the *National Residue Survey (Excise) Levy Act 1998* imposes a NRS excise levy on each cattle transaction, while subclause 3(1) of Schedule 1 sets the operative rate of levy for each cattle transaction, or such other rate (not exceeding 35 cents per transaction) as may be prescribed by regulations. The actual NRS levy rate as specified in regulation 28A of the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* is currently 12 cents per transaction.

Clause 2 of Schedule 2 to the *National Residue Survey (Customs) Levy Act 1998* imposes a NRS customs levy on the export of each head of cattle, while subclause 3(1) of Schedule 2 sets the operative rate of levy on the export of each head of cattle, or such other rate (not exceeding 35 cents per transaction) as may be prescribed by regulations. The actual NRS levy rate as specified in regulation 28 of the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* is currently 12 cents per transaction.

The \$5.00 CTL is due to be reduced by 17.0 cents from 1 January 2007. However, the Cattle Council of Australia and the Australian Lot Feeders' Association, the peak beef industry bodies responsible for advising the Government on levy issues, has requested the retention of 17.0 cents in the CTL, which is due to "sunset" on 31 December 2006, and the redirection of that money to support National Residue Survey (NRS) activities. Thus, there would be no change to the overall CTL of \$5.00.

Background and consultation on the Regulations is in Attachment A and details are in Attachment B.

The Regulations are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

The Regulations commenced on 1 January 2007.

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## BACKGROUND ON THE REGULATIONS

### **National Residue Survey (NRS) component of the Cattle Transaction Levy**

On 3 February 2003, Cattle Council of Australia (Cattle Council) and Australian Lot Feeders' Association (ALFA) advised the Government that, following extensive industry consultation, the NRS component of the cattle transaction levy should be reduced from \$0.32 to \$0.12.

The beef industry deemed that a reduction of \$0.20 would allow the reserves to be reduced yet still provide NRS with adequate funding for ongoing programmes and operations for the foreseeable future without completely draining reserves.

NRS has been required to provide annual financial statements to SAFEMEAT and the Beef Industry Advisory Committee. NRS reported that at 30 June 2006, the Cattle reserve or Industry Equalisation Account (IEA) held \$5.645 million. However, NRS budgeting forecasts indicate that at the close of the 2006-07 financial year, the Cattle IEA will hold approximately \$3.6 million.

The opportunity to increase the NRS component of the cattle transaction levy from \$0.12 to \$0.29 represents sound financial management to maintain the NRS cattle programme IEA at levels which would fund the following year's programme operations. This is a standard NRS contingency arrangement to cover unexpected future shortfalls in levy revenue.

### **Retention of the "sunsetting" \$0.17 component of the Cattle Transaction Levy**

Cattle Council and ALFA have written to formally requesting approval to retain the \$0.17 component of the cattle transaction levy, which is due to "sunset" on 31 December 2006, and transfer this component to the NRS.

The current cattle transaction levy components within the \$5.00 levy are: Meat and Livestock Australia Ltd \$4.74; Animal Health Australia \$0.14; and NRS \$0.12. The proposal is that from 1 January 2007, \$0.17 will be directed to NRS. Accordingly, the division of the \$5.00 cattle transaction levy will be: Meat & Livestock Australia Ltd \$4.58 (reduction of 16 cents); Animal Health Australia \$0.13 (reduction of 1 cent); and NRS \$0.29 (increase of 17 cents).

The Cattle Council and ALFA believe a continuation of the 17 cent levy and redirection to NRS is justified on the grounds that without adequate funding NRS programmes cannot be sustained and an increase will be needed in the near future.

### **Industry Consultation**

As the change is administrative in nature and does not change the overall rate of the levy, a formal industry-wide ballot was not necessary under Levy Principles and Guidelines.

Cattle Council and ALFA drew up a consultation programme that included distribution of pamphlets/brochures, placing advertisements in the rural press and bulletins, setting up interactive websites, sending letters to state member organisations and liaising with the Department. The closing date for responses was 31 July 2006.

On 9 August 2006, Cattle Council and ALFA appeared before the Government Backbench Policy Committee on Agriculture, Fisheries, Forestry and Conservation Committee.

On the basis of the information provided by Cattle Council and ALFA, there appears to be minimal opposition to retaining and redirecting the 17 cents to NRS.

### **Consultation with the Office of Regulation Review**

The Office of Regulation Review (ORR) was consulted in the preparation of the Regulations. ORR has advised that it is not necessary to prepare a Regulation Impact Statement on this matter (ORR Number 2006/8632).

**DETAILS OF THE *PRIMARY INDUSTRIES LEVIES AND CHARGES (NATIONAL RESIDUE SURVEY LEVIES) AMENDMENT REGULATIONS 2006 (No. 4)***

**Regulation 1** gives the name of the Regulations as the *Primary Industries Levies and Charges (National Residue Survey Levies) Amendment Regulations 2006 (No. 4)*.

**Regulation 2** provides for the Regulations to commence on 1 January 2007.

**Regulation 3** provides that Schedule 1 amends the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998*.

**SCHEDULE 1                      Amendments**

**Item 1** Amends regulation 27, at Part 3 of the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* to omit the Note.

**Item 2** Amends regulation 28, at Part 3 of the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* to increase the NRS levy rate on each cattle transaction from 12.0 cents to 29.0 cents.

**Item 3** Amends subregulation 28A (1), at Part 3 of the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* to increase the NRS levy rate on each cattle transaction from 12.0 cents to 29.0 cents.

**Item 4** Amends regulation 28A (2), at Part 3 of the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* to increase the NRS levy rate on each cattle transaction from 12.0 cents to 29.0 cents.