

EXPLANATORY STATEMENT

Select Legislative Instrument 2007 No. 123

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

National Residue Survey (Excise) Levy Act 1998
Primary Industries Levies and Charges (National Residue Survey Levies) Amendment Regulations 2007 (No. 1)

Primary Industries (Excise) Levies Act 1999
Primary Industries (Excise) Levies Amendment Regulations 2007 (No. 3)

Primary Industries (Customs) Charges Act 1999
Primary Industries (Customs) Charges Amendment Regulations 2007 (No. 3)

Section 8 of the *National Residue Survey (Excise) Levy Act 1998* (the NRS Act), section 8 of the *Primary Industries (Excise) Levies Act 1999* (the PI Excise Act), and section 8 of the *Primary Industries (Customs) Charges Act 1999* (the PI Customs Act) 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.

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 research and development (R&D).

The purpose of the proposed Regulations is to raise the NRS excise levy on deer to 4 cents per kilogram (an increase of 3 cents), to meet the rising costs of the NRS Deer Residue Monitoring Programme. The proposed Regulations would also include a temporary reduction in the R&D excise levies and customs charges on deer and deer products for a period of 3 years, designed to provide relief to deer producers suffering from industry downturn and the effects of the ongoing drought. Due to the drought and other impacts on deer production numbers over the next few years, it is difficult to estimate the total change in NRS and R&D levy revenue collected from year to year. However, the increased NRS levy rates and lower R&D levies and charges have been agreed to by the Deer Industry Association of Australia to sufficiently fund ongoing NRS and R&D programmes.

The NRS levy rate as specified in the *Primary Industries Levies and Charges (National Residue Survey Levies) Regulations 1998* (the NRS Regulations) is currently 1 cent per kilogram of dressed carcase weight or \$1.80 per deer if the dressed carcase weight is not determined. The Regulations increase these rates to 4 cents per kilogram or \$2.40 per deer.

The levy rate for deer intended for human consumption is specified in Clause 4 of Schedule 7 to the *Primary Industries (Excise) Levies Regulations 1999* (the PI Excise Regulations) as 9.5 cents per kilogram. The Regulations would decrease this levy rate to 6.5 cents per kilogram from

1 June 2007, then to 4 cents per kilogram from 1 July 2007 to 30 June 2010, and then back to 6.5 cents per kilogram from 1 July 2010.

The levy rate for deer velvet is specified in Schedule 8 to the PI Excise Regulations as 3.5% of the sale value or the declared value of deer velvet in a good. These levies are directed to R&D for the industry. The Regulations decrease this levy rate for the period 1 July 2007 to 30 June 2010 to 2% of the sale value or the declared value of deer velvet. From 1 July 2010 it would revert to 3.5%.

The levy rate for live deer produced in Australia and exported is specified in Clause 1 of Schedule 5 to the *Primary Industries (Customs) Charges Regulations 2000* (the PI Customs Regulations) as \$7.75 per head. The levy rate for deer velvet produced in Australia and exported is specified in Clause 1 of Schedule 6 to the PI Customs Regulations as 3.5% of the declared value of the velvet. These charges are directed to R&D for the industry. The Regulations decrease this levy rate for the period 1 July 2007 to 30 June 2010 to \$5 per head for live deer and 2% of the declared value of deer velvet exported from Australia. From 1 July 2010 it would revert to \$7.75 and 3.5% respectively.

Background on the Regulations is in the [Attachment](#).

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

The Office of Best Practice Regulation (OBPR) was consulted in the preparation of the Regulations. OBPR has advised that it is not necessary to prepare a Regulation Impact Statement on this matter (OBPR ID Number 2007/9089).

The NRS Regulations and PI Excise Regulations commenced on 1 June 2007. The PI Customs Regulations commenced on 1 July 2007.

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0705322B-070508Z
0705322C-070508Z

BACKGROUND ON THE REGULATIONS

The deer levies and charges were last amended in 2001. The regulation changes approved from 1 October 2001 were to:

- Reduce the Slaughter Levy from 18 cents to 10.5 cents – including a reduction in the R&D component from 15 cents to 9.5 cents, and a reduction in the NRS component from 3 cents to 1 cent;
- Reduce the Export Charge (on live deer) from \$10 to \$7.75 a head;
- Reduce the Velvet Levy from 5 per cent to 3.5 per cent of the sale value; and
- Reduce the Velvet Export Charge from 5 per cent to 3.5 per cent of declared value.

The deer levies were originally set at higher rates compared with other industries, to help “kick-start” the Rural Industries Research and Development Corporation (RIRDC) R&D programme for deer and deer velvet.

The NRS contacted the peak deer industry body, the Deer Industry Association of Australia (DIAA), in late 2005 to advise that based on current projections, the NRS levy would soon be insufficient to cover the cost of its residue-monitoring programme and that a levy increase would need to be implemented by the beginning of the 2007/08 financial year. The NRS has recommended that the levy rate needs to be increased from the current level of 1 cent/kg to 4 cents/kg based on indicative costs available to NRS, the requirements for an EU endorsed programme and the levy parameters outlined in legislation.

To compensate for the increase in the NRS component of the slaughter levy, the industry sought a decrease in the R&D slaughter levy. The DIAA also sought a further temporary reduction in all R&D levy and charges rates for a period of three years due to the overall downturn in the industry and the drought. RIRDC notes that the reduction in the R&D components are not expected to have an impact on the deer R&D projects planned by RIRDC over the three year period of the amendments as sufficient reserves have been built up through the higher rates that were in place up until 2001.

The DIAA obtained member approval for the amendments, the increase in the NRS levy and decreases in the R&D levies and charges, at the deer industry’s biennial conference in April 2006. A final proposal was received from the DIAA on 22nd February 2007 addressing each of the Department of Agriculture, Fisheries and Forestry’s (DAFF) levy principles including communication with levy payers.

DAFF has suggested that the DIAA conduct a review in 2009 of longer term levy rates and funding requirements for RIRDC and NRS in close consultation with all stakeholders. The intervening two year period of operation with the new levy arrangements and the review process will allow the deer industry to assess how it has responded to the drought and other market pressures before the R&D levies and charges rates revert up again on 1 July 2010.