

EXPLANATORY STATEMENT

Select Legislative Instrument 2009 No. 109

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

Export Inspection (Establishment Registration Charges) Act 1985

*Export Inspection (Establishment Registration Charges) Amendment
Regulations 2009 (No. 1)*

The *Export Inspection (Establishment Registration Charges) Act 1985* (the Act) provides for the imposition of charges in relation to the registration of an export establishment.

Subsection 6(1) of the Act permits charges to be imposed for the registration of an establishment which is associated with the preparation of a prescribed commodity, as specified in the regulations. Section 7 of the Act provides that the rate of charge in relation to the registration of an establishment is the rate applicable under the regulations. Section 8 provides that the charge is payable by the person who is the registered occupier of the establishment when the amount of the charge is due for payment.

Section 9 of the Act provides 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 Act is part of a legislative scheme which includes the *Export Inspection and Meat Charges Collection Act 1985*.

The *Export Inspection (Establishment Registration Charges) Regulations 1985* (the Regulations) are made under the Act and specify prescribed commodities for the purposes of subsection 6(1) of the Act. Immediately prior to the making of the *Export Inspection (Establishment Registration Charges) Amendment Regulations 2009 (No. 1)* (the Amendment Regulations) only fish and fish products were specified as prescribed commodities and the Regulations imposed registration charges on fish products establishments. However, in the past, establishment registration charges have also applied to dairy and meat establishments. These charges were removed from the Regulations in 2001 (meat) and 2007 (dairy). Fees for registration of milk products establishments have been contained in the *Export Control (Fees) Orders 2001* since 2007.

The Amendment Regulations return dairy and meat establishments (which includes establishments that deal with game and poultry) to the list of prescribed commodities and prescribe registration charges for these establishments. These amendments are part of a package which includes amendments to the *Export Control (Fees) Orders 2001* to remove the fees imposed for registration of milk products establishments. This returns the amounts payable for registration for dairy establishments to the Regulations.

Registration charges are set so as to recover the costs of the development and monitoring of operational policy, strategic enhancement and costs associated with general program administration. Strategic enhancement refers to the projects developed and delivered by the program that serve to improve the effectiveness and/or efficiency of Australian Quarantine and Inspection Service' (AQIS) regulatory responsibilities. These costs are fixed in the short to medium term, but may vary with the level of industry activity over the long term.

Since 2001, the Australian Government provided 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. Under the revised charging structure brought into effect in 2001, establishment registration charges for all commodities were either reduced or removed entirely. However, this 40% Australian Government contribution lapses on 30 June 2009. The lapsing of this contribution, without amendments to the Regulations, would have resulted in significant levels of under recovery.

The Amendment Regulations also amend the Regulations to:

- restructure some existing provisions to provide for new fees and revise some fee structures in relation to fish establishments;
- increase certain registration charges for fish establishments by approximately 79%; and
- provide for a consistent application in the charging arrangements for fish, dairy, meat, poultry meat and game meat establishments.

AQIS, part of the Department of Agriculture Fisheries and Forestry, commenced consultation with its Industry Consultative Committees (ICCs) following the Australian Government's decision to allow the 40% contribution to lapse. Further to this, joint AQIS/Industry Ministerial Taskforces were specifically established for the fish, grain, dairy, meat, horticulture and live animal export industries. These Ministerial Taskforces were consulted regarding the revised fees and charges as a result of the lapsing of the 40% Australian Government contribution.

The membership of the Ministerial Taskforces was determined by industry, to ensure broad industry representation. All taskforces endorsed the proposed fees and charges resulting from the lapsing of the 40 % Australian Government contribution. The Meat Taskforce endorsement was subject to approval by their industry members. Each Taskforce also developed a reform agenda that explores efficient and effective structural arrangements for the delivery of government inspection activities.

Through the ICCs, consultation was also undertaken with the meat, seafood, dairy, horticulture, grain and live animal export sectors. The following paragraphs set out in more detail the consultation process that was undertaken for each industry sector.

Consultation with the meat export industry on these changes occurred through the Export Meat Industry Advisory Committee (EMIAC). The EMIAC is the principal advisory forum for AQIS and the meat export industry to consult on all issues arising from the management of Australia's export strategies for meat and meat products. The membership of EMIAC comprises representatives from the following key industry sectors:

- Australian Meat Council

- National Meat Association of Australia
- Food Science Australia
- Australian Chamber of Shipping
- Refrigerated Warehouse and Transport Association of Australia
- Meat and Livestock Australia
- Australian Meat Technology
- Australian Food Council Processed Meat Industry Forum
- AQIS representatives.

Consultation with the dairy export industry on these changes occurred through the Dairy Exports Industry Consultative Committee (DEICC). The DEICC comprises representatives from key industry sectors and is the principal consultative forum for AQIS and the Dairy Export Industry to consult on all issues arising from the management of Australia's export strategies for milk and milk products.

Consultation with the seafood export industry on these changes occurred through the Seafood Exports Consultative Committee (SECC) which comprises representatives from key industry sectors. The SECC is the principal advisory forum for AQIS and the seafood export industry to consult on all issues arising from the management of Australia's export strategies for fish and fish products.

As these amendments make changes in relation to cost recovery, Cost Recovery Impact Statements were prepared.

Details of the Amendment Regulations are set out below.

Regulation 1 specifies the name of the Amendment Regulations as the *Export Inspection (Establishment Registration Charges) 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 (Establishment Registration Charges) Regulations 1985*.

Schedule 1 – Amendments

Item 1 substitutes regulation 3 with new, retained and amended definitions. The notes are also replaced.

The terms 'Act', 'AQIS', 'co-operative', 'orders', 'prescribed day' and 'prescribed month' do not change and are simply reinserted by this item in the correct alphabetical order amongst all of the new and amended definitions that are also inserted by this item.

The term 'fish establishment' replaces the term 'fish products establishment', but keeps the same definition for the revised term. This clarifies the term only and has no impact or effect on the meaning of the term. The term 'fish products establishment' is considered unnecessarily narrow and potentially confusing, as the establishment registration charges cover both fish and fish products.

The item also inserts definitions for the terms ‘charge day’, ‘charge period’, ‘dairy establishment’ and ‘meat establishment’. The definitions are those that existed in the Regulations prior to the amendments made by the *Export Inspection (Establishment Registration Charges) Amendment Regulations 2007 (No. 1)*. These amendments in 2007 removed charges for dairy establishments from the Regulations. The need for these definitions to be reinstated is brought about by the reinsertion of provisions into the Regulations that deal with these terms (see below). Some of these definitions, however, are inserted with minor amendments to bring them up to date and ensure they are in line with current drafting practice. The term ‘dairy establishment’ has been revised to reference milk or milk products instead of dairy products. This reflects a change in terminology that has occurred since 2001. The term ‘meat establishment’ has been expanded to capture poultry meat and game meat.

The item also inserts definitions for the terms ‘boning’, ‘corporation’, ‘export boning establishment’, ‘export casings establishment’, ‘export processing establishment’, ‘export slaughter establishment’ and ‘meat product’. The effect of this is to reinstate the definitions for these terms that existed in the Regulations immediately prior to the amendments made by the *Export Inspection (Establishment Registration Charges) Amendment Regulations 2001 (No. 1)*. These definitions and the corresponding provisions that used them were removed from the Regulations after the 2001 Australian Government announcement which provided a 40% contribution for the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticulture export industries. Under the revised fee structure brought into effect in 2001, registration charges for all commodities were either reduced or removed. The charge for meat was removed entirely.

The need for these definitions to be reinstated is brought about by the reinsertion of provisions by the Amendment Regulations that use these terms. The definitions that are inserted have had minor amendments made to them to bring them up to date. For example, the definition of ‘corporation’ has been amended to reflect that a new Corporations Act was passed in 2001 to replace the previous Corporations Law. The definitions have also been amended to ensure they are in line with current drafting practice.

Item 1 also inserts a new term ‘export storage establishment’. This type of establishment used to be encompassed by the term ‘export coldstore establishment’. The terminology has altered since 2001 leading to the change being required to this term. The concept has also been broadened to encompass fish, fish products, milk, milk products, in addition to meat and meat products. Minor changes have been made to the definition to streamline the approach and remove the requirement that commodities are stored in a chilled or frozen form. These changes allow the term to operate in relation to this expanded list of commodities.

The item also inserts a new definition for ‘dressing’ which is consistent with the definition that is currently used under the *Export Control (Meat and Meat Products) Orders 2005*.

The definition of ‘export processing establishment’ has been broadened to encompass fish, fish products, milk, milk products, in addition to meat and meat products. This allows this term to operate in relation to this expanded list of commodities.

Note 2 is also amended to provide references for the registration of dairy and meat establishments, being the *Export Control (Milk and Milk Products) Orders 2005*, the *Export Control (Meat and Meat Products) Orders 2005*, the *Export Control (Prescribed Goods –General) Order 2005* and the *Game, Poultry and Rabbit Meat Orders 1985*.

Item 2 substitutes a new regulation 4 which specifies a broader range of commodities for the purposes of subsection 6(1) of the Act. The new regulation 4 also imposes a charge in relation to an application for the registration of an establishment for the expanded range of commodities, and specifies the charge periods in relation to which charges are imposed.

Specifically, the new subregulation 4(1) increases the list of commodities that are prescribed for the purposes of subsection 6(1) of the Act. This extends the application of the Regulations to meat, meat products, milk, milk products, poultry meat and game meat.

The new subregulation 4(2) encompass the provisions that were previously contained in subregulation 4(1A) and provides for an expanded application to all specified commodities under subregulation 4(1). The new subregulation 4(2) provides that the charge payable in relation to the application for the registration of an establishment for the processing, packing and storage of a commodity mentioned in subregulation 4(1) is \$600.00. This is an increase of 80% on the previous charge in subregulation 4(1A) that only operated in relation to fish and fish products. This is a new fee imposed on dairy and meat establishments.

This fee increase reflects the restructured responsibilities for the administration of the establishment registration process. These responsibilities have been disaggregated from the individual commodities and are now consolidated into a single unit within the AQIS Food Exports division. These responsibilities are now undertaken consistently across the commodities giving rise to a consistent charge to apply across the commodities of fish, dairy and meat.

The new subregulation 4(3) sets out the periods for which a charge is imposed for the registration of an establishment for the processing, packing or storage of a commodity mentioned in subregulation 4(1). This new subregulation provides that these periods apply to all the commodities specified in new subregulation 4(1), which extends the charge periods beyond the commodities of fish and fish products.

Item 3 provides a new heading for regulation 6. It removes the word ‘products’ from the heading as well as the letter ‘s’ from the end of the word ‘establishments’. This has no substantive effect on the provision. It is consistent with the amendment made by Item 1 above to the defined term in regulation 3 of ‘fish products establishment’ by substituting ‘fish establishment’. The purpose of this amendment is to clarify the language being used in the Regulations. The term ‘fish products establishment’ is considered unnecessarily narrow and potentially confusing, as establishment registration covers both fish and fish products.

Items 4 and 5 omit the term ‘fish products establishment’ in subregulations 6(1) and 6(2) and inserts in their place ‘fish establishment’. This has no substantive effect on

the provisions. It is consistent with the amendment made by Items 1 and 3. The purpose of this amendment is to clarify the language being used in the Regulations. The term ‘fish products establishment’ is considered unnecessarily narrow and potentially confusing, as establishment registration covers both fish and fish products.

Item 6 inserts a new regulation 7 to provide the rates of charge for dairy establishments. This provision is modelled on the previous regulation 6A that existed in the Regulations immediately prior to the amendments made by the *Export Inspection (Establishment Registration Charges) Amendment Regulations 2007 (No. 1)*.

This new regulation 7 does not create a new impost on dairy establishments. Since the removal of the previous regulation 6A from the Regulations in 2007, a provision has been operating under the *Export Control (Fees) Orders 2001* to require milk and milk products establishments to pay a registration fee (order 4G). Accordingly, there is no change to the requirement for dairy establishments to pay for registration, it is just moved from the *Export Control (Fees) Orders 2001* to the Regulations. The rates set by this regulation (in conjunction with Schedule 2) do, however, represent an increase in the rates previously applicable under the *Export Control (Fees) Orders 2001*.

The removal of these charges out of the *Export Control (Fees) Orders 2001* and insertion back into the Regulations allows AQIS to better manage principles of equity across the industries and ensures consistency with the approach taken with fish and meat establishments. Registration fees for dairy establishments are payable under the Regulations instead of the *Export Control (Fees) Orders 2001*. The increases in charges are necessary to recover the shortfall that results from the lapsing of the Australian Government’s 40% contribution and as a result of increased costs incurred in respect to the management and administration of the Dairy Export Program. While this reinsertion of dairy registration charges results in the charges and fees for dairy establishments being spread across the Regulations and the *Export Control (Fees) Orders 2001*, the convenience aspect of having all the fees and charges in one place is still managed, to support exporters, by having a single document and location that specifies the fees and charges applicable. The fees and charges for the Dairy Export Program are presented in a consolidated format on the relevant webpage on the AQIS website (www.aqis.gov.au) and in the document titled ‘Fees and Charging Guidelines for the Dairy Export Program’ which is also available from the AQIS website. The information that is published on the Dairy Export Program’s AQIS webpage is the first point of access for a majority of clients seeking information regarding the Dairy Export Program, so this change would not result in a great inconvenience.

New subregulation 7(2) provides that where a dairy establishment is of a kind specified in more than one item in Schedule 2, the rate that applies is the higher or highest of the rates specified for those items. This is consistent with the approach taken in existing subregulation 6(2) in relation to fish and fish products and remains consistent with the way in which the Dairy Export Program’s registration charges have traditionally applied.

Item 6 also inserts a new regulation 8 to provide the rates of charge for meat establishments. This provision is modelled on the previous subregulation 7(2) that existed in the Regulations prior to the amendments made by the *Export Inspection*

(Establishment Registration Charges) Amendment Regulations 2001 (No. 3). The effect of these amendments in 2001 was to remove all registration charges that applied to meat, poultry meat and game meat establishments. This was done as a result of the Australian Government policy and announcement to contribute 40% of the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticulture export industries. Prior to this amendment in 2001, these services were provided by AQIS on a fully cost recovered basis. Under the revised fee structure brought into effect in 2001, registration charges for all commodities were either reduced or removed. The charge for meat, poultry meat and game meat was removed entirely.

This item creates a new impost on meat establishments. Since the removal of the previous regulation 7 from the Regulations in 2001, no provision has been operating to require meat establishments to pay a registration charge. This requirement is reinserted into the Regulations.

Meat registration charges are set so as to recover the costs of the development and monitoring of operational policy, strategic enhancement and costs associated with general Meat Export Program administration. These costs are fixed in the short to medium term, but may vary with the level of industry activity over the long term.

Subregulation 8(2) provides that where a meat establishment is of a kind specified in more than one item in Schedule 3, the rate that applies is the higher or highest of the rates specified for those items. This is consistent with the approach taken in existing subregulation 6(2) in relation to fish and fish products and the new subregulation 7(2) inserted by this item and remains consistent with the way in which the Meat Export Program's registration charges applied prior to their removal in 2001.

The rate of charge for both a dairy establishment and a meat establishment depend on the whether the day it was registered was 1 July. If the establishment was registered on 1 July, the rate specified in Schedule 2 for dairy and Schedule 3 for meat would apply (see the new paragraphs 7(1)(a) and 8(1)(b)). Where the establishment was registered on a day other than 1 July, the charge is determined according to a formula which calculates the proportion of the annual rate equivalent to the number of days the establishment was registered in that financial year (see the new paragraphs 7(1)(b) and 8(1)(b)).

Item 7 substitutes a new Schedule 1 for the existing Schedule 1 and also inserts a new Schedule 2 and Schedule 3 into the Regulations.

Schedule 1 – Registration charges for fish establishments

This substituted Schedule continues to specify the registration charges to be imposed for fish establishments pursuant to regulation 6. The items that are part of this Schedule have been updated and amended to consolidate like charges into single items where possible. This approach is consistent with Recommendation 76 of the final report, *One Biosecurity: A Working Partnership* (September 2008) (the Beale Report) which stated that fees for like activities should be aggregated to reduce the number of individual charges where possible.

The fees and charges for fish exports were last reviewed in 2006/2007. Dairy fees and charges were reviewed in 2007/2008, at which time the shift was made to remove the dairy establishment registration charges from the Regulations. The issue of the removal of the fish establishment registration charges was scheduled to be considered the next round of reviews scheduled for 2008/2009. Following those reviews, it was concluded that registration charges for fish should remain in the Regulations and that the registration charges for dairy and meat establishments should be reinserted. These charges for dairy and meat establishments are reinserted by these Amendment Regulations.

Registration charges are set so as to recover the costs of the development and monitoring of operational policy, strategic enhancement and costs associated to general Program administration. These costs are fixed in the short to medium term, but may vary with the level of industry activity over the long term.

Amendments were made to the Regulations in 2001 as a result of the Australian Government policy and announcement to contribute 40% of the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticulture export industries. Under the revised structure brought into effect in 2001, registration charges for all commodities were either reduced or removed.

The 40% Australian Government contribution lapses on 30 June 2009. The lapsing of this contribution, without amendments to the Regulations, would result in the Fish Export Program suffering a large under recovery with respect to its registration activities. This is the primary reason registration charges for fish establishments have increased.

Other factors that have been reflected in the modelling and charges are:

- *Increased costs* - Fees and charges for the Fish Export Program were last revised in 2006/2007. Since that time costs in the Program have risen as a result of increased salaries payable to staff (certified agreement negotiated increases) and general costs increases associated with supplier expenses.
- *Structural reform* - The Fish Export Program has been subject to substantial structural reform since the last review of fees and charges. This reform has been undertaken within the Fish Export Program and across the Food Export Branch, in order to improve the effectiveness and efficiency of activities undertaken by the Program. This reform has resulted in increased capacity in some of the support areas leading to additional costs. The reform process also triggered a comprehensive review of the cost drivers into the Fish Export Program from the support areas within the Food Exports Branch which has also led to some additional costs being identified.
- *Industry activity* - The level of industry activity has declined substantially since registration charges were last reviewed. There has been a decline in the overall number of export registered fish establishments, particularly in relation to those establishments registered to store fish and fish products for export. The decline in the number of registered establishments has reduced the base over which the costs can be recovered.

The above explanation is applicable to all new and increased charges that are imposed by Schedule 1. This justification has not been repeated below under each item.

The heading to the Schedule is amended to remove the word 'products'. This has no substantive effect on the provision. It is consistent with the amendment made by Items 1, 3, 4 and 5 above to amend the defined term 'fish products establishment' by substituting 'fish establishment'. The purpose of this amendment is to clarify the language being used in the Regulations. The term 'fish products establishment' is considered unnecessarily narrow and potentially confusing, as establishment registration covers both fish and fish products.

Item 1 of Schedule 1 is amended to restructure the item, remove the phrase 'used solely for' and replace it with 'registered for', and provide for a new kind of establishment. The replacement of the phrase 'used solely for' with 'registered for' has no significant effect on the meaning of the existing item and brings it into line with the other items in the Schedule that already refer to 'registered for'.

The restructured item provides for two kinds of establishments which attract the charge. The first kind is an establishment that is either land-based or a vessel, and is registered for the storage of fish or fish products for export. The second kind is an establishment that is entirely land-based and registered for preparing live fish or partial processing of fish or fish products (otherwise than by freezing or final packing). This second kind of establishment was dealt with in previous item 5. It is consolidated here in line with Recommendation 76 of the Beale Report. The item also increases the rate per charge period for this item from \$949.00 to \$1,703.00.

Item 2 of Schedule 1 is amended to restructure the item, remove the phrase 'used for' and replace it with 'registered for', provide a new kind of establishment and increase the rate payable. The replacement of the phrase 'used for' with 'registered for' has no significant effect on the meaning of the existing item and simply brings it into line with the other items that already refer to 'registered for'.

This amendment also provides for a new kind of establishment to which the rate per charge period in item 2 applies. The new kind of establishment is one that is land based, registered for single-line processing or packing of fish or fish products for export and not described in new item 1. This kind of establishment was previously dealt with in item 4. It is consolidated here in line with Recommendation 76 of the Beale Report. The rate per charge period for this item is increased from \$1,281.00 to \$2,298.00.

Item 3 of Schedule 1 is amended to restructure the item and increase the rate payable. The cross reference to item 5 is removed as item 5 is deleted by the insertion of this new Schedule. The rate per charge period for this item is increased from \$1,469.00 to \$2,636.00 and the item is amended to provide an exclusion where the land-based establishment is listed in items 1 or 2.

Item 4 of Schedule 1 is a revised and restructured version of the previous item 6. This picks up on the revised formatting of the previous 3 items and updates the cross references as a result of the changes by items 1 – 3 of Schedule 1 above. The rate per charge period for this item is increased from \$543.00 to \$974.00.

Previous items 4 and 5 of Schedule 1 are deleted by the substitution of this new Schedule. These items are no longer necessary as they have been consolidated into new items 1 and 2 above, consistent with Recommendation 76 of the Beale Report.

The projected revenue for registration charges for fish establishments in 2008/2009 is \$1,807,044.00, with \$1,084,226.00 being derived from fish establishment registration charges and \$722,818.00 received from the 40% Australian Government contribution. The projected revenue for registration charges for fish establishments in 2009/2010 is expected to be \$1,970,050.00. All of this is to be derived from fish establishment registration charges in line with the return to 100% cost recovery. The figures represent an increase in total revenues of \$163,006.00.

Schedule 2 – Registration charges for dairy establishments

This new Schedule specifies the registration charges for dairy establishments pursuant to regulation 7.

Registration charges are set so as to recover the costs of development and monitoring of operational policy, strategic enhancement and costs associated to general Program administration. These costs are fixed in the short to medium term, but may vary with the level of industry activity over the long term.

Amendments were made to the Regulations in 2001 as a result of the Australian Government policy and announcement to contribute 40% of the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticulture export industries. Under the revised structure brought into effect in 2001, registration charges for all commodities were either reduced or removed. The registration charges for dairy establishments were significantly reduced.

The 40% Australian Government contribution lapses on 30 June 2009. The lapsing of this contribution, without amendments to the Regulations, would result in the Dairy Export Program under recovering. This is the reason registration charges for dairy have increased. Reasons for the reintroduction of these charges into the Principle Regulations have been discussed above (see Item 6).

Other factors that have been reflected in the modelling and charges are:

- *Increased costs* - Fees and charges for the Dairy Export Program were last revised in 2007/2008. Since that time costs in the Program have risen as a result of increased salaries payable to staff (certified agreement negotiated increases) and general costs increases associated with supplier expenses.
- *Structural reform* - The Dairy Export Program has been subject to substantial structural reform since the last review of fees and charges. This reform has been undertaken within the Dairy Export Program and across the Food Export Branch in order to improve the effectiveness and efficiency of activities undertaken by the Program. This reform has resulted in increased capacity in some of the support areas leading to additional costs. The reform process also triggered a comprehensive review of the cost drivers into the Dairy Export Program from the support areas within the Food Exports Branch which has also led to some additional costs being identified.

- *Industry activity* - The level of industry activity has varied since Registration charges were last imposed. There has been a decline in the overall number of export registered dairy establishments since the last review of fees and charges which has reduced the base over which the costs can be recovered.

The above explanation is applicable to all charges that are imposed by Schedule 2. This justification has not been repeated below under each item.

This Schedule reinstates the three items from the previous Schedule 1A that existed in the Regulations prior to the amendments made by the *Export Inspection (Establishment Registration Charges) Amendment Regulations 2007 (No. 1)*.

Item 1 of Schedule 2 applies to an establishment used solely for the storage of milk or milk products and provides for a rate per charge period of \$1,820.00.

Item 2 of Schedule 2 applies to an establishment engaged in the processing or packing milk or milk products for export where the establishment exported less than 2,000 tonnes of milk or milk products in the preceding financial year and is either owned by a corporation or is owned by, or is part of, a co-operative. This item provides for a rate of charge per period of \$4,275.00.

Item 3 of Schedule 2 applies to an establishment engaged in the processing or packing of milk or milk products for export where the establishment exported 2,000 tonnes or more of milk or milk products in the preceding financial year and either is owned by a corporation or is owned by, or is part of, a co-operative. This item provides for a rate of charge per period of \$7,729.00.

The projected revenue for milk establishment registration fees in 2008/2009 is \$794,187.00, with \$476,512.00 being derived from fees paid by industry under the *Export Control (Fees) Orders 2001* and \$317,675.00 received from the 40% Australian Government contribution. The projected revenue for dairy establishment registration charges in 2009/2010 is \$1,220,101.00. All of this is to be derived from dairy establishment registration charges in line with the return to 100% cost recovery. The figures represent an increase in total revenue of \$425,914.00.

Schedule 3 – Registration charges for meat establishments

This new Schedule specifies the registration charges for meat establishments pursuant to regulation 8. This new schedule also specifies the registration charges for game and poultry meat establishments.

Registration charges are set so as to recover the costs of the development and monitoring of operational policy, strategic enhancement and costs associated to general Program administration. These costs are fixed in the short to medium term, but may vary with the level of industry activity over the long term.

Amendments were made to the Regulations in 2001 as a result of the Australian Government policy and announcement to contribute 40% of the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticulture export industries. Under the revised structure brought into effect in

2001, registration charges for all commodities were either reduced or removed. The registration charges for meat, poultry meat and game meat were removed entirely.

The 40% Australian Government contribution lapses on 30 June 2009. The lapsing of this contribution, without amendments to the Regulations, would result in the Meat Export Program suffering a significant under recovery with respect to its registration activities. This is the reason registration charges for meat, poultry meat and game meat have been reintroduced into the Regulations.

Other factors that have been reflected in the modelling and charges are:

- *Increased costs* - Fees and charges for the Meat Export Program were last revised in 2005/2006. Since that time costs in the Program have risen as a result of increased salaries payable to staff (certified agreement negotiated increases) and general costs increases associated with supplier expenses.
- *Structural reform* - The Meat Export Program has been subject to substantial structural reform since the last review of fees and charges. This reform has been undertaken within the Meat Export Program and across the Food Export Branch in order to improve the effectiveness and efficiency of activities undertaken by the Program. This reform has resulted in increased capacity in some areas leading to additional costs. The reform process also triggered a comprehensive review of the cost drivers into the Meat Export Program from the support areas within the Food Exports Branch which has also led to some additional costs being identified.
- *Industry activity* - The level of industry activity has varied since registration charges were last imposed. There has been a decline in the number of export registered abattoirs and processing establishments and this has reduced the base over which costs can be recovered. However, an increase in the numbers of storage establishments since the time charges were last imposed has mitigated some of the impact of the declining activity.

The above explanation is applicable to all proposed charges that are imposed by Schedule 3. This justification has not been repeated below under each item.

This new Schedule draws heavily upon the previous Schedule 2 that was contained in the Regulations prior to the amendments made by the *Export Inspection (Establishment Registration Charges) Amendment Regulations 2001 (No. 3)* with some alteration and updating.

Items 1, 2, 3, 11 and 12 of Schedule 3 are only applicable to meat and meat products. The remaining items are applicable to game meat and poultry meat, as well as meat.

Item 1 of Schedule 3 combines the previous items 1 and 2 into the one item as differentiation is no longer required between export storage establishments (previously referred to as coldstore establishments) that present 10,000 tonnes or less of meat or meat products and those that present more than 10,000 tonnes. This provides a single charge for a storage establishment for meat or meat products. The rate per charge period is \$1,667.00. This item does not extend to poultry meat or game meat.

The existing structure of charges in relation to storage establishments is no longer as relevant to current nature of storage activities undertaken in the industry. The new arrangement provides for the charge to be collected from the growing number of participants who are required to be registered to store and handle meat and meat products for export, not necessarily in a chilled or frozen form. This consolidation of the two charges also streamlines the application of the charging arrangements in this sector consistent with Recommendation 76 of the Beale Report. The previous registration fees for meat establishments that were in effect in 2001 (prior to the Australian Government 40% contribution being provided) were \$1,000.00 for 10,000 tonnes or less and \$2,000.00 for more than 10,000 tonnes. This new charge sees a reduction in the amount an export storage establishment would pay where they presented more than 10,000 tonnes for export in a financial year based on the charges that were in place in 2001 and an increase for those that presented less than 10,000 tonnes for export in a financial year.

Item 2 of Schedule 3 is based on the previous item 4 and provides for a rate per charge period of \$834.00. This rate applies to export casing establishments that exported less than 100 tonnes of meat or meat products in the financial year before the charge period. This item does not extend to poultry meat or game meat.

Item 3 of Schedule 3 is based on the previous item 3 and provides for a rate per charge period of \$11,666.00. This rate applies to export casings establishments that exported 100 tonnes or more of meat or meat products in the financial year before the charge period. This item does not extend to poultry meat or game meat.

Item 4 of Schedule 3 is based on the previous item 5 and provides for a rate per charge period of \$2,500.00. This rate applies to an export processing establishment that exported less than 50 tonnes of either meat or meat products, poultry meat or game meat in the financial year before the charge period.

The reference to 'independent' that was contained in the previous item is removed, as the charges no longer seek to distinguish between 'independent' and 'contributing' establishments. The application of the provisions relating to contributing establishments has been highly problematic to apply and administer and has also substantially affected the ability to effectively model appropriate registration charges for the Program. Structural arrangements within industry have changed since the charges were last imposed in 2001, with the prevalence of those establishments who utilised the 'contributing establishment' provisions declining dramatically since the charges were last imposed. As a result of these factors it is no longer considered to be effective or efficient to maintain a charging provision that relates only to a small percentage of the industry. Accordingly, the distinction between 'independent' and 'contributing' establishments is removed.

Item 5 of Schedule 3 is based on the previous item 6 and provides for a rate of charge per period of \$19,266.00. This rate applies to export processing establishments that exported 50 tonnes or more of meat or meat products, poultry meat or game meat in the financial year before the charge period.

The reference to 'independent' that was contained in the previous item is removed, as the charges no longer seek to distinguish between 'independent' and 'contributing' establishments. The application of the provisions relating to contributing

establishments has been highly problematic to apply and administer and has also substantially affected the ability to effectively model appropriate registration charges for the Program. Structural arrangements within industry have changed since the charges were last imposed in 2001 with the prevalence of those establishments who utilised the 'contributing establishment' provisions declining dramatically since the charges were last imposed. As a result of these factors it is no longer considered to be effective or efficient to maintain a charging provision that relates only to a small percentage of the industry. Accordingly, the distinction between 'independent' and 'contributing' establishments is removed.

Item 6 of Schedule 3 is based on the previous item 8 and provides for a rate of charge per period of \$13,799.00. This rate would apply to export boning establishments that packed less than 1,500 tonnes of meat or meat products, poultry meat or game meat in the financial year before the charge period.

The reference to 'independent' that was contained in the previous item is removed, as the charges no longer seek to distinguish between 'independent' and 'contributing' establishments. The application of the provisions relating to contributing establishments has been highly problematic to apply and administer and has also substantially affected the ability to effectively model appropriate registration charges for the Program. Structural arrangements within industry have changed since the charges were last imposed in 2001 with the prevalence of those establishments who utilised the 'contributing establishment' provisions declining dramatically since the charges were last imposed. As a result of these factors it is no longer considered to be effective or efficient to maintain a charging provision that relates only to a small percentage of the industry. Accordingly, the distinction between 'independent' and 'contributing' establishments is removed.

Item 7 of Schedule 3 is based on the previous item 9 and provides for a rate of charge per period of \$19,266.00. This rate applies to export boning establishments differently depending on whether or not they were packing either meat or meat products, poultry meat, or game meat. It applies to export boning establishment which packed 1,500 tonnes or more, but less than 4,000 tonnes of meat or meat products in the financial year before the charge period. It also applies to export boning establishments that packed 1,500 tonnes or more of poultry meat or game meat. This distinction is required as new item 8 applies where 4,000 tonnes or more of meat or meat products is packed by an export boning establishment. This distinction is not maintained for the poultry meat or game meat as differentiation would not be relevant to these industries.

The reference to 'independent' that was contained in the previous item is removed, as the charges no longer seek to distinguish between 'independent' and 'contributing' establishments. The application of the provisions relating to contributing establishments has been highly problematic to apply and administer and has also substantially affected the ability to effectively model appropriate registration charges for the Program. Structural arrangements within the industry have changed since the charges were last imposed in 2001 with the prevalence of those establishments who utilised the 'contributing establishment' provisions declining dramatically since the charges were last imposed. As a result of these factors it is no longer considered to be effective or efficient to maintain a charging provision that relates only to a small percentage of the industry. Accordingly, the distinction between 'independent' and 'contributing' establishments is removed.

Item 8 of Schedule 3 is based on the previous item 10 and provides for a rate of charge per period of \$27,598.00. This rate applies only to export boning establishments that packed 4,000 tonnes or more of meat or meat products in the financial year before the charge period. This rate does not apply to export boning establishments that packed poultry meat or game meat even if they packed 4,000 tonnes or more. In this situation the charge in item 7 is applied.

The reference to 'independent' that was contained in the previous item is removed, as the charges no longer seek to distinguish between 'independent' and 'contributing' establishments. The application of the provisions relating to contributing establishments has been highly problematic to apply and administer and has also substantially affected the ability to effectively model appropriate registration charges for the Program. Structural arrangements within industry have changed since the charges were last imposed in 2001 with the prevalence of those establishments who utilised the 'contributing establishment' provisions declining dramatically since the charges were last imposed. As a result of these factors it is no longer considered to be effective or efficient to maintain a charging provision that relates only to a small percentage of the industry. Accordingly, the distinction between 'independent' and 'contributing' establishments is removed.

Item 9 of Schedule 3 is based on the previous item 11 and provides for a rate of charge per period of \$8,333.00. This rate applies only to an establishment that slaughtered less than 750 tonnes of either meat or meat products, poultry meat or game for export in the financial year before the charge period. The reference to 'emerging establishment' that was contained in the previous item is removed as the term is considered redundant and the charges no longer seek to distinguish between certain products or sectors in the industry.

Item 10 of Schedule 3 is based on the previous item 12 and provides for a rate of charge per period of \$50,580.00. This rate applies to export slaughter establishments differently depending on whether or not they were slaughtering either meat or meat products, poultry meat or game meat. For an export slaughter establishment that slaughtered meat or meat products the charge would apply if they slaughtered 750 tonnes or more, but less than 10,000 tonnes for export in the financial year before the charge. This distinction is required as new items 11 and 12 apply where quantities slaughtered of meat or meat products are between 10,000 and 20,000 tonnes or above 20,000 tonnes. For an export slaughter establishment that slaughtered poultry meat or game meat the charge applies if they slaughtered 750 tonnes or more of poultry meat or game meat for export in the financial year before the charge period.

Item 11 of Schedule 3 is based on the previous item 13 and provides for a rate of charge per period of \$101,159.00. This rate applies only to export slaughter establishments that slaughter meat and meat products, and only applies where the quantity slaughtered was 10,000 tonnes or more, but less than 20,000 tonnes in the financial year before the charge period. This rate does not apply to export slaughter establishments that slaughtered poultry meat or game meat even if they slaughtered more than 10,000 tonnes. In this situation, the charge in item 10 applies.

Item 12 of Schedule 3 is based on the previous item 14 and provides for a rate of charge per period of \$117,825.00. This rate applies only to export slaughter

establishments that slaughter meat and meat products, and only applies where the quantity slaughtered was more than 20,000 tonnes in the financial year before the charge period. This rate does not apply to export slaughter establishments that slaughtered poultry meat and game even if they slaughtered more than 20,000 tonnes. In this situation, the charge in item 10 applies.

No revenues are currently derived through meat establishment registration charges. In consultation with industry, the 40% Australian Government contribution was applied so as to offset all meat establishment registration charges by 100%. As such, industry have not been required to contribute to the costs involved in the management, administration, development and monitoring of operational policy for the program since 2001 when the contribution was introduced. The projected revenues for meat establishment registration charges in 2009/2010 is expected to be \$9,986,124.00. All of this is to be derived from meat establishment registration charges in line with the return to 100% cost recovery.