EXPORT INSPECTION CHARGE BILL 1985

Date Introduced: 17 April 1985
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industry

Short Digest of Bill

Purpose

To impose charges for the inspection, by the Commonwealth, of certain agricultural products intended for export.

Background

The importance of Australia's export trade in agricultural products has been established for a long time. From the early days of Federation it was deemed necessary for these products to be strictly supervised so that they would not be of poor quality.

The original purpose of export inspection was to overcome problems involving early trading practices. Around the turn of the century, dishonest trading, poor quality and the use of inaccurate trade descriptions by our exporters gave Australian food products a reputation for poor and inconsistent quality, especially on the U.K. market. Moreover, Australia's relative geographical isolation from her overseas markets involved long journeys through a variety of climatic conditions for her exports. This, coupled with inadequate transport facilities and packaging served to discredit the marketability of some of our products overseas.

Statutory controls were gradually implemented in the area of export inspection to overcome these problems and to create confidence in quality standards, packaging and description of Australian goods. The growth of the country's food exports, therefore, would be encouraged.

Export inspection charges were eventually introduced for meat, grain and wool in 1979 and fish and dried fruits in 1981. The imposition of these charges followed the Liberal Government's decision to recoup 50 per cent of the costs borne by the Commonwealth for inspecting products for export. The Commonwealth also provides export
inspection for fruit, dairy products and other products requiring export certification.

After the meat substitution scandal became public in 1981 the Commonwealth began investigating and upgrading the administrative procedures with respect to the export of meat from Australia. At the National Outlook Conference in January 1982, the then Minister for Primary Industry, Mr Nixon, announced his intention to set up a new Export Inspection Service within his Department. On 16 March 1982 a new Export Inspection Service commenced operation under the administrative control of the Department of Primary Industry. This new service consolidated all of the export inspection activities of the DPI within the one administrative framework.

The Minister had also stated at the conference, that the method of providing inspection services and the basis of charging for them would be fully reviewed by his Department. The overall aim of the review would be directed towards achieving cost savings whilst maintaining levels of inspection which were considered essential. It could also be said that the review was predicated by claims within the industry that there was a need to see whether unnecessary inspection was being undertaken.

The Department of Primary Industry review concluded in July 1984 and its report was tabled in the House in April 1985. The report made an interesting observation in its conclusions. It said that:

"it is difficult to quantify the benefits to Australia's export trade that have accrued through the Commonwealth Government's involvement in export inspection. There can however be little doubt that failure by the Commonwealth to maintain an independent basic inspection function for a number of rural products could lead to a loss of overseas markets or at least a substantial reduction in the acceptability of Australian products overseas and consequential effects on individual industries and exporters".[1]

Early in 1984 the present Minister for Primary Industry, Mr Kerin, requested the Interim Inspection Policy Council (IIPC) to undertake a review of export inspection arrangements for honey and canned and frozen fruit and vegetables. The Minister's directive followed the deferment of two charging Bills in the Senate in May 1984. The IIPC report was tabled in Parliament in April 1985.[2]
In accordance with the present Government's policy of recovering 50 per cent of its inspection costs, charges on most products were revised on 1 October 1984. Direct expenditure on meat and livestock export inspection services is estimated at $68.8m in 1984/85. This will be offset by estimated revenue from charges of $39.5m. Corresponding figures for non-meat products are $14.2m in 1984/85 for providing inspection services and expected revenue of $6.9m.

The current Bill was foreshadowed by the Minister in a press release dated 21 February 1985 when he announced changes to the system of export inspection for non-meat products in an effort to "reduce costs to industry, remove unnecessary inspection and maintain product integrity and market acceptability".

The Minister stated that the changes would be implemented progressively. He referred to the two year review undertaken by his Department of inspection methods for non-meat products and said that the review took into account the needs of industry and importing countries. He added that the proposed legislation would provide for export inspection charges for canned and frozen fruit and vegetable products for the 1985/86 financial year on the basis of a reduced and improved inspection system.

Main Provisions

It is worth noting at the outset that the Export Inspection Charge Bill 1985 (the Principal Bill) is incorporated and read as one with the Export Inspection Charge Collection Bill 1985 (clause 3). The enactment of the Bill will also facilitate the need for the Export Inspection Legislation (Consequential Amendments) Bill 1985, which seeks to amend and repeal certain Acts because of the enactment of the Principal Bill.

The relevant words and phrases are expressly defined by the Bill. Of special importance is the definition of "prescribed commodity" as being dairy produce, eggs, fruit, fruit juice, fish, grain, vegetables or vegetable juice. It is only to these products that the Bill will apply. The Bill also defines a "fish" as not including an aquatic mammal and "fruit" does not include fresh fruit (sub-clauses 4(1)).

The Bill also refers to "a class of a prescribed commodity" as being a class defined by reference to the form in which the commodity is intended for export; the class of establishment at which it was prepared or the manner in which it is packed (paragraphs 4(2)(a), (b) and (c)).
The Bill binds the Crown in right of all the States, the Northern Territory and Norfolk Island. The practical effect of this provision is that a State or Territory which is granted a permit to export a commodity will be liable for export inspection charges (clause 5).

A charge is imposed on a prescribed commodity in respect of which a export permit is granted (sub-clause 6(1)) under section 7 of the Export Control Act 1982 and the regulations made under that Act.

Rates of charge in respect of a particular prescribed commodity are to be set by the regulations of the Bill relating specifically to that commodity or the class to which it belongs (sub-clause 7(1)). Rates of charge may differ between classes of commodities (sub-clause 7(2)).

Although specific charges will be outlined by the regulations, the Bill does provide for the maximum charge that may be levied against the various commodities covered by the Bill (sub-clause 7(3)). For example the charge shall not exceed $5 per tonne for dairy products, $24 per tonne for dried fruit and in the case of vegetable or fruit juices, 1 cent per litre or 1 cent per kilogram whichever would result in a lesser charge being payable (paragraphs 7(3)(a), (d), (f) and (o)).

If a charge relating to a prescribed commodity is calculated in reference to its weight or volume and the commodity is packed in a covering, the weight or volume of the covering itself will be excluded from the calculation (sub-clause 8(1)). However where a covering, other than a can, contains a prescribed commodity and other matter, this other matter will be disregarded in the calculation of charges (sub-clause 8(2)). Moreover if a covering contains several prescribed commodities, the charge will be the total of the amounts payable for each of those commodities (paragraph 8(2)(b)).

A "can" receives separate treatment by the Bill. If a can contains a prescribed commodity together with other matter, the can will be deemed to contain the prescribed commodity only (paragraph 8(3)(a)). The charge levied in this instance, if calculated by reference to weight, will be the total weight of the can's contents (sub-paragraph 8(3)(b)(i)). In a hypothetical example, a can containing 500g of sausages and eggs would be deemed to contain eggs only and the charge imposed will be calculated for 500g of eggs.

The Bill applies the same formulae for prescribed commodities where charges are described by reference to volume (sub-paragraph 8(3)(b)(ii)).
The Bill also provides for instances where a can may contain more than one prescribed commodity (sub-clause 8(4)). If, in such a case, the rate of charge for at least one of those commodities is determined in reference to weight, then the can will be deemed to contain only the commodity (the relevant commodity) which comprises the largest proportion of the weight of the can's contents (paragraph 8(4)(a) to (c)). In calculating the charge, the weight of the contents of the can will be deemed to be the weight of the "relevant commodity" (paragraph 8(4)(d)). If our can contained 500g of sausages and eggs in onions then both eggs and onions are capable of being subject to charges based on weight. If the eggs took up a greater proportion of the total weight of 500g, then it would become the "relevant commodity", and the can will be subject to a charge for 500g of eggs. If in this example, the eggs and the onions weighed the same then the can will be deemed to contain, and charged according to, whichever of the commodities (eggs or onions), would result in the lesser charge being levied if the can contained either one of these commodities only (paragraph 8(5)(a)).

Where a can contains more than one prescribed commodity whose rate of charge relates to volume, then similar provisions in the Bill make the commodity comprising the largest proportion of the total volume of the can, as the commodity to be charged (sub-clause 8(6)).

Fruit juices and vegetable juices enjoy a unique status in the Bill because the rate of charge for either of them may be measured with reference to litres or kilograms as the case may be (paragraphs 7(3)(f) and (o)). The Bill provides that the lesser amount of charge whether it apply to weight or volume in any particular instance is the charge to be levied.

The charge levied on a commodity or a class of commodity (sub-clause 8(9) for which an export permit is granted, must be paid by the person to whom the permit is granted (clause 9).

The Bill also empowers the Governor-General to make regulations to the Bill including those exempting a class of commodity from charges under the Bill (clause 10).

For further information, if required, contact:
Footnotes


References

1. Department of Primary Industry Infonews, December 1984.