

## **Panel Statement of Principles for Quota Administration**

Australia's World Trade Organisation (WTO) tariff rate quotas (TRQs) to the European Union (EU) and the United States of America (USA) and the TRQs under the Australia United States Free Trade Agreement (AUSFTA) were achieved through government to government market access negotiations for the benefit of the Australian economy. In the Panel's view the primary objective for administration should be to optimise the TRQ's commercial value to Australia. Quota administration is not intended as a mechanism for creating property assets for individual companies.

The Panel considers the TRQ should be managed to achieve sound public policy outcomes for the broader Australian community. Such public policy objectives include promoting economic prosperity by increasing the competitiveness of the Australian dairy industry and consideration of social, environmental, equity and regional issues.

In addition, Australian Governments, through COAG, have agreed to a comprehensive reform of regulations and at its meetings on 20 December 2007 and 26 March 2008, COAG reaffirmed commitment to the national reform agenda when it agreed to objectives including:

- accelerate and broaden the regulation reduction agenda;
- improve processes for regulation making and review; and
- deliver significant improvements in Australia's competition, productivity and international competitiveness.

Against this background, the Panel agreed a set of principles to guide its evaluation of the *appropriateness, effectiveness and efficiency* of TRQ administration arrangements as per its Terms of Reference.

### ***1. Optimise the TRQ's commercial value to Australia***

The most favorable economic outcomes for Australia associated with the TRQ are more likely to be achieved where company decision making is focused on optimising commercial returns from all markets rather than meeting conditions established by quota arrangements. Quota administration should not seek full utilisation of the TRQ where such outcomes are contrary to market signals and potentially reduce the overall value of Australian dairy exports.

### ***2. Minimise government intervention in the marketplace***

The TRQ will be utilised most effectively by Australian exporters where market forces are allowed to operate to the greatest extent possible, with individual firms able to make decisions in response to domestic, EU, USA and global market signals. However, market forces relating to Australian dairy exports to the EU and USA can be affected by the TRQ when it is filled or if fill is anticipated.

### ***3. Administer consistently, transparently and efficiently***

Any administrative system should seek to be efficiently managed and transparent to all segments of the industry and other observers. This provides the optimal basis for business planning and commercial decision making. In particular, it should seek to minimise the use of discretionary decisions or arbitrary changes to quota rules.

#### ***4. Minimise barriers to exporting***

Administration should minimise barriers to TRQ use by companies willing to compete in the marketplace. The TRQ value will be enhanced by a competitive, innovative and profitable Australian dairy production, processing and exporting industry. If a system creates undue barriers to companies entering the market or to company expansion, less efficient incumbents may retain quota and possibly utilise it in a sub-optimal manner.

#### ***5. Consider commercial arrangements***

Changes to existing TRQ administration need to consider production, processing and exporting investments, existing commercial relationships, and how affected businesses might make adjustments.