

Biosecurity Protection Levy Submission

[REDACTED]

13 October 2023

[REDACTED]

[REDACTED]

Introduction

represent a combined annual value to the Australian economy in excess of \$43.2 billion and growth in the sector is tipped to contribute significantly to the goal of exceeding \$100 billion in farm gate output by 2030 (Ag2030).

- biosecurity is vital to productivity and to our ability to access domestic and international markets for our products
- biosecurity is also a service where many of the actions, currently, can only be undertaken by government
- biosecurity systems are required to manage a large number of biosecurity incidences as they often occur concurrently.

are signatories to the . Alongside all Australian governments over the past 10 years have provided significant in-kind support and invested approximately \$33 million in cost sharing emergency responses such as . This figure is certain to increase as arrangements are finalised for responses currently underway.

In addition, invest research, development and extension (RD&E) levies into extensive preparedness projects and activities which add up to millions of dollars annually. Many industries also use 'general revenue' (growers membership fees) and in-kind contributions to manage their industry biosecurity issues and roles and responsibilities as signatories to the Deed which are not recorded. Also, many do not have specialist staff to work on biosecurity preparedness and responses which places further stress on the system in the event of an incursion.

pest incursions have significant impacts on individuals and communities. During a response, the entire supply chain, production, input and service providers, processing, transport and marketing are all impacted. When a pest cannot be eradicated the cost of recovery is borne by the individual grower and the industry. Whether that is ongoing management of the pest or the loss of a particular entirely. The cost of ongoing management of a new endemic pest are borne by the grower alone.

Summary

welcomes the Government's intent to create a sustainable funding model for biosecurity in Australia. A fit for purpose biosecurity system has benefits for all Australians. Strong biosecurity systems underpin the supply of Australia's locally produced food, fibre, and foliage provides local jobs within industry and associated industries and supports local communities and delivers economic benefit to urban, rural and regional Australia.

However, strongly rejects the government's decision to implement the Biosecurity Protection Levy for the following reasons:

1. There was no consultation on the agricultural industry's contribution to the sustainable biosecurity funding via a levy prior to the budget announcement. This is an act of government and is therefore the introduction of a tax not a levy; a tax on food, fibre and foliage security.
2. The proposed levy is inequitable and unfairly targets industries that are well organised and invest in their futures. It is set to the statutory levy rate for an arbitrary year, which has no bearing on the risk created or benefit derived by the industry. The levy is intended to raise a set amount of \$50 million per year over a three-year period (\$150 million), yet the mechanism being proposed will inevitably raise in excess of that amount and producers have no recourse and no say in how it is invested. Worse, it is not hypothecated and will simply become consolidated revenue.
3. The Government has put at risk the statutory levy system through this process. It has given scant respect to the industries which invest in themselves, to continue to improve efficiency, to be world leaders and invest in biosecurity preparedness and response.
4. The Government has put at risk the [REDACTED] construct of willing government agencies and industries. The paper says this will 'not affect the existing [REDACTED] arrangement' but if industries are forced to pay the new biosecurity levy then they may not be able to raise additional funds afforded to respond to outbreaks.
5. The Department's own inefficiencies as well as numerous changes to the Department brought about by Machinery of Government have contributed to the shortfall in its budget, these issues should be addressed before industry is taxed to make up the Department's shortfall.
6. The Biosecurity Protection Levy is not hypothecated for biosecurity funding by the Department in the future, rather it will go to consolidated revenue and is 'promised' to reach the Department in the budget. Industry has no confidence that this Government or future governments can guarantee that any such funding would reach the department for the purpose set out in the consultation papers.
7. The introduction of the Biosecurity Protection Levy as the Government's first order of business flies in the face of numerous reports which identify other risk creators as the focus for Government's to seek out contribution. The Craik review (2017) identified the need for a container levy to offset the risk of the enormous increase in sea and air freight movements. Passenger travel to Australia also stands out as a high risk area which could contribute more to offset the cost of biosecurity preparedness. Risks to Australia's biosecurity caused by the agriculture industry are minor compared to that driven by consumerism and tourism, the Government has missed opportunities to do more in this space.
8. [REDACTED] already contribute millions in levies on biosecurity research and development, in cost sharing responses and through hundreds of hours of consultation and collaboration. The investment is significant, both financially but also in goodwill and partnership between state and territory governments, federal governments and between industries

Insufficient consultation and lack of adherence to the levy principles

[REDACTED] and its members, and members of other industry bodies from the agriculture sector participated in the Department's 'Making national biosecurity funding sustainable' consultation in good faith. At no point was the concept of a levy contribution by industry raised. The budget announcement was the first time industry was made aware of the intended Biosecurity Protection Levy.

The agriculture industry has a history of investing in itself through statutory levies, and we acknowledge that the government supports this investment through matched funding under certain circumstances. There is a very specific methodology laid out for the implementation of new levies, with a list of 12 principles set out to be followed by industry in order for the levy to be struck. The government has not followed a single one of these principles.

The proposed striking of the levy to achieve a target \$50 million in revenue raises numerous concerns for the [REDACTED]. Firstly, it is inequitable to use the existence of current statutory levy rates as a starting point for the setting of the levy. In doing so the government has singled out the industries which are organised, invested in their futures and likely already contributing to biosecurity preparedness and response through their levy structures. Add to this the complications of industries who are under levied, or have very specific voluntary levies or no levy at all – noting these issues the [REDACTED] doubts the Government can find an equitable model fit for purpose.

Singling out the 2020/21 statutory levy rate year as the basis for calculating the Biosecurity Protection Levy budgeted revenue is also fraught. The agriculture sectors success varies with each season and levy income will vary from year to year, however the long term forecast is increased production, meaning the levy income will also trend upwards and could conceivably reach \$60 million in just a few years time. The Government's stated target is \$50 million, how will over collection of the levy be managed? Government is asking industry to simply pay an extra ten percent but provides no opportunity to have oversight of the expenditure of this funding, it is unacceptable. How can industry be assured that the Biosecurity Protection Levy is not simply a revenue raising instrument for consolidated revenue? Put simply it cannot.

The Government has put the statutory levy system at risk through the introduction of the Biosecurity Protection Levy, and at the very least it will cause industries to reconsider their investment in biosecurity R&D. Research and Development Corporations and the biosecurity coordination companies Plant Health Australia and Animal Health Australia will all feel at risk that the lack of adherence by this Government to the 12 principles for implementing a levy throws years of good will and partnership between them and the primary industries they invest on behalf of into turmoil.

This ten percent tax on primary production comes at a time when, despite the recent headlines of profitability, the agriculture sector is facing many stiff headwinds, many of which have been contributed to in part by this government. During the pandemic inputs costs rose in the vicinity of 50-70%, fuel has increased, energy has increased, transport in Australia has increased, shipping has increased, the minimum wage has increased just to name a few. The imposition of a ten per cent tax on food, fibre and foliage at a time when the country is facing a cost of living crisis and primary industry is struggling to be profitable is a sure sign that this government is not across the issues facing the sector.

Current Department inefficiencies should be addressed first

As stated in a [2021 audit](#) by the Office of the Auditor general *"Past external reviews and ANAO performance audits of the department have found weaknesses in the department's governance and culture, including demonstrating value for money in the department's procurement activities."*

A recent [Capability Review](#) by the Australian Public Service Commission (APSC), made several recommendations aimed at addressing the Department of Agriculture's recent poor financial management and performance record. This Review included areas specific to biosecurity performance and the facilitation of trade. It calls on the Department to:

"DAFF needs to build the level of commercial acumen required to develop appropriate revenue strategies, consistent and compliant charging policies, and accurate cost attributions, as well as to provide full cost transparency to industry clients and stakeholders. This review found many industry stakeholders are not against increased charges and fees if the reasons are clear and they can see service improvements. DAFF's record in this area is viewed by stakeholders as being highly variable."

DAFF does not currently have the systems in place to reliably understand its financial circumstances at any given point in time. It cannot reliably forecast how actual expenditure is tracking against estimates. While work has been done through the Designing DAFF initiative to strengthen financial reporting, there is an opportunity to better forecast both revenue and expenditure at a whole-of-enterprise level.

Historically, the cost of delivering essential services is not always matched with revenue coming into DAFF. Half of DAFF's budget comes from cost-recovered activities. Demand for these services, and consequent revenue, can be variable and poses potential sustainability risks.

This situation is compounded by the risk of a biosecurity outbreak, which would be either managed from within existing resources or supplementary funding allocated on a case-by-case basis."

The report also cites the numerous changes to the Department through the Machinery of Government. The costs related to these changes which are driven by differences in government ideology should not be passed on to the industries which the Department is here to serve.

Industry is already contributing to the Department's revenue through the user pays model for a range of services that can only be supplied by government and is forecast to contribute more through increases in charges such as Post Entry Quarantine fees.

Until such improvement in efficiencies can be demonstrated, the [REDACTED] rejects outright the premise that industry should be further levied to support the Department's budget.

Alternative funding sources and hypothecation of revenue derived through the sustainable funding model

In its submission to the 'Making national biosecurity funding sustainable' consultation [REDACTED] [REDACTED] called for any new revenue created by the new model, to be indexed and hypothecated for biosecurity measures. It highlighted that if the revenue is not hypothecated it risks becoming 'just another tax' as has become the case for the Passenger Movement Charge implemented for Foot and Mouth Disease (circa 2001).

As part of the sustainable funding model announced, increases in the Passenger Movement Charge, and on parcels and freight under \$1000 value all go to consolidated revenue and then will be assigned via the budget process. [REDACTED] has zero confidence that the revenue raised through any of these new charges and mechanisms will provide a long term, sustainable increase in investment by this or future governments if this revenue is not hypothecated.

Craik (2017) found that:

'Much of the material of concern to the national biosecurity system, including of environmental concern, arrives via vessels and containers—either in the contents of the container or on the external surfaces of the container itself. More than one-third of the pests and diseases included in the RRRRA model have containers as a pathway.'

In March 2019, the then Minister for Agriculture and Water Resources appointed a Biosecurity Levy Steering Committee to make recommendations on the design and implementation of the Biosecurity Imports Levy after it was announced in the 2018-19 Budget.

sectors are put at risk by air and sea freight and other arrivals (vessels, passengers) yet the cost for eradication is shared by Industry and governments alone. sector feels strongly that they are being disadvantaged in this process and understood that a proportionate Biosecurity Imports Levy would be placed on entities on the risk pathway and help cover the costs of the eradication programs. This has not occurred. The budget announcement that the Government will 'look into it' does not satisfy the level of comfort that such a levy will be delivered.

For Biosecurity to be a 'shared responsibility' the burden of responsibility must be shared across the risk pathway and not simply be borne by those at the end point. It is the expectation that a container levy would be developed in consultation with the relevant industries (including) and that expectations around service delivery, rewarding proactive businesses and incentivising participants to improve biosecurity outcomes would be incorporated in the design.

The Inspector General in his report 2020–21/01 found that:

It is essential for the department to significantly enhance its industry engagement in cost-effective biosecurity risk mitigation by establishing practical import sub-sector or risk pathway partnership groups focused on optimising the effectiveness of biosecurity risk mitigation, improved cost-sharing and establishing more vibrant information and intelligence exchange.

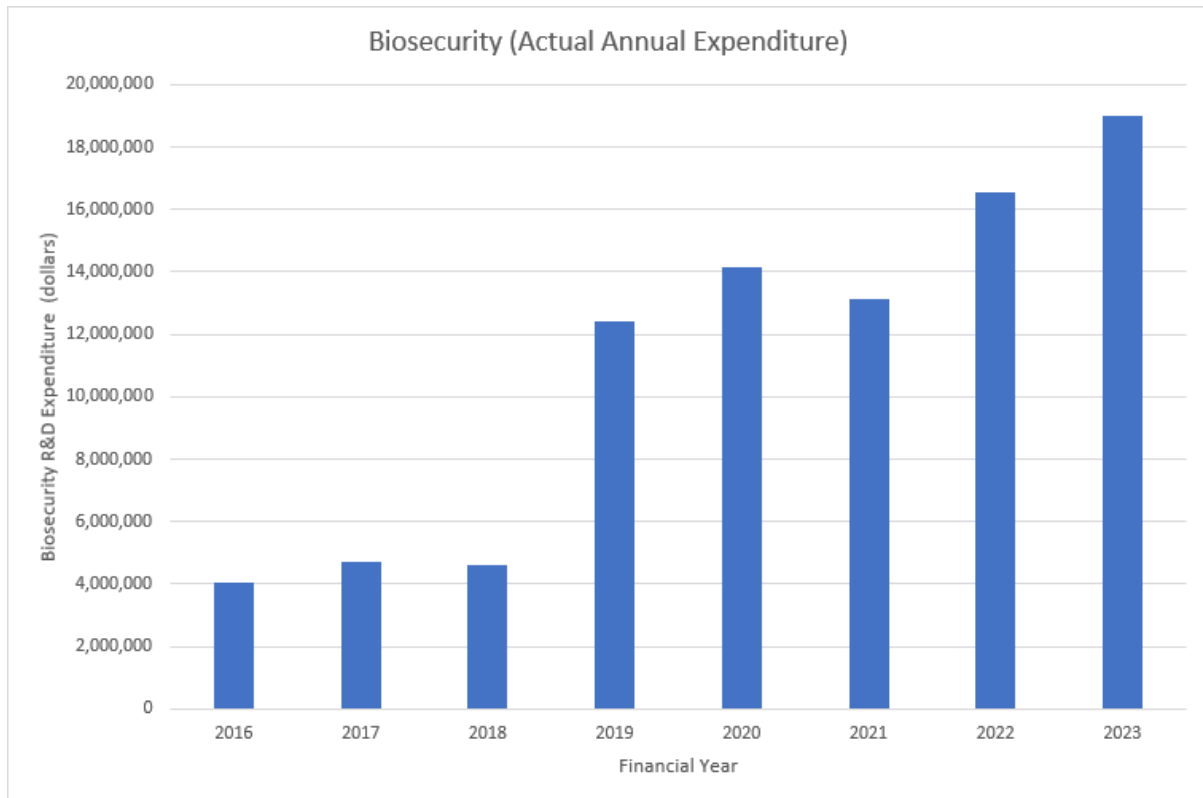
The Commonwealth must match the increase in import volumes with appropriate levels of capacity and capability to service the import sector whilst working with it to form a risk pathway partnership. Importers and the consumers they serve are a beneficiary of good biosecurity, however they do not contribute to responses caused by their actions.

Tourism is an industry that prior to the pandemic was setting records year on year. The Federal Government released the [Thrive 2030](#) tourism strategy in 2022, which sets out a long-term plan for growing Australia's visitor economy. The report notes that between 2009 and 2019, international visitor arrivals increased by 70% and reached a record 9.5 million. In 2019, total annual international visitor spend was a staggering \$59 billion, with international students accounting for 39 per cent of total international spend. At this point in time, the Australian tourism economy supports 670,000 jobs across some 330,000 businesses (equating to 1 in 7 of Australia's 2.4 million businesses). The strategy sets a target of \$81 billion for international visitor spend by 2030, with regional Australia to capture about 40% of this spend. The potential to collect significant annual contributions to biosecurity activities from the tourism industry is high, and necessary when one considers the intended growth in tourism as set out in *Thrive 2030*. Disappointingly, the *Thrive 2030* strategy makes no mention of biosecurity, despite the Tourism Industry being a direct beneficiary of good biosecurity.

Singling out the agriculture industry as the primary beneficiary of biosecurity does not recognise that the greatest beneficiary of biosecurity and food security is the Australian government and the people of Australia. Food security is hugely undervalued, yet Australia's food security is under constant threat from drought, extreme weather events, climate change and the introduction of invasive species.

(and the agriculture sector) make significant contributions to biosecurity funding

Members of the are signatories to the , many (9) have their Response levies set at a positive value. Many (24) pay Plant Health Australia levies and coordinate research and development activity to prepare and protect their industries.



investment in biosecurity averaged \$35 million per year over the last five years.

State governments have biosecurity levies for regionally or specific biosecurity risks such as the . Contributions from to fund the biosecurity Scheme are: 25 cents per tonne of , and 12.5 cents per tonne of .

invest in on-farm biosecurity practices, training resources and infrastructure to prevent incursions and prepare for responses.

The notion that ‘industry needs to contribute it’s share’ neglects to acknowledge the real investment by industry on its own behalf to protect, prepare and respond to biosecurity threats.

Biosecurity system under pressure

Australia is exposed to an average forty (40) incursions annually, compared to less than one (1) for animals. Due to the volume and frequency of incursions, pest management and trade requirements work more closely with biosecurity agencies than any other sector. are therefore aware of the high workload our biosecurity agencies are exposed to on a day-to-day basis.

Despite the obvious need for increased capacity and capability the opposite is occurring, and our agencies are constantly overloaded due to restricted resourcing levels. Government’s history of investment in biosecurity for demonstrates a systemic lack of support for

Under current resourcing levels, incursions place Australia's [REDACTED] biosecurity status at further risk because 'business as usual activity' is reduced. There are not enough state or federal [REDACTED] biosecurity staff to continue to do surveillance on other pests which weakens our position. There are currently multiple [REDACTED] responses being managed across the country and high levels of concern for animal pests in neighboring countries. There is a very real danger of industry fatigue at the current level of funding of responses, with some questioning the current system and the level of response funding being asked of [REDACTED] when investment in adequate risk mitigation is questionable and those on the risk pathways are not contributing fairly.

CSIRO's 2020 report *Australia's biosecurity future; Unlocking the next decade of resilience (2020-2030)* states:

Scaling the current system through additional funding allocation will not be enough. Modelling shows that even almost tripling investment in interventions out to 2025 will still result in increased residual biosecurity risk compared to 2014–2015 levels. This suggests that the system requires more transformational change in approaches and responsibilities to generate greater efficiencies and effectiveness.

We cannot continue on the same trajectory of business as usual and hope to meet the rapidly rising challenges predicted when all the signals are clear that businesses as usual is failing to keep up to the challenges of today. The proposed levy does not add more boots on the ground. It will not deliver efficiency or be invested in technology.

[REDACTED] cannot overstate the importance of a sustainable, fit for purpose, appropriately resourced, inclusive national biosecurity system to underpin the agricultural industries and communities it protects.

[REDACTED] welcomes an opportunity to discuss sustainable funding further with the department and is open to an ongoing dialogue as the consultation continues during 2023.

Sincerely,

[REDACTED]

[REDACTED]