



13th September 2023

Australian Melon Association Inc
338 Pelican Back Road
Chinchilla QLD 4413

Re: Biosecurity Protection Levy Consultation Submission

Melons Australia is the Peak Industry Body for the Australian melon industry, including melon growers of watermelons and muskmelons (rockmelons, honeydews and other specialty melon varieties). In 2020/21 242,465 tonnes of melons were grown in Australia valued at \$248.1 million. Production occurs across all mainland States and in the Northern Territory, from approximately 140 growers.

There are currently three statutory levies on all melons produced and sold in Australia. The total levy base is 0.4c/kg. This includes:

- 0.3c/kg Research & Development (R&D) levy – to fund coordinated research, development and extension activities to improve the productivity and profitability for all melon producers in Australia.
- 0.1c/kg Plant Health Australia (PHA) levy – to fund biosecurity projects and to pay PHA annual membership subscription.
- 0.0c/kg Emergency Plant Pest Response (EPPR) levy – to create the ability for an industry contingency fund to be used in the event of a biosecurity incursion. This levy will not be activated until a pest incursion occurs.

Based on 2020/21 statistics melon growers therefore paid approximately \$970,000 in levies (\$240,000 towards biosecurity and \$730,000 towards Research and Development – including biosecurity projects). Levies have only been applied across the Australian melon industry since 2018/19.

On behalf of the Australian melon industry we thank the Australian Government and the Department of Agriculture, Fisheries and Forestry (DAFF) for the opportunity to make a submission as part of the consultation process concerning the introduction of the Biosecurity Protection Levy (BPL). You will be unsurprised to hear that much like other associated industry bodies, including the NFF Hort Council and the Plant Industry Forum and many Peak Industry Bodies for agricultural industries, we believe that the proposed BPL implementation is deeply flawed. We do not see the proposal delivering on the objective of providing a strong and sustainably funded biosecurity system, and it therefore needs to be redesigned based on thorough research and proper consultation. The main reason we have no confidence in its success is primarily due to the shared responsibility model proposed deeply underestimating the responsibility already borne by the risk bearers (our industry) and doesn't in any way fairly redistribute some of that burden to the risk creators.

We urge the Government to reconsider the approach and propose that before a biosecurity protection levy can be implemented sustainably and fairly it is imperative that an assessment is conducted to measure who within the system are already contributing and how much. As was noted by the NFF Hort Council in their submission, the Intergovernmental Agreement on Biosecurity (IGAB) review, led by Wendy Craik, recommended as part of its consideration of sustainable funding that Animal Health Australia and Plant Health Australia coordinate an industry stocktake of national biosecurity system investments and make the results public in order to address this fundamental gap in our understanding of the biosecurity system.

We stress therefore that unless and until such a stocktake is undertaken by the Federal Government it is highly pre-emptive to form the view that industry should pay more, given that we intuitively know of the significant contributions and costs being borne by the horticulture industry. This has been most recently highlighted in the recent response to Varroa Mite – the single largest plant industry emergency response in Australia’s history. The varroa mite response alone is estimated to cost the melon industry in excess of \$1.3 million. This does not include the ongoing costs and implications that melon growers will have to bear as a result of the impact varroa mite will have into the future with regards the increased cost of pollinating melon crops, a cost and responsibility that will be borne solely by our growers, and a response that still realises no contribution from risk creators. This is just one incursion – the melon industry has been impacted by four others in the last 3 years including Fall Army worm, Serpentine leafminer, American serpentine leafminer and Guava root knot nematode. None of these incursions were deemed technically feasible to eradicate therefore the management of these pests is left completely with the Australian industry to bear the ongoing costs.

In keeping with the requested format of the consultation submissions we have answered the “Have Your Say” questions to the best of our ability and in keeping with our overall stance regarding the BPL.

1) How should a producer be defined for the purposes of the Biosecurity Protection Levy?

- a. Are definitions from existing levies legislation appropriate (see levies related legislation)?**
- b. If your submission relates to a commodity that is not subject to existing agricultural levies, how would you define a producer for that commodity?**

This cuts to one of the fundamental practical problems with the way the BPL has been designed. It has been framed solely at ‘producers’, and our Australian melon producers already contribute significantly to Biosecurity through existing levies. At present, the levy collection model (where there perhaps should be more focus) has its flaws, in that it is difficult, if not impossible, to capture small holder farms, produce going to local markets and farmers markets and they therefore will continue to slip through the cracks.

Similarly, abandoned orchards/farms, hobby farmers and back yard growers do not pay a levy but are producers and contribute to the risk and benefit from good biosecurity – why are they not included/covered or otherwise? These people no doubt claim tax rebates as ‘agriculturalists’ or seek to benefit from production but are not ‘commercial’ and therefore will be missed.

The definition and collection of the levy needs to be reconsidered, removing the focus on 'producer'. Perhaps the consideration of a levy being applied to all fresh produce sold in the retail sector could be the collection point, therefore capturing local and imported produce and not solely placing the burden on our Australia growers/producers.

2) What should the levy rate look like for the commodities of interest to you, noting that:

- 1. the Biosecurity Protection Levy is intended to be 10 per cent of the 2020-21 statutory agricultural levy and charge rates collected.**
- 2. some commodities are not subject to agricultural levies.**

The use of existing levies to generate the BPL is flawed. Existing levies are not an appropriate proxy for production, volume or value, or any baseline by which the Government is able to make an assessment as to the level of 'benefit' a producer should be responsible for contributing to the biosecurity system. At present, the Australian melon industry has two compulsory levies applied on production of melons, those being a Research and Development levy and the Plant Health Australia Levy. We also have an active Emergency Plant Pest Response levy however this is set to \$0/kg until it is required to provide further contribution to a Biosecurity response. The Australian melon industry is currently considering the implementation and benefits of introducing a marketing levy, which will never be successful should there be the opportunity for Government to add additional levies, such as the BPL, at any point in time. The BPL is seen as a 10 percent tax on all existing industry levies, and therefore this is unfairly targeting industries that are well organised and invest in their futures at present.

It is impossible to use this measure to determine how much currently unlevied industries should pay. There is no baseline level and to that end, the levy rate per commodity in horticulture is relatively arbitrary and not the basis by which cost recovery should be imposed.

The unintended consequences of implementing a BPL for unlevied industries also need to be explored. Members of industry are unlikely to understand that the BPL is any different from an R&D or PHA levy – and once a BPL is enforced without prior consultation unlevied industries would be unlikely to agree to future biosecurity levies through PHA or potentially even Research and Development levies, which will impact the broader industries biosecurity preparedness and response capabilities.

This therefore makes the approach and implementation of industries with and without levies already in place, flawed. Not to mention that there are industries who are currently not signatories to the EPPRD, who will have the BPL applied, and therefore will be less likely to become signatories and engage in biosecurity response as they will believe that they are already contributing through the PBL. The implementation poses a real risk of undermining the EPPRD and other Deed agreements into the future, therefore putting the entire biosecurity system at risk.

3) Should any thresholds and/or exemptions be considered?

Government has indicated that the intent of the BPL is to raise \$50 million per annum to contribute further to the cost of managing Australia's biosecurity system. To reach that figure, the assumption is that the BPL rate was reverse engineered to create a collection rate, that resulted in \$50 million of funds collection. This methodology to set the BPL rate is flawed and based on a single arbitrary year's levy collection which is certainly not supported by industry. This methodology disregards the inherent fluctuations of agriculture production.

Horticulture is one of the fastest growing sectors and therefore safeguards must be implemented in the proposed approach to minimise the risks of overcharging growers/producers. The levy is intended to raise a set amount of \$50 million and yet if the 10% BPL was assessed against the 2021-22, Government would have potentially collected an estimated \$60 million, \$10 million more than deemed a "fair" contribution by primary producers – this just exposes the flawed nature of the approach presented in the BPL to date. Any unnecessary overcharging through the BPL will create industry anger and further scepticism, partly due to the funds being incorporated in the Government's consolidated revenue and not isolated specifically for biosecurity activities (or industry investment).

We face continued calls from melon growers for 'caps' and 'thresholds' to be implemented on current active levies, and therefore the implementation of the additional BPL levy approach will push many of our growers beyond where they believe the levy cap should be at present. Therefore, the application of a threshold needs to be carefully considered and would potentially need to be applied across all levies, not just the BPL specifically.

4) How should Biosecurity Protection Levy collection arrangements and mechanisms be implemented for your commodity of interest?

1. How should the levy be collected?

2. How regularly should the Biosecurity Protection Levy be paid?

a. If paid annually, should it be paid at the end of each financial year or calendar year?

3. Are there other options to reduce administrative burden and/or harmonise with existing levy and charge arrangements?

As an industry peak body, we have not engaged on the proposed arrangements and mechanisms for the BPL collection, noting there are more significant elements (as outlined above) that need consideration before this. When the fair and equitable structure of the BPL is progressed, including a thorough assessment of who within the proposed system are already contributing to levies, biosecurity and others vs those currently not contributing, then we will be more readily open to considering collection arrangements and mechanisms.

There is an option that should be considered within the above audit/assessment proposed, which could see a collection point beyond the need to apply this to our growers/producers, and that could be to consider adding the levy collections to the GST framework. This then supports a fair and equitable collection of the required funds, and addresses the current gap between imported goods and Australian produced goods. However, the framework of applying this then will need to be reconsidered as an arbitrary 10% addition will not be compliant with the aim to collect \$50million.

5) What information would be important to you to have confidence the levy is proportionate to biosecurity system benefits?

At present our industry flat out rejects the proposed BPL and has no confidence that it has been structured appropriately nor presents a fair and equitable approach to increasing funding based on risk in a biosecurity system. As previously stated, we fully support the position expressed by the NFF Horticulture Council in calling for implementation of the recommendations made by Wendy Craik. The main component that must be progressed was the recommendation for sustainable funding to be based on a review undertaken by Animal Health Australia and Plant Health Australia in coordinating an industry stocktake of national biosecurity system investments. This stocktake will address the fundamental gap in understanding of the biosecurity system and must be undertaken before a primary producer paid biosecurity protection levy can be considered. Until this is undertaken the BPL is not supported by our industry.

In summary, there are significant issues within the current BPL proposal that make the proposed system untenable and there a number of steps that need to be undertaken before there can be any agreement on the appropriate rate or the format of a BPL. These issues in summary form are:

- The proposed rate is arbitrary and baseless and better represents a tax, not a 'levy', and
 - Implementation in its current form will disadvantage those industries, including our Australian melon industry, that already invest heavily in biosecurity and R&D funding.
 - The structure has no bearing on determining how much non levied industries should pay, which is extremely alarming for already contributing levied industries.
- There is no cap on the total amount to be paid by industry, with some melon growers calling for caps to be applied to existing levies, hence our rejection of the proposed additional BPL.
- There is a total lack of transparency within the BPL proposal with all funds going in to consolidated revenue.
 - There is little confidence within industry that these funds will deliver tangible, dedicated biosecurity outcomes. Therefore, the collection, handling and allocation of these funds need to be further specified within the BPL proposal before it can be further considered or supported.
- The BPL proposal presents a significant risk of unintended consequences, which are very likely to be realised in the form of reduction in future industry investment in biosecurity.
 - This is predicated to be both in terms of funding for Biosecurity responses and Biosecurity research and development noting existing levy fatigue.
- There continues to be no recognition that primary producers, our growers, already invest and spend a significant amount of funds on biosecurity preparedness, response, research and development and management of both eradicated and non-eradicable pests. This stocktake assessment was called for within the Craik review and needs to be prioritised. Previous reviews have identified 'risk creators', such as containerised imports, who must contribute to a fair and equitable biosecurity system, yet they have been once again left out of the BPL proposed system. This needs to be addressed as a priority and as part of the BPL system. We note that in the consultation document it is stated that this will be considered as part of a review looking at the options to reform border fees and charges – with consultation to commence late 2023, this needs to be done immediately.

- There has been no consultation, in accordance with the Governments own Legislation and Regulations, on the proposed levy either before or during its development and design. And unlike previously adopted levies, there has been no opportunity for industry to vote on its implementation, nor is this proposed to occur, and therefore it should not be called a levy and better represents a production tax.

On behalf of the Australian melon industry, I thank the Australian Government and DAFF for the opportunity to provide these views and our objection to the implementation of the BPL in its current form. I would be happy to discuss any of the content of this submission with you in the progression of this matter.

Yours sincerely

Johnathon Davey
Executive Officer
Australian Melon Association Inc, trading as Melons Australia