

13 October 2023



To:
Sustainable Levy Funding
Department of Agriculture Fisheries and Forestry
Canberra

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Re: Biosecurity Protection Levy Consultation Submission

AUSVEG welcomes the opportunity to provide comment on the *Biosecurity Protection Levy* announced by Minister Murray Watt. We welcome the Government's intent to create a sustainable funding model for biosecurity in Australia. Sustainable biosecurity funding to ensure that the horticulture and agriculture sector remains prepared and resilient to biosecurity threats and incursions has been one of AUSVEG's key advocacy agendas. A fit-for-purpose biosecurity system benefits all Australians, underpins the supply of Australia's locally produced food and fibre, generates employment within industry and associated industries and supports local communities.

Along with other plant industries, AUSVEG has submitted several prior submissions on biosecurity concerns, these include:

1. *Assessment of the effectiveness of biosecurity measures to manage the risks of brown marmorated stink bug (BMSB) entering Australia* to the Inspector General of Biosecurity Review in 2019
2. *Biosecurity imports levy discussion paper* in 2019
3. Letter to the then agriculture minister, Minister Littleproud as part of the Plant Industries Forum of Plant Health Australia in 2020
4. *Pest Risk Analysis for Cut Flower and Foliage Imports—Parts 1 and 2* in 2019 and 2020

AUSVEG rejects the imposition of the Biosecurity Protection Levy (BPL) on growers. Critical concerns around the BPL are outlined in the attached document.

Kind Regards,

A handwritten signature in black ink that reads "Zarmeen Hassan".

Zarmeen Hassan
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Introduction to AUSVEG

AUSVEG is the national peak industry body representing the interests of Australian vegetable, potato and onion growers, an industry valued at \$5.5 billion contributing to food and job security in the Australian economy. We are committed to securing the industry's future.

We advocate for growers, to all levels of government and ensure that the industry has a strong, active voice in the public sphere. We also communicate industry issues and perspectives to government, media and the public.

AUSVEG is the service provider for a number of grower levy-funded research and development projects that Horticulture Innovation Australia and Plant Health Australia manage.

Ensuring the results from these projects are made available to Australian vegetable, potato and onion growers is vital for the industries to remain at the forefront of global horticulture production and for local growers to operate an efficient, productive and profitable growing operation.

This is a tax

Under the levies and charges legislation, the agricultural levies charge is a partnership between government and industry that allows industries to fund priorities for identified purposes that many primary producers could not achieve independently. The funds raised from the levies assist industries in driving growth, maintaining competitiveness, and managing risks to ensure their ongoing contribution to the Australian economy.

The levies are imposed at the request of the primary industries after consultation with their members. Industry bodies must specify what the levies will be used for and provide evidence of consultation with their members. This has not been the process undertaken by the Department of Agriculture, Fisheries and Forestry (DAFF) in announcing the BPL. Unfortunately, DAFF has not upheld the standards of rigour and consultation that it holds industries to account to, as consultation is only being undertaken after the decision has been taken.

Beneficiaries and risk creators

Biosecurity protects a \$71 billion agriculture industry. Agriculture accounts for 2.5% of national employment. In 2021-2022, 72% of agricultural produce was exported, so agriculture supports Australia's trade balance and provides employment. Most critically, biosecurity provides food security to Australia's 25 million population. Biosecurity protects Australia's industry, trade, and food security. It is for this reason industry invests millions of dollars annually in proactive biosecurity activities that deliver tangible outcomes through contributions to biosecurity research and development, preparedness activities, and incident responses.

The sector, however, bears significant risk through biosecurity incursions – risks created by other stakeholders, with the agriculture sector having minimal influence on their activities. The cost of eradication responses, quarantined businesses and subsequent management of pests that become endemic can pose extraordinary costs to industry.

While biosecurity is everyone's responsibility, unfortunately, the BPL levy is passing this tax burden to growers, who already contribute to biosecurity protection through their levies and as one of the beneficiaries of the biosecurity system. It is incredibly disappointing that one of the most significant risk creators – the container trade- has not been brought under the fold of the levy. Industry has advocated for a container levy since 2019 through various forums

and submissions to the previous and the current Government to ensure that the most significant risk creators are financially liable and contribute to biosecurity incursions. There are numerous proven instances of biosecurity interceptions and incursions on containers – khapra beetle and brown marmorated stink bug (BMSB). These containers also bring, through the commodities they import, the risk of varroa mite, leafminers and Xylella, amongst others.

Consideration by government must also be given to the other economic beneficiaries of a well-resourced biosecurity system such as tourism, environment, sport/gambling (e.g., sporting fields, local government, horse racing, etc). Government needs to broaden the view on the impact of pests past the agricultural sector, consider those pests likely to impact other sectors of the economy, identify the beneficiary and the risk creator, and develop mechanisms for contributing to biosecurity.

Additionally, the assumption that agriculture is the only beneficiary of a biosecurity system is significantly flawed. Numerous pests will impact many areas of the economy unrelated to agriculture. In recent years, we have seen this acknowledgement through our biosecurity system embracing invasive species and environment as Parties within this space, including the Chief Environmental Biosecurity Officer with DAFF. BMSB is a clear example of such a pest. The impact of BMSB is low to medium for many industries; however, rate as very high for the environment, regional communities and the Australian way of life. To date, the burden of eradication of BMSB has resided solely on the agriculture sector, with farmers contributing to eradication through their levies.

Lack of recognition of current industry investments

In implementing the BPL, no consideration has been given to current investments by industry. Also, it is important to note that levies arrangements differ across industries - for example, some industries are not signatories to the EPPRD, and some do not have a marketing levy). However, the blanket calculation of the BPL across all levies for a given industry represents inequity and creates a further cost burden for industries that contribute through levies. Vegetable, potato and onion growers, through their levies, are already contributing to biosecurity protection and preparedness, both for research and development, as well as for plant health and biosecurity. The growers represented by AUSVEG are currently paying the following levies:

Table 1 – Current levies

Vegetables	EPPR	PHA	R&D	Marketing	TOTAL
Unprocessed vegetables – calculated as a percentage of the sale value	0.010 per cent	0.015 per cent	0.485 per cent	\$0.00	0.51 per cent
Processed vegetables – calculated as a percentage of the value of the vegetable if it were first sold as an unprocessed vegetable	0.010 per cent	0.015 per cent	0.485 per cent	\$0.00	0.51 per cent
Potatoes	EPPR	PHA	R&D	Marketing	TOTAL
Unprocessed potatoes (up to 30 September 2018)	\$0.00	2 cents per tonne	48 cents per tonne	\$0.00	50 cents per tonne
Unprocessed potatoes (commencing 1 October 2018)	10 cents per tonne	2 cents per tonne	48 cents per tonne	\$0.00	60 cents per tonne

Vegetables	EPPR	PHA	R&D	Marketing	TOTAL
Processing potatoes	\$0.00	1 cent per tonne	49 cents per tonne	\$0.00	50 cents per tonne
Onions	EPPR	PHA	R&D	Marketing	TOTAL
	\$0.00	10 cents per tonne	\$2.90 per tonne	\$1 per tonne	\$4.00 per tonne

The above levies support R&D programming, biosecurity preparedness, and response to incursions. The horticulture industry invests significantly in biosecurity preparedness through our R&D and PHA levies.

In 2022-2023, the industry invested almost \$20 million in biosecurity programs, as seen in Figure 1 below. In September 2023 alone, there were approximately \$112 million worth of active biosecurity programs managed by Hort Innovation. Industry additionally has expended \$12.3 million in preparedness activities and biosecurity incursion response. It is critical to note that this number is exclusive of the varroa mite response which is a cost-shareable response of \$132 million, of which industry's contribution is \$26.4 million.

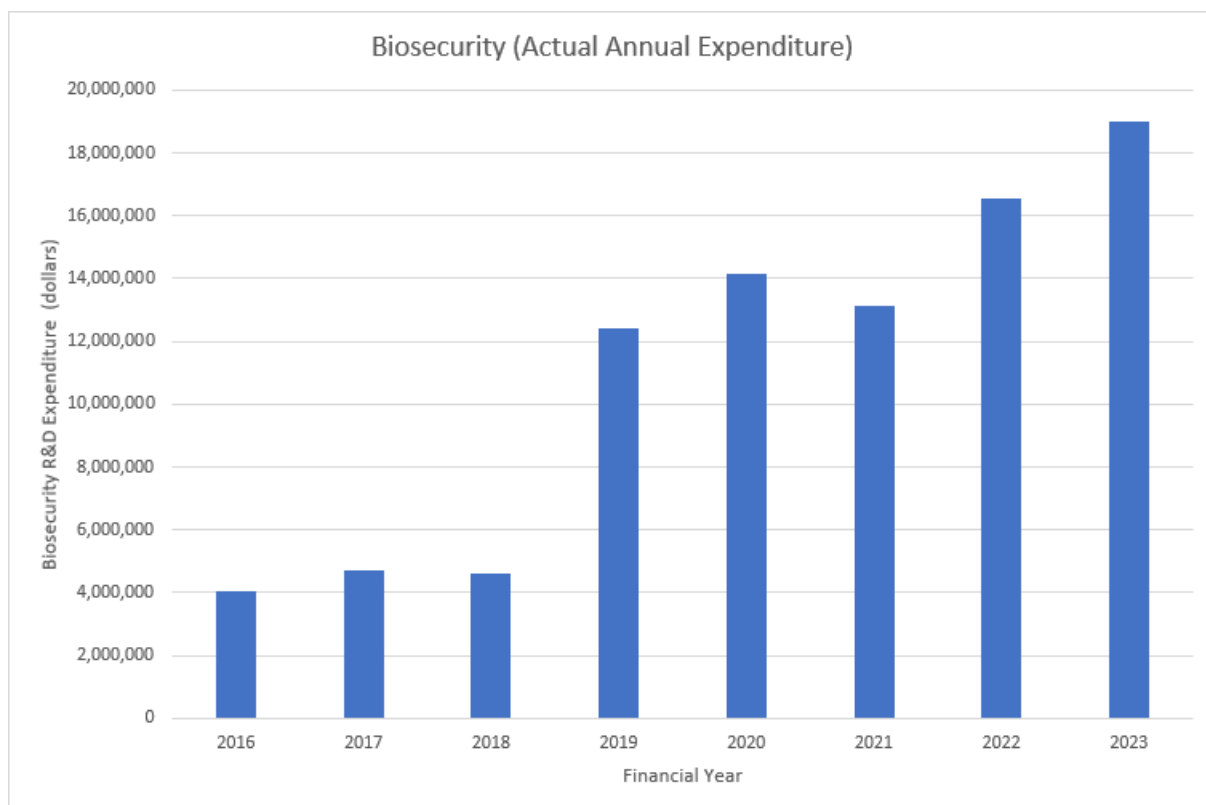


Figure 1 Actual annual biosecurity expenditure

Source: Hort Innovation

These numbers are testimony to industry's commitment to protect and prepare itself against biosecurity incursions. However, this has not been considered in the introduction of the BPL.

In 2017, the Craik report 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 RRR model have containers as a pathway.'

Disappointingly, through the BPL, Government has failed to hold to account, the key risk creator - the container trade - which, while contributing significantly to biosecurity risk, is contributing nothing to risk mitigation. At the same time, growers are being further burdened through additional taxation.

Risk to current preparedness investment

Government is aware of the rising cost pressures being faced by growers and consumers. In addition, weather events and global supply chain disruptions are causing upward cost of production pressures for growers. Additional tax in the form of BPL, risks the current levy structures in place with growers being eventually unable to afford to pay both the tax and the agricultural levies. This brings the risk of growers pushing back on reducing or eliminating their agricultural levies.

In March 2023, ABARES published a report, Agricultural research and development investment in Australia, highlighting that R&D continues to yield high returns, with estimates indicating that each additional \$1 investment could generate a return for farmers of \$7.82. The report also highlighted that private sector funding has grown at an average annual rate of 5.63% from 2005-06 to 2021-22, exceeding the 2.02% annual growth rate of public sector investment.

This report demonstrates that R&D investment continues to be critical and fundamental to delivering new technology and knowledge into the Australian agricultural system and is an important driver of productivity growth, competitiveness, and the sustainability of our agricultural sector.

The additional BPL puts all the work undertaken through the levies for biosecurity preparedness at risk when growers push back against increased cost pressures. With increasing biosecurity threats and no preparedness work being undertaken, the cost of food within the country will escalate, bringing to question food affordability and security for Australians.

The BPL tax will invariably be passed on to the consumer, increasing the cost of food accessible to Australians.

Lack of transparency and appropriation of Consolidated Funds

As mentioned in the consultation document, the intent of the BPL is to be collected as consolidated revenue with no commitment for direct appropriation to DAFF. Even if directed to DAFF, it will not result in direct investment in biosecurity outcomes for industry.

Critically, the BPL does not add more boots on the ground and is cost recovery without a direct or appropriate mechanism for the recovered costs. Unfortunately, the proposed sustainable model does not address the decline of the overall biosecurity system or state governments' reduced capacity. As mentioned in the Plant Industry Forum (PIF) submission, plant biosecurity is already under serious threat from this lack of capacity, exposing plant industries to a higher number of incursions.

DAFF must maximize internal efficiencies before taxing other sectors. What measures have been introduced by the government to address the cost increases in the department by addressing inefficiency and redundancy in the system?

As mentioned in the PIF submission, the recent Capability Review by the Australian Public Service Commission (APSC) made several recommendations to address 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, driven by differences in government ideology, should not be passed on to the industries the Department serves.

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, AUSVEG supports Plant Industry Forums rejection, the premise that industry should be further levied to support the Department's budget.

Conclusion

In conclusion, AUSVEG rejects the imposition of the BPL on growers based on the following concerns:

1. No consultation was undertaken with key stakeholders before implementing the BPL.
2. Failure to undertake a risk-based approach and tax key risk creators to be financially liable for the risk they create.
3. Lack of recognition of the investment and work being undertaken by industry on biosecurity preparedness.

4. Risk of pushback on current agricultural levies and subsequent consequence of reduced critical investment in biosecurity preparedness activities by industry.
5. Lack of transparency and appropriation of funds collected towards industry biosecurity.