

24 November 2022

Biosecurity Sustainable Funding Taskforce
Department of Agriculture, Fisheries and Forestry
Canberra
ACT 2609

By email: SecretariatBSF@agriculture.gov.au / Have your say portal

RE: Submission to Sustainable funding and investment to strengthen biosecurity: discussion paper.

British American Tobacco Australia (BATA), as a leading Australian consumer goods business, welcomes the opportunity to respond to the Department of Agriculture, Fisheries and Forestry (DAFF)'s 217-2022: Sustainable funding and investment for biosecurity: discussion paper.

Compromised biosecurity threatens not just our food and fibre production, but poses a risk to Australia's distinct economic advantages. In building on this, the discussion paper identifies Australia's animal, plant, human and environmental health outcomes being reliant on strong biosecurity controls to manage and minimise the risk of pests, weeds and diseases entering, emerging, establishing or spreading within Australia.

As identified in the discussion paper, illegal tobacco is a significant 'risk creator', due to the nature in which it is smuggled into Australia, by sea cargo, aircraft, international travellers and mail channels.

BATA submits that the composition of illicit tobacco is a significant biosecurity threat to Australia in both conventional cigarettes and loose leaf ('chop chop') form as it can harbour pests in its organic matter which has the potential to cause catastrophic consequences to our food and fibre production.

For Australia to retain its strong biosecurity measures, BATA recommends significant investment by the Federal Government in technologies that detect illegal organic tobacco matter carried in both inbound containers to Australia and those already sitting in containers within the sovereign borders.

BATA acknowledges DAFF's view that it is not possible to manually check all containers that arrive in Australia and that increased screening efforts potential cause delays at ports.

In response, it is recommended that investment should be made in technology infrastructure at the Australian border with an additional dedicated focus outside Australia (pre-border). This would include operations in major illegal tobacco source countries such as China, the United Arab Emirates and South Korea, to ensure detections occur prior to the illegal shipment's arrival in Australia.

BATA observes that if further measures were taken to combat the illegal trade of tobacco more broadly in Australia, the additional revenue captured through a reduction on non-excised product could be used to invest in Australia's sustainable long-term biosecurity measures and initiatives.

BATA notes the Commonwealth has committed \$96.9 million over 4 years to better manage the risk of 'hitchhiker' pests and diseases. The recently published Australian Taxation Office (ATO) tobacco tax gap data, estimates that \$1.9 billion AUD per annum is lost to illegal tobacco.

If the Government was to capture just 5.1% of the lost revenue from illegal tobacco in one financial year, this would be equal to the whole \$96.9 million budget committed to biosecurity.

That would mean the Government would be able to allocate \$96.9 million per year to strengthened biosecurity measures rather than \$96.9million over 4 years.

With its revision of the ATO illegal tax gap estimate, the Albanese Government is clearly recognising that the size of the illegal tobacco in Australia has been underestimated in recent years.¹ Beyond the loss in excise duty, the gross value gap of illegal tobacco attempting to enter the market has widened from \$2.1 billion (2019-20) to \$4 billion (2020-21). Government law enforcement seizures of illegal tobacco (before it could enter the market) also grew exponentially from \$0.8 billion (2019-20) to \$2.1 billion (2020-21) in value.

In 2021, KPMG estimated that 19.3% of all tobacco consumed in Australia was illegal, resulting in a tax revenue loss of \$3.4 billion.²

Based on the ATO and KPMG assessments, there is a critical need for the Federal Government to implement new policy measures and allocate resources to prevent a biosecurity outbreak, detect illegal tobacco and capture the potential \$1.9billion - \$3.4billion per annum in additional tax receipts that could be used to fund Australia's biosecurity model.

Thank you again for the opportunity to provide a submission to this review. If there are further questions arising, please contact Isabella McDougall, Engagement Manager, BATA via isabella.mcdougall@bat.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Simmons', is written over the typed name and title.

Peter Simmons
Area Director – South-East Asia
British American Tobacco

Appendix

Australian Border Force activities have detected poisons such as formaldehyde, and found rat faeces inside illicit tobacco—posing a health and biosecurity risk to Australia - [Tobacco \(abf.gov.au\)](https://www.abf.gov.au).

PNG border security a key strategic interest for Australia - [PNG border security a key strategic interest for Australia | National Security College \(anu.edu.au\)](https://www.anu.edu.au).

Australian Commission for Law Enforcement Integrity - [Public Investigation Report - Operation Turner.pdf \(aclei.gov.au\)](https://www.aclei.gov.au).

¹ Latest estimate and findings | Australian Taxation Office ([ato.gov.au](https://www.ato.gov.au))

² KPMG, (July 2021) *Illicit Tobacco in Australia*, 2021 Full Year Report