

24 April 2023

Andrew Metcalfe AO, Secretary
Department of Agriculture, Fisheries and Forestry
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Via email BioCRIS@agriculture.gov.au

PROPOSED CHANGES TO REGULATORY CHARGING FOR BIOSECURITY ACTIVITIES

Dear Andrew,

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) recognise Australia has serious biosecurity risks on its doorstep and understand that should these cross our international borders and spread, it could have potentially devastating impacts on our agricultural industries, environment, health, and economy.

At the same time, process improvements, modernised systems and an appropriately resourced workforce need to be deployed by the Department of Agriculture, Fisheries and Forestry (the department) to facilitate the movement of legitimate international trade.

It is essential that biosecurity safeguarding and trade facilitation are not regarded as being mutually exclusive. The shared responsibility for Australian government and industry should be to set a global benchmark in minimising biosecurity risk whilst facilitating the timely movement of legitimate trade.

Legacy systems and processes

In terms of import cargo, it is evident that the department reliant on labour intensive processes with biosecurity officers physically assessing import documentation and to select consignments for further biosecurity action based on the assessment of risk. The only real progress in the last half-century in terms of document assessment is instead of industry physically presenting documents to a counter, in more recent years these are scanned and sent electronically.

This is in vast contrast to customs processing whereby the same industry participants submit data using sophisticated systems and receive automated status responses within minutes.

As outlined in an independent report completed by the Inspector-General of Biosecurity (IGB) in February 2021, the biosecurity system is not in a strong position to address the diverse and evolving biosecurity risks and business environment expected to prevail through to 2025. *'This assessment is based on an examination of the systemic problems, including the department's regulatory maturity, its approach to coregulation, inadequate frontline focus, and the absence of an appropriate funding model.'*

The release of the IGB report coincided with a meeting between FTA / APSA representatives and the Hon David Littleproud (the then Minister for Agriculture, Drought and Emergency Management) resulting in the Minister producing a media release acknowledging performance failures, outlining necessary proactive initiatives and making the following affirmative statement *'I have asked my department to work with industry groups on other short-term and medium-term system and process improvements, and on setting a global benchmark in biosecurity best practice through co-design.'*

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Interim measures developed in consultation with industry and deployed by the department during 2021 provided a level of relief but was not sustained as they failed to address longer term underlying causes.

Impacts on Trade

Document assessment and inspection processing times continue to fluctuate resulting in importers, freight forwarders and customs brokers suffering significant delays. This adds considerable costs which include but are not limited to contractual failures in meeting supply commitments and foreign shipping line administered container detention penalties for the late dehire of empty containers.

As outlined in the FTA/APSA response to the Productivity Commission's review of *Australia's Maritime Logistics System*, foreign owned shipping lines do not reasonably consider why there is a delay in returning empty containers. Biosecurity delays are one of many causes of container detention fees that are conservatively costing importers \$500 million per annum.

While the department provides regular data in terms of document assessments, bookings and inspections, an improvement to reporting is essential to accurately reflect processing times. This is particularly important for customs brokers to justify delays to importers who ultimately must absorb associated costs or pass it on to consumers, adding to inflationary pressures.

Current performance

Industry experienced and valued a period of weeks earlier this year with same day document assessment. Feedback from members is that this was short-lived and from mid-March, delays have returned, again resulting in significant commercial costs.

This also brings into question the departments' service standard charter that refers to 80% processing within two business days. This is setting the bar extremely low and is something that must be changed to avoid the acceptance of mediocrity.

FTA/APSA is of the view, that with appropriate resource allocation and modernised systems and processes, an interim service level of 100% same day service could be achieved.

Reform

Process and systems re-engineering is required to allow and encourage industry to submit earlier information. This combined with improved document assessment and inspection performance will facilitate legitimate trade and ease pressure on limited departmental resources to better safeguard against biosecurity risk.

FTA/APSA acknowledge that the department has co-designed solutions with industry including examination of commercial practices to reduce the risk of introducing and spreading contaminating pests and therefore minimise the associated regulatory consequences for Australian commerce.

The *Biosecurity Trusted Importer Program* or commonly referred to as 'green lane' is the gold standard of strong partnerships and shared biosecurity culture as outlined in the recently released National Biosecurity Strategy

'The goal of the green lane is to establish trust-based arrangements to:

- *Reduce compliance effort and regulatory fees for participating importers, and improve speed to market for their goods*
- *Allow the redirection of Departmental resources to areas of greater risk and system reform*
- *Build relationships between Industry and Government through sustained effort and collaboration'*

These longer term strategies tie in with the *Commonwealth Biosecurity 2030* 'roadmap' by reducing the regulatory burden for qualifying import businesses and increase certainty in border clearance. Furthermore, it ties with successive federal government agendas for simplifying trade and deregulation and align with the scope of the *Simplified Trade System* (STS) Taskforce.

FTA was honoured to be a member of the *National Biosecurity Strategy Reference Group* (and an existing member of the *National Biosecurity Strategy Implementation* committee) and see all identified priority areas as having significant merit requiring an underpinning sustainable funding model.

Whilst applauding and supporting these initiatives, the rate of implementation is too slow with some now controversially "paused" due to budgetary restraints. As outlined in the FTA submission to the *Inquiry into the Adequacy of Australia's Biosecurity Measures and Response Preparedness* (26 August 2022) a review of cost recovery arrangements is clearly necessary as a part of future budgetary considerations.

Proposed amendments to the existing Biosecurity Cost Recovery Arrangement

FTA/APSA notes that new regulatory charging options and alternative funding sources are being considered separate to this review as part of a broader discussion on the development of a sustainable funding and investment model for biosecurity.

In the interim, FTA/APSA offers the following commentary on variations to existing arrangements as outlined in the consultation paper *Proposed changes to regulatory charging for biosecurity activities*.

Full Import Declaration (FID) cost recovery

FTA/APSA note the recommendation to increase both the air and sea Full Import Declaration (FID) by \$5 for the 2023 / 2024 period (\$38 to \$43 for air / \$58 to \$63 for sea).

FTA/APSA particularly question the distribution of funds for the sea FID increase noting it most recently increased from \$49 to \$58 on 16 January 2023. As outlined earlier in this submission, since this recent cost recovery increase, there has been a further deterioration in services leaving questions as to whether it has been used to fund additional frontline services.

As outlined by FTA/APSA representatives during the department's online cost recovery briefing on 13 April 2023, industry could potentially accept an even higher cost recovery with an absolute guarantee that this will translate to improved services with funds directly used to deploy and train departmental front-line resources (if required, removing existing government-imposed staffing caps), improved technology and process re-engineering.

FTA/APSA fear that industry will pay a modest increase (as proposed) for continuation of the same deficient and inconsistent service with the department again to be under scrutiny when inevitable trade volumes return.

Approved Arrangement cost recovery

FTA notes feedback from the *Department of Agriculture Cargo Consultative Committee* (DCCC) meeting held on 6 April 2023 that only 14% of eligible Rural Tailgate inspections are being completed by 14.4 Approved Arrangement facilities. This is leaving a heavy workload for the department and minimal return on investment for establishments offering this inspection service.

FTA see merit in a differential cost recovery arrangement to incentivise importers and customs brokers to use 14.4. Approved Arrangement facilities to allow the department to utilise limited resources more effectively on higher biosecurity risk activities.

Similarly, FTA argued against the introduction of the blanket \$2900 Approved Arrangement fee introduced in 2016 seeing this as a deterrent for further uptake. In response to the FTA advocacy, a subsequent concession was made in 2017 adjusting the cost to a \$500 annual fee for businesses solely involved in customs clearance activities with a capped price for those with several non-broker approved arrangements sites remaining at \$2900.

While we note that was a significantly improved outcome, our position remains that there should be a \$0 annual fee for the operators of customs broker class 19.1 and 19.2 Approved Arrangements with full cost recovery on a FID basis.

As well as incentivising increased utilisation of the Approved Arrangements, this will assist supply chain participants in effectively passing on departmental cost recovery to importers at a net rate as charged by the department.

Cost Recovery Principles

In November 2022, FTA responded to the department's discussion paper titled *Sustainable funding and investment to strengthen biosecurity* summarising member feedback as follows:

- merit is seen in the "risk creator" contributing proportionally and via nuanced risk-based metrics to sustainable biosecurity funding;
- determination of "risk" can only be ascertained by the department;
- the current method of cost recovery against Full Import Declarations (FIDs) being a blunt instrument that in effect penalises parties who are proactively strengthening their supply chains from a biosecurity perspective;
- despite this, the current cost recovery method has one major benefit being that the importer pays this at a net rate;

- a model where biosecurity funding is levied at other parts of the supply chain will almost certainly result in the cascading effect of each party levying an administration fee which would see the importer paying a (potentially significantly) inflated amount of biosecurity cost recovery; and
- merit is seen in a differentiated model whereby importers who can mitigate in part or in whole the biosecurity risk would attract a lower level of cost recovery.

FTA remains committed to the above principles, however, acknowledge it will take time and ongoing engagement to evolve to a contemporary cost recovery model.

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