

18 April 2019

Biosecurity Imports Levy Steering Committee

Via email: bilreview@yahoo.com



To whom it may concern,

RE: Biosecurity Imports Levy discussion paper

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Biosecurity Imports Levy discussion paper.

The NFF is the voice of Australian farmers and was established in 1979 as the national peak body representing farmers and the agriculture sector more broadly, across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

The importance to all Australians of an effective and robust, science-based and adequately resourced national biosecurity system cannot be overstated. Concerns about funding of the system were detailed in the final report of the 2017 Craik review of the Intergovernmental Agreement on Biosecurity, which noted '*... there is widespread support for the view that the national system is currently underfunded and that, in particular, there is inadequate funding for those areas where the greatest return is likely to be achieved.*'¹ The Craik review recommended a biosecurity imports levy to partly address this shortfall, with funds raised to be invested in important activities such as environmental biosecurity, national monitoring and surveillance, research and innovation, and communication and awareness². The NFF strongly supports the introduction of such a levy, which targets biosecurity risk creators and will fund improvements to strengthen the national biosecurity system for the benefit of all Australians.

Before addressing some of the specific questions raised in the discussion paper, we would like to make the important point that it is critical the full quantum of funds raised through the levy is invested back into the biosecurity system, and does not disappear into consolidated revenue. We note this is a principle that is shared by the steering committee and would request that it remain a key requirement in the advice that the committee provides back to government. Further, and perhaps even more importantly, it is essential that the revenue raised through the imports levy is not used to substitute existing government investment in biosecurity. The NFF strongly supports the steering committee's view that the funds should be used for additional activities that will improve the system, and not to replace government investment or maintain the status quo.

We are concerned by the Australian Government funding forecast in Table 7 of the discussion paper, which doesn't appear to reflect the addition of the forecast levy revenue

¹ Craik W, Palmer D, and Sheldrake R, 2017. *Priorities for Australia's biosecurity system*, pp 114.

² Craik W, Palmer D, and Sheldrake R, 2017. *Priorities for Australia's biosecurity system*, pp 128.

(c. \$108 million p.a.), and would seek a guarantee from government that the levy funds will be made available in full for biosecurity activities and will be in addition to the government's existing appropriation for biosecurity. We note that Australian agriculture ministers have agreed to maintain appropriation funding for biosecurity at 2016-17 levels (in real terms) or more until after the next review of the Intergovernmental Agreement on Biosecurity³. The imports levy revenue should not be used to achieve this, and should be additional funding for additional activities, consistent with the rationale that was presented for the introduction of the levy.

The NFF supports the two specific mechanisms proposed by the steering committee that would support transparent and well targeted investment of the levy revenue – namely the establishment of a Biosecurity Advisory Council, and production of an annual biosecurity Budget-related paper. We will expand on these measures further below.

Question 2. Do you see issues arising from the previous paragraph's recognition that the proposed levy is a tax? How could these issues be addressed? For example, if you consider the Government's proposed revenue target could be met via one or more cost recovery charges, what might they be (given the Constitutional risk to such charges from over-recovery)?

It has been determined that the levy as proposed is a tax, and the government has committed that revenue raised through the levy will be directed to non-regulatory biosecurity activities to strengthen the overall system. Given this, and the remit of the committee to develop advice on the design of such a levy, the NFF considers that exploration of new cost-recovery charges would be more appropriately addressed through a separate process.

Question 4. Given the Steering Committee has noted that the Government's proposed levy is properly regarded as a tax measure (paragraph 28) and the concerns of paragraph 30, do you agree with the proposed recommendations in paragraph 31? Would you qualify or amplify those recommendations; if so please explain?

The NFF strongly supports the proposed recommendations in paragraph 31. As stated in the discussion paper, establishment of a Biosecurity Advisory Council was a recommendation of the 2008 *Independent Review of Australia's Quarantine and Biosecurity Arrangements* (the Beale Review), and we note the government at the time signalled that its intention was to establish such a forum, drawing together individuals with skills and expertise in diverse disciplines to provide advice to the minister and core institutions.

An Australian Government commitment to produce an annual Biosecurity Budget-related Paper (as proposed in the Pegasus Economics report on the biosecurity imports levy⁴) with a full reconciliation of funding sources and expenses would be very much welcomed by the NFF and its members. As well as providing much-needed transparency and accountability, such a measure would send a strong signal to industry and the community about the national

³ Response from Australian agriculture ministers to the final report of the independent review of the Intergovernmental Agreement on Biosecurity, November 2018.

<<http://www.agriculture.gov.au/SiteCollectionDocuments/igab-review-response.pdf>>

⁴ Pegasus Economics, 2019. *Report on the Biosecurity Imports Levy*, pp 18

<<http://www.agriculture.gov.au/SiteCollectionDocuments/about/budget/pegasus-economics-report-biosecurity-imports-levy.pdf>>

importance of biosecurity, and the government's commitment to working with industry to deliver a world-class biosecurity system by identifying priorities and addressing gaps.

Question 5. Do you agree with the above principles, especially as they relate to equity and efficiency, as a basis to assess potential levy proposals? Are there any others you consider should be followed?

The principles as presented are important considerations for the design of the biosecurity imports levy. The NFF agrees with the committee's view that where possible existing collection mechanisms should be employed, and that the point of imposition should be as close as possible to the cargo owners/imports who have created the demand for the import, which will minimise the scope for cascading as costs are passed through the supply chain.

Question 6. Given that a levy is to be implemented, and that it should relate to "processes of importing that might raise biosecurity risks", do you agree with its application only to sea freight, as per the Budget announcement? What about its extension to air freight, as recommended by the Craik review, on equity grounds? Should a vessel tonnage levy (as discussed above) be considered? Should such a vessel tonnage levy apply to cruise vessels? Or to vessels more generally, including those arriving in ballast to load exports, or private yachts? Noting the present moratorium on the Passenger Movement Charge, should the levy be extended (in due course) to air and/or sea passengers?

The NFF notes that the committee's terms of reference require it to design a levy on imports arriving by sea, and would stress the importance of the committee focusing on this immediate task. However we acknowledge that the Craik review also recommended a levy on incoming air containers and would stress that this import pathway is a significant source of biosecurity risk. Therefore we agree in principle that the levy should be extended to air freight, and that mechanisms for enabling this should be investigated as a matter of priority. We would stress again that the committee's core task is to develop advice to enable a levy on imports by sea to be introduced by 1 September 2019.

We note that the Australian Government has committed to not increasing the Passenger Movement Charge (PMC) until 1 July 2022, and that consideration of levies on air and sea passengers is outside the remit of the committee. The NFF would welcome the opportunity to engage in any future review of the PMC in light of the Craik review's recommendation to increase the charge to 'enhance activities across Australia's biosecurity system.'⁵ Inbound passengers are a significant source of biosecurity risk, and increases in the PMC have been justified on the basis of biosecurity risk in the past. It is disappointing that this revenue is not hypothecated back to the Department of Agriculture and Water Resources for biosecurity activities, and this would obviously be an important consideration in any future increase.

Question 8. Do you support the use of the Full Import Declaration as a means of collecting the levy?

Based on the rationale presented by the steering committee, the NFF supports in principle the use of the Full Import Declaration as an efficient means of collecting the levy. The arguments presented are compelling, and we understand this is an existing system that could readily be

⁵ Craik W, Palmer D, and Sheldrake R, 2017. *Priorities for Australia's biosecurity system*, pp 128.

adapted to collect the levy with minimal administrative impost and without the requirement for new systems to be developed.

Question 9. Please comment on the extent of industry contribution to the overall biosecurity system from your knowledge and perspective. Please provide specific examples and if possible \$ figures, where this information might not be well understood.

The Craik review recognised that the financial contribution made by industry to the national biosecurity system was ‘unknown’ and warranted greater acknowledgment. The industry funding figures presented in the table on page 13 of the discussion paper relate to cost-recovered expenses for services provided by the Department of Agriculture and Water Resources, and are therefore not a complete reflection of the private sector contribution to the biosecurity system.

Australia’s agriculture industries make a substantial contribution to the national biosecurity system, through on-farm and off-farm activities and programs. This includes as parties to the emergency response deeds, responsible for cost-sharing (with governments) the response to emergency plant pests and animal diseases when incursions do occur. These costs can be significant, and the pests are often directly linked to processes of importing – for example recent incursions of khapra beetle, brown marmorated stink bug and varroa mite. Once a pest is established, the ongoing costs to farmers of management and of productivity losses, as well as the possibility of losing important export market access are huge. The cost of environmental pests and diseases is also significant, and affects all Australians – both in the cost of management (borne by governments, but ultimately the tax payer) and in the loss of amenity and quality of life once pests are established.

Question 10. Please provide comments on the appropriateness and extent of biosecurity expenditure programs and general activities that have been identified for funding from the biosecurity levy. Are there any other activities that might be appropriate for funding?

The introduction of this levy provides a unique opportunity for the government to strengthen the national biosecurity system by making careful investments in areas where the greatest returns are to be had, and in areas that are currently underfunded, including environmental biosecurity. This was the conclusion of the Craik review. The NFF shares the concerns of the committee on this issue, including that the list of specific programs to which levy revenue should be applied does not appear to fully align with the principles set out in the Craik review. This would add further weight to the argument for establishing a Biosecurity Advisory Council to provide strategic advice to the minister responsible for biosecurity to assist with prioritising and targeting biosecurity investment. The Craik review also concluded that there is a strong case to increase industry’s involvement in decision making more broadly given its sizeable contribution⁶.

Other considerations

The NFF notes that military equipment is exempt from the biosecurity imports levy, and would like to bring some concerns about this exemption to the committee’s attention.

⁶ Craik W, Palmer D, and Sheldrake R, 2017. *Priorities for Australia’s biosecurity system*, pp 102.

Movement of military equipment into Australia is, like other import pathways, a source of biosecurity risk⁷.

Incursions of a number of exotic weeds in the Shoalwater Bay Training Area in Central Queensland have been linked to Singaporean army activity in the area, for example:

- *Chromolaena odorata* (Siam weed) found in 2013.
- The following weeds found in 2011:
 - *Indigofera vohemarensis* (no common name)
 - *Asystasia gangetica* ssp. *Micrantha* (Chinese violet)
 - *Sida ciliaris* (Bracted fanpetals).

The rationale for excluding military equipment (esp. military equipment owned by foreign governments) from the levy base has not been made clear, and the NFF would ask that the committee request further information from the government on this exemption, given that import of military equipment is a known source of biosecurity risk. Regardless of whether the levy is applied to military equipment, the NFF seeks assurances that incoming military cargo is subject to the same biosecurity protocols and risk assessments as any other imports.

Should you require any further information in relation to this submission, please do not hesitate to contact Adrienne Ryan, General Manager Rural Affairs, at aryan@nff.org.au or 02 6269 5666.

Yours sincerely,



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Chief Executive Officer

⁷ See Inspector General of Biosecurity Review Report No. 2018-19/01 *Military biosecurity risk management in Australia*. < <http://www.igb.gov.au/SiteCollectionDocuments/military.pdf> >