



13 October 2023

Department of Agriculture, Fisheries and Forestry
Biosecurity Sustainable Funding Implementation Branch
Agriculture House
70 Northbourne Avenue
Canberra 2601

Dear Biosecurity Sustainable Funding Implementation Branch,

Subject: NFF submission to the Introduction of the Biosecurity Protection Levy: Consultation Paper

On behalf of the National Farmers' Federation (NFF), I make this submission to the Department's *Introduction of the Biosecurity Protection Levy: Consultation Paper*. While the NFF supports ongoing efforts to ensure our biosecurity system is appropriately resourced, we oppose the proposed Biosecurity Protection Levy (BPL, Levy) principally due to concerns over the specific constructs of the policy.

It is important to note that the sector does not object to the BPL on the basis of simply not wanting to contribute more to biosecurity systems. Australian producers already contribute significant amounts to biosecurity systems and efforts, and remain open to sensible opportunities to invest in actions that deliver tangible and additional biosecurity outcomes.

Unfortunately, the sector does not currently view the proposed policy as such an opportunity. The objections held relate specifically to concerns pertaining to the construct of the proposed policy and the issues that may result from its implementation. Outlined in more detailed in the attached submission, the key reasons for the sector's opposition to the BPL include:

- Its inconsistency with established levy imposition and collection principles;
- Its inconsistency with the agreed principles of the National Biosecurity Strategy;
- The likelihood of a range of negative unintended consequences for agricultural and biosecurity systems;

- The transparent use of the collected funds to deliver dedicated, additional and tangible biosecurity outcomes;
- The lack of recognition of existing producer contributions to the biosecurity system; and
- The need for increased contributions from risk creators, including containerised imports.

These concerns form the basis of NFF's position on this matter, one formed with our members representing all major agricultural commodities and jurisdictions. These concerns are not in order of materiality, with all issues being of concern to the sector.

Of the issues noted above, I'd like to draw specific attention to the potential for the policy to have negative impacts on agricultural and biosecurity systems. In particular, the NFF is extremely concerned that it may have a distortionary impact on the rural research and development system given it does not appear to accord with underlying principles such as proper establishment processes, industry support, equitability and accountability.

While we understand some efforts are being made to establish the Levy separate to the existing industry levies regime, producers will likely not draw this distinction. This is understandable given that the policy explicitly links the quantum of levied funds to the amounts contributed by producers for their industry levies.

Given this, we hold very real concerns that the introduction of the Levy will impact producers' confidence in, and support for, and the levies system. Its inconsistency with key levy principles in effect constructs the policy as a tax on existing R&D and marketing contributions, and this may see distortionary impacts on their volunteer contributions. For a levy system that has served producers so well to date, and which will be critical in underpinning our aspirations of becoming a \$100 billion sector in the future, this is a risk we can ill afford to take.

Finally, in addition to policy-related issues, the NFF holds concerns that the timeframes in which to enact the Levy are impacting the ability to run a process warranted for a policy of this significance. The Levy will impact the majority of Australia's 85,000 producers across all commodities, in addition to many thousands of supply chain participants involved in levy collection, and be underpinned by stand-alone legislative and regulative frameworks. Adequate time for both policy development and implementation simply has not been given.

I urge the Government to listen to the overwhelming majority of producers about the genuine concerns related to the Levy. We must pause and address the issues raised with the current policy and not let an arbitrary implementation deadline dictate what is a significant policy change for the entire sector, with potentially serious impacts.

We remain committed in our desire to improve the resourcing of the biosecurity system and stand ready to work with Government to identify means by which this can be done appropriately.

Should you require further information, please do not hesitate to contact Mr Christopher Young, General Manager of Rural Affairs on cyoung@nff.org.au or at (02) 6269 5666.

Yours sincerely,



TONY MAHAR
Chief Executive Officer



National Farmers' Federation

Submission to the Introduction of the Biosecurity Protection Levy: Consultation Paper

13 October 2023

NFF Member Organisations



The National Farmers' Federation (NFF) is the voice of Australian farmers.

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

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 85,000 farm businesses in Australia, the vast majority of which are wholly Australian owned and operated.

Economic >

The agricultural sector, at farm-gate, contributes approximately 2 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production is forecast to be \$80 billion in 2023-2024.

Workplace >

The agriculture, forestry and fishing sector employs approximately 313,700 people, including over 215,800 full time employees.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 49 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.79 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the NFF together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national program with bipartisan support.

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Overview

This submission provides the NFF's response to the Department's Biosecurity Protection Levy (BPL, the Levy) Consultation Paper (Consultation Paper).

The submission provides industry comment across three broad areas:

- Overarching considerations relating to sustainable biosecurity funding;
- The Levy policy development process; and
- Specific concerns related to the BPL.

Given the NFF's current concerns with the Levy, we oppose the policy.

The NFF urges the Department to recognise these as genuine concerns and undertake a process to adequately address them.

Sustainable biosecurity funding

Australia's biosecurity system is fundamental to the success of Australian agriculture, the health of our natural environment and to our society and economy at large. It is imperative that the system is innovative, adequately resourced and operates effectively.

Our target of a \$100 billion agricultural industry by 2030 is heavily reliant upon Australia maintaining a favourable biosecurity status, underpinning our domestic production and advantageous market access.

Much of the NFF's advocacy in recent years has been focused on ensuring the system is adequately resourced to respond to an increasingly complex biosecurity environment. Appropriate resourcing is central to protecting Australia's agriculture industries, natural environment, community and economy from the damaging impacts of pests and diseases.

In more recent years, the NFF was an active participant in the National Biosecurity Strategy process, sitting on the Reference Group, and welcomed the Strategy's identification of sustainable investment as a priority area. The sector also highlighted this in its submission to the October 2022 Senate Rural and Regional Affairs and Transport References Committee inquiry into *The Adequacy of Australia's biosecurity measures and response preparedness*.

The BPL Consultation Paper outlines the Government's *Sustainable funding for a strong biosecurity system* package, announced as part of the May 2023 Budget. At the time of the announcement, the NFF welcomed increased contributions from taxpayers, travellers, and importers to biosecurity at the Commonwealth level.

The NFF did however raise concerns that increased charges from importers appeared to mostly bridge existing cost recovery gaps between the cost of administering regulated biosecurity activities and the charges received from importers for doing so. While this is important, the NFF has sought for importers to increasingly help fund the broader system to deliver additional and proactive biosecurity activities. Further details on this are provided later in the submission.

With respect to the BPL, it is important to note that the sector does not object to the BPL on the basis of simply not wanting to contribute more to the biosecurity systems. The sector already contributes significant amounts to biosecurity efforts (outlined later in this submission) and remains committed to exploring sensible opportunities to invest in actions that deliver tangible and additional biosecurity outcomes.

Key points:

- *Australia's biosecurity system must be adequately resourced to respond to an increasingly complex risk environment.*
- *The NFF has welcomed increased contributions from taxpayers, travellers and importers, but raised concerns that contributions would not support tangible and additional biosecurity activities.*
- *Producers do not object to the BPL on the basis of simply not wanting to contribute more to biosecurity systems and remain committed to exploring sensible opportunities to invest in actions that deliver tangible and additional biosecurity outcomes.*

System beneficiaries & risk creators

The sector has noted the Government's emphasis on characterising biosecurity funding as pivoting towards more of a 'beneficiaries pays' system. Australian agriculture is undoubtedly a beneficiary of a strong biosecurity system. As noted earlier, it has underpinned our sector's competitive position both domestically and abroad, and will be critical to achieving our future sector aspirations.

It is for these exact reasons that we invest hundreds of millions of dollars annually in proactive biosecurity activities that deliver tangible outcomes. As outlined later in this submission, this occurs via contributions to biosecurity research and development, investments in traceability programs and contributions to regional and state landholder agencies among other means.

However, the sector is also a significant biosecurity 'risk bearer'. While recognising we do not operate in a zero-risk environment, primary producers often more directly bear the cost of biosecurity failures than other stakeholders such as importers. The acute costs of pest and disease response and eradication can pose an extraordinary cost on industry. For example, the most contemporaneous studies have found a major outbreak of foot and mouth disease in Australia could cost up to \$80 billion, \$16 billion for Khapra beetle and \$5 billion for Varroa mite.

Beyond this, once pest and diseases establish or become endemic, producers internalise significant costs into their business operations. It is estimated that the annual costs of weeds, pests and diseases to Australian agriculture is in excess of \$12 billion.

In response to this, industry undertakes additional actions beyond that of many other system stakeholders. For example, industry proactively enters into numerous emergency animal pest and disease response agreements with commonwealth and state and territory governments to determine cost and responsibility arrangements.

As noted by Frontier Economics in their recent assessment of biosecurity funding options:

‘Another example of a revenue source from the beneficiaries of the biosecurity system are the Emergency Response Deeds established between Animal Health Australia and Plant Health Australia, the Australian Government, State and Territory Governments and all significant animal and plant industry sectors. These are our nation’s largest formal government–industry biosecurity partnerships. The deeds include cost and responsibility sharing deeds for major exotic pests and diseases.....There is no similar partnership approach with the import sector’.¹

While such actions from the agricultural sector do not preclude it from conversations around sensible future investments it may make in the biosecurity system, Government should clearly acknowledge these efforts and risks when ascribing the label of system beneficiary to the sector.

Further, it is the fact that the sector clearly demonstrates a history of meeting its obligations as a system beneficiary, that the NFF has maintained a focus on advocating for contributions from risk creators.

Decades of reviews have identified that risk creators, such as importers, have a clear responsibility to contribute commensurate with their risk profile. As noted in the Craik review:

‘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’.²

As noted by Frontier Economics:

“From an economic perspective, the funding hierarchy for biosecurity requires that funding be first sought from risk creators/impactors, then beneficiaries, and finally, government”.³

These issues, including the related need for a resolution to issues concerning the Container Levy policy, are discussed further in this submission.

¹ 2023, Sustainable funding for biosecurity – an evaluation of funding options, Frontier Economics, pg. 26.

² 2017, Priorities for Australia’s biosecurity system: An independent review of the capacity of the national biosecurity system and its underpinning intergovernmental agreement, Department of Agriculture and Water Resources, pg. 120.

³ 2023, Sustainable funding for biosecurity – an evaluation of funding options, Frontier Economics, pg. 30.

Key points:

- *Australian agriculture is a beneficiary of a strong and effective biosecurity system, and in response makes significant investments in biosecurity activities.*
- *Primary producers however often more directly bear the cost of biosecurity failures than other stakeholders, such as importers.*
- *A focus must be maintained on ensuring risk creators appropriately contribute to the biosecurity system commensurate with their growing risk profile.*

Policy development and implementation timeline

The NFF holds significant concerns with respect to both the policy development process undertaken to date, and that which may occur between now and the proposed Levy implementation date.

With respect to the process to date, the first time many in industry were made aware of the policy was when it was publicly announced in the May 2023 budget, with it being codified in the forward estimates.

It was reported that Consultation on the Levy had occurred as part of the Government's *Sustainable funding and investment to strengthen biosecurity: discussion paper* which was released in the latter months of 2022.

The Government reaffirmed this in its pre-budget submission of its biosecurity budget measures to the Office of Impact Assessment (OIA). In providing evidence of consultation that occurred with respect to the Levy, the submission notes:

The department undertook an open public consultation process on options to deliver a sustainably funded biosecurity system....The discussion paper included the option of a domestic levy as one of the funding options.⁴

NFF's review of the 2022 Discussion Paper indicates that it did not even mention a 'domestic levy' as a funding option, let alone facilitate consultation on the matter.

Despite this misrepresentation, the OIA advised that the analysis underpinning the policy still failed to meet the requirements to be considered 'good practice'. The OIA advised the Department - before the policy was committed into the budget - that to be considered 'good practice' within the Government's Impact Analysis framework, the impact assessment would have benefitted from:

⁴ 2022, Biosecurity Sustainable Funding Impact Analysis, Department of Agriculture, Fisheries and Forestry, pg. 7.

- *Further analysis of impacts, including quantification of costs, justification of costings, and description of qualitative impacts; and*
- *Further description of consultation, including the range of stakeholders consulted and areas of agreement and disagreement on the options.*⁵

Against this backdrop, the NFF holds significant concerns regarding the timeline outlined by the Department to appropriately design, develop and implement the BPL. As outlined in the Consultation Paper, it expects the Levy to be in place and functional by the 1st of July 2024.

Given the BPL is a policy that will impact the majority of Australia’s 85,000 producers across all commodities, in addition to many thousands of supply chain participants involved in levy collection, and be underpinned by stand-alone legislative and regulative frameworks, adequate time for both policy development and implementation has not been given.

From a policy development perspective, the NFF is concerned that the Consultation Paper appears primarily focused on issues of implementation of the Levy, as demonstrated by the questions outlined on page 6.

The biosecurity protection levy is a complex proposal, and it will have different impacts for different industries. It is critical that an appropriate consultation process is put in place to demonstrate responsiveness to issues raised by the industry, allow for appropriate analysis and information sharing on the impacts of the policy and to respond to issues raised by the OIA. This must be clearly articulated to stakeholders and occur over a timeframe appropriate for a measure of this scale and complexity.

Additionally, a clear plan and process must be outlined with respect to implementing the policy. Whereby existing collection agents are intended to collect the levy, appropriate time, awareness raising and support is required to ensure appropriate systems and process are in place to meet their new obligations. This will be even more important for those industries that do not currently have industry levies and the corresponding collection channels.

The points outlined above with respect to policy develop and implementation

Key points:

- *The NFF holds concerns relating to the consultation process undertaken to date, and the current timeline will not allow for adequate policy development, impact analysis and implementation requirements.*
- *The Department must reconsider the advised implementation timeline to ensure it is appropriate for aa measure of this significance.*

processes are critical to gaining producer confidence in the process as well as delivering sound policy. The NFF urges the Department to consider if the current timelines are appropriate and make the necessary changes.

⁵ 2022, Impact Analysis – Second Pass Assessment – Biosecurity Sustainable Funding, Department of Prime Minister and Cabinet, Office of Impact Analysis, pg.1.

NFF position regarding the proposed Biosecurity Protection Levy

The NFF's position with respect to the Biosecurity Protection Levy has been developed since the May 2023 budget announcement, based on the information available to it for consideration.

The NFF Farming Systems Committee – the internal member committee with carriage of biosecurity matters – has engaged with Government representatives in order to seek information to inform its position.

The NFF's position with respect to the Levy is provided below:

The NFF opposes the proposed Biosecurity Protection Levy, given significant issues regarding:

- *Its inconsistency with established levy imposition and collection principles;*
- *Its inconsistency with the agreed principles of the National Biosecurity Strategy.*
- *The likelihood of a range of negative unintended consequences for agricultural and biosecurity systems;*
- *The transparent use of the collected funds to deliver dedicated, additional and tangible biosecurity outcomes;*
- *The lack of recognition of existing producer contributions to the biosecurity system; and*
- *The need for increased contributions from risk creators, including containerised imports.*

The NFF reaffirms its support for additional Commonwealth funding for biosecurity activities that add a positive outcome for Australian agriculture.

The identified issues are not in any order of priority and are all of equal concern.

To reiterate a key point; this policy does not object to the Levy on the basis of producers not wanting to contribute additional funds to biosecurity efforts. Rather, the opposition to the policy is principally on the basis of concerns with the policy constructs.

The next section of this submission seeks to expand on these issues.

In addition to comments made by the NFF, the Department is strongly encouraged to consider the submissions of NFF members, including commodity representatives. While the NFF will provide input with respect to cross-sectoral and system-level matters, NFF members will be best placed to provide more granular input with respect to commodity-specific issues.

Key concerns with the Biosecurity Protection Levy

Its inconsistency with established levy imposition and collection principles

The NFF holds significant concerns that the proposed Levy does not accord with long-agreed levy establishment principles, such as those outlined in the 1997 ‘General principles applying to proposals for new and amended primary industries levies and charges’ as contained in the Department’s Levy establishment and amendment guidelines.⁶

The NFF recognises the Government’s efforts to demonstrate that the BPL is separate to the existing levies regime. As noted in the Consultation Paper:

“The Biosecurity Protection Levy is a new levy with a separate policy intent and legislative arrangements to the existing agricultural levies and charges (levies) legislation..... [the Levy] is separate to, and will not change, agricultural levies legislation that supports research and development, marketing, residue testing, and industry contributions to emergency plant or animal pest or disease outbreak responses or Animal Health Australia or Plant Health Australia”.

However, the NFF is of the view that producers will not draw such a distinction between the existing levies framework and the BPL. A number of reasons contribute to this including the name of the policy (i.e. a Levy), its practical linkages to the existing levies framework, and the use of the 2020-21 levy contributions as the base for the Levy amount.

With respect to the first issue, as DAFF is aware, the use of the term ‘Levy’ in an agricultural policy context has an explicit and well-understood meaning as being in reference to the existing levies regime funding industry good activities such as research and development, marketing and residue monitoring activities.

Secondly, and while recognising that the Department is seeking to minimise administrative costs associated with the policy, the proposed means of Levy collection, being through existing collection channels, will further blur any distinction. As noted in the Consultation Paper ‘For current levy payers and collection agents, our proposed approach for implementing the Biosecurity Protection Levy is to collect an additional amount at the same time as you pay your existing levies under the agricultural levies regime, wherever possible’.

Finally, the proposed policy contains a structural linkage to the existing framework with respect to the amount to be collected. Linking the amount to be collected as 10% of 2020-21 agricultural levy contributions codifies that these are not entirely separate policies, but rather intrinsically linked.

Given all of the above, it is only reasonable that producers would hold genuine concerns that the proposed levy does not accord with established levy principles that underpin their confidence in, and support for, the framework.

⁶ 2020, Levy guidelines: How to establish or amend agricultural levies, Department of Agriculture, Fisheries and Forestry, pg. 10.

The NFF urges the government to consider where the BPL can be made consistent with the existing Levy principles. Not only will doing so help lay a sound policy basis, it will also support producer confidence in the policy and avoid some of the serious unintended and distortionary impacts outlined later in this submission.

Among a number of key principles, the Department must consider if the policy is consistent with the notions of a proper establishment process, industry support, equitability and accountability among others.

With respect to equitability, as the Department is aware, the composition of levies, their uses, number of transaction events and calculation means often vary significantly between and within commodities. For some industries there may be a greater number, or materiality of, issues identified as demonstrating some form of market failure that requires collective action. Using the existing industry levy rates as a guide to set the biosecurity protection levy is likely inequitable and arbitrary. It does not reflect an 'ability to pay', relative exposure to biosecurity risks, or the consumption or benefit derived from biosecurity services.

The levies of major agricultural commodities demonstrate this clearly. The grass-fed cattle levy transacts at a flat rate of \$5.00 per head, with funds apportioned to Animal Health Australia, marketing, national residue testing, and R&D. For the sheep industry, there are 4 different levy rates based on different animal types and sale value, with both flat dollar per head rates as well as a percentage of sale price calculation means used. Additionally for livestock industries there are often multiple transaction events throughout the livestock production cycle, compared to many other industries that have only a single transaction event.

For fibre industries, the cotton levy transacts at \$2.25 per 227 kg bale apportioned to Plant Health Australia and R&D. The wool transaction levy is 1.5 per cent of the sale or FOB (free on board) value apportioned to marketing and R&D.

Even within closely related industries, significant variance occurs. Take the berry industry where the broadly similar products of rubus (raspberries), strawberries and blueberries all have significantly varying industry levy profiles. Rubus' \$0.02 per kg to marketing, \$0.02 to Plant Health Australia, and makes no contribution to R&D for a total contribution of \$0.04 cents per kg. Strawberries calculate their contributions based on runners rather than kg, do not raise funds for marketing, provide \$0.13 cents per 1000 runners to Plant Health Australia, \$7.87 per 1000 runners to R&D for a total contribution of \$8.00 per 1000 runners. Finally, for Blueberries there is no industry levy in place, but rather a voluntary levy is collected from some producers.

The salient point here is not the specific nature of the variance between different agricultural products – as noted above there are numerous reasons for such differences – but rather the demonstration of the challenges the policy faces by applying the flat rate charge to a base figure derived by industries for varying purposes and by varying methods.

Given this, the application of the 10% charge on existing levies will likely see a variance between industries – significant in some case - in the amount raised from an industry relative to their annual value of production, demonstrating clearly a level of inequality.

A clear and transparent outline of how the levy is intended to accord with the principle of equity is urgently required.

Regarding accountability to levy payers, the NFF is concerned with the following statement in the Consultation Paper:

“The Biosecurity Protection Levy will not be subject to producer voting arrangements in relation to its establishment or change, nor will agriculture, fisheries and forestry producers or their representative bodies have a direct role in determining its use”.

As beneficiaries directly contributing to biosecurity funding under the measure, there would be a clear rationale for industry to be engaged and given shared ownership over priority setting. Such real-time accountability as well as periodic and formalised review mechanisms are embodied within the existing framework. In the same manner as equitability, the absence of accountability functions and industry input is a significant contributor to producer opposition to the policy.

Finally, the NFF is of the view that failing to appropriately address the above-mentioned issues, either the BPL is a Levy that is materially inconsistent with the underpinning principles and tenets of the existing levies framework or it is in fact more akin to a taxation measure. If it is the latter, consideration should be given to renaming the measure accordingly. While doing so should not absolve it from seeking consistency with the principles outlined above, it may assist in providing clarity of intent and draw a genuine distinction with the understood notion of a Levy in an agricultural context.

Key points:

- *Despite proposed legislative distinction, producers will most likely view the Levy as being a component of the existing levies regime due to policy design constructs and collection pathways.*
- *The policy’s apparent inconsistency with principles including equity and accountability are significant contributors to producer opposition to the policy.*

Its inconsistency with the agreed principles of the National Biosecurity Strategy

The NFF welcomed the release of the National Biosecurity Strategy (NBS, Strategy) in August 2022. The development of such a strategy was a long-held priority ask of the NFF, as well as environmental groups and the wider community.

The NBS is critical in demonstrating the central role biosecurity plays in the success of the agricultural sector and community-at-large, providing the guiding framework for preparedness, response efforts and outlining the roles and responsibilities of those within the biosecurity system. Importantly, the Strategy received ‘buy-in’ from all governments, as well as industry and the broader community.

The NFF participated extensively in the development of the Strategy, both as part of the References Group and during the public consultation processes. The NFF remains involved with the Implementation Committee.

Importantly the Strategy identified sustainable investment as being a priority area requiring action. Within this priority area, the NBS states that it will ensure investment approaches are, 'efficient, equitable, adaptable, transparent and are responsive to the changing risk environment'.⁷

The NFF is concerned that the BPL is inconsistent with the agreed tenants/principals of 'sustainable investment' priority area in the NBS. As noted throughout this submission, our objections to the policy stem in no small part from concerns relating to equitability, transparency and accountability. These concerns are only heightened given such requirements are also contained in the NBS.

Progressing a policy that both lacks these essential requirements, and in turn is inconsistent with the NBS, both materially weakens the policy footing of the BPL, but also hinders the capacity of the Strategy to perform its important guiding role in national biosecurity policy.

Key points:

- *The NFF strongly supports the National Biosecurity Strategy as providing the agreed guiding framework for the biosecurity system, including for the policies that support its delivery.*
- *The NFF is concerned that the policy is inconsistent with the principles of the National Biosecurity Strategy, in particular those related to the sustainable investment priority area.*

The likelihood of a range of negative unintended consequences for agricultural and biosecurity systems

The NFF holds significant concerns that the imposition of the Levy may result in negative and distortionary consequences, in particular on the rural research and development system.

The NFF has been a long and prominent supporter of the rural research and development system and the Rural Research and Development Corporations (RDC's). Agricultural innovation has underpinned the sector's productivity growth for decades, and will be a critical requirement if the sector is to meet its 2030 \$100 billion aspirations. Producers recognise this through the approximately \$600 million in contributions they make annually to the RDC network.

⁷ 2022, National Biosecurity Strategy, Department of Agriculture, Fisheries and Forestry, pg. 33.

The NFF therefore views it as critical that producers' support for, and confidence in, the R&D system is not negatively impacted by the Levy.

As outlined earlier in the submission, the NFF holds concerns that producers will view this Levy as a part of their overall levies regime and as such see this as increasing their total levy contributions.

Given this, the NFF is deeply concerned that this will influence considerations about producer contribution levels going forward. It is not unreasonable to expect that when faced with additional mandated costs, producers may respond by reconsidering their existing levy contributions. In addition to impacts on R&D systems, this may result in negative impacts on organisations that deliver biosecurity functions such as Animal Health Australia and Plant Health Australia.

There has been no discussion as to the extent of these impacts or the types of behaviours that might occur as a result of the Levy. The NFF has heard anecdotally that discussions in some industries about levy rates and biosecurity-related response charges are already being impacted by considerations of this policy.

Given their seriousness, it is imperative that the Department undertakes appropriate work to understand these issues and potential impacts.

Key points:

- The NFF holds significant concerns that the imposition of the Levy may result in negative and distortionary consequences, in particular on the rural research and development system.
- It is imperative that the Department undertakes appropriate work to understand these issues and potential impacts.

The transparent use of the collected funds to deliver dedicated, additional and tangible biosecurity outcomes

The NFF has long called for increased transparency with respect to biosecurity funding, expenditure and outcomes. The implementation of the proposed Levy demands a shift towards greater transparency in relation to biosecurity investments, activities and performance.

The NFF notes the brief reference in the Consultation Paper to such efforts:

*'The Government has committed to greater transparency and accountability around the strengthened and sustainably funded biosecurity system. This will include publishing information annually on biosecurity funding, expenditure and outcomes, including revenue from the Biosecurity Protection Levy.'*⁸

⁸ 2023, Introduction of the Biosecurity Protection Levy: Consultation Paper, Department of Agriculture, Fisheries and Forestry, pg. 6.

Such transparency is vital to delivering a genuine partnership approach. Nonetheless, industry holds concerns about the Department's capacity and willingness to deliver such reporting. The National Biosecurity Strategy identified increasing the transparency of biosecurity funding as a key action. Yet over 12 months on from the release of the document, outside of high-level inbound collection information contained in the budget documents, such transparency has not been delivered.

Further, industry is concerned that the revenue raised by the Levy will not be solely used to fund dedicated, additional and tangible biosecurity activities. The Consultation Paper does outline some areas of potential in this regard, including a range of non-cost recovered activities, awareness raising and technological innovation. The NFF believes such activities have the potential to deliver positive outcomes for the sector.

However, further information provided in the Consultation Paper raises potential issues with respect to the regulatory certainty in which this will occur, as well as the division of costs between funding existing frontline activities and additional, proactive biosecurity measures.

As noted in the Consultation Paper:

“The funds collected through the Biosecurity Protection Levy will go to the consolidated revenue fund... Biosecurity Protection Levy funds will not be directly appropriated to the Department of Agriculture, Fisheries and Forestry.”⁹

More specifically, the Consultation paper notes the funding will supposedly be used to support frontline biosecurity services, as well as those aforementioned proactive actions.¹⁰ The NFF is concerned that funds raised by the Levy will be used to bridge existing cost recovery shortfalls between the cost of administering regulated biosecurity activities and the charges received from importers for doing so.

The Department must provide, as a priority, information pertaining to the regulatory certainty in which the funds will be delivered to their intended purposes. Additionally, it is critical that assurances are provided that the raised funds will support additional tangible biosecurity activities and not simply to fund shortfalls.

⁹ 2023, Introduction of the Biosecurity Protection Levy: Consultation Paper, Department of Agriculture, Fisheries and Forestry, pg. 4.

¹⁰ 2023, Introduction of the Biosecurity Protection Levy: Consultation Paper, Department of Agriculture, Fisheries and Forestry, pg. 4.

Key points:

- *The implementation of the proposed Levy demands a shift towards greater transparency in relation to biosecurity investments, activities and performance.*
- *The NFF holds concerns that such efforts as outlined in the National Biosecurity Strategy have yet to materialise.*
- *Greater assurances and regulatory certainty are required to ensure any funds raised by the Levy support the delivery of additional and tangible biosecurity activities.*

The lack of recognition of existing producer contributions to the biosecurity system

The NFF notes the statements by Government representatives, and reiterated in the Consultation Paper, that the BPL represents but a ‘modest contribution’¹¹ to the biosecurity system by primary producers.

The Consultation Paper rightly notes existing contributions producers make to fund organisations including Animal Health Australia and Plant Health Australia, as well as formalised cost-sharing arrangements in place to fund incursion event response and recovery.

However, producer contributions extend much further beyond this, including:

- funding the work of the Rural Research and Development corporation network in biosecurity research and extension;
- investments in traceability systems;
- contributions to state and regional landholder agencies; and
- incurring billions of dollars of costs annually to manage the impacts of previous pest and disease incursions not only for the benefit of their businesses, but the community and environment at large.

It is for these reasons that NFF members have concerns about the characterisation of the Biosecurity Levy as simply being a modest ask of producers, as being a description not acknowledging the sector’s broader contributions to the biosecurity system.

Further, they also do not see the budget’s upper threshold of collection (i.e. equivalent to 10% of existing levies) as being an immaterial rise to existing levy contributions. By most accepted measures, a variance in the vicinity of 10% represents a material change to the base figure.

Finally, while the NFF does not propose that point-in-time market conditions should dictate policy development, with respect to the language used around this

¹¹ 2023, Introduction of the Biosecurity Protection Levy: Consultation Paper, Department of Agriculture, Fisheries and Forestry, pg. 1.

being a ‘modest’ contribution, the NFF would encourage the Department to further consider this characterisation of the policy with respect to the operating context currently facing producers.

It is widely acknowledged that producers face a period of likely drier conditions following the declaration of an El Niño weather cycle by the Bureau of Metrology. This builds on significant volatility currently being experienced in commodity markets, such as livestock markets which have seen prices revert to five and in some cases ten-year real price lows.

Key point:

- *Producers already make a significant investment in the biosecurity system, and as such hold concerns around the BPL being characterised as a modest contribution.*

The need for increased contributions from risk creators, including containerised imports.

As noted earlier in this submission, the NFF publicly welcomed the measures contained in the *Sustainable funding for a strong biosecurity system* package announced in May which contained increased contributions from taxpayers, travellers, and importers.

However, the NFF has expressed concern that the majority of these increased charges relate to the cost of administering existing cost-recovered activities, rather than funding proactive and additional activities.

The sector was disappointed to see the Government outline that under the proposed package of biosecurity measures that the proportion contributed at the Commonwealth level by importers will substantially reduce. As outlined on page 3 of the Consultation Paper, the contribution from importers will reduce from 59% of Commonwealth biosecurity funding to 48% following the budget measures.

With respect to the ‘Container Levy’, Australian agriculture has advocated for many years the need for a broad-based levy on inbound containers to help fund the biosecurity system. This call has been supported by environmental and invasive species organisations.¹² Producers were extremely disappointed that this was not included in the May budget.

The container levy policy proposal was the product of multiple reviews of Australia’s biosecurity system. As noted in the 2017 ‘Craig’ review:

‘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. The panel is of

¹² 2020, Sustainable funding for biosecurity – an evaluation of funding options, Invasive Species Council, pg.1.

the view that a broad-based levy on containers should be implemented to contribute towards a greater effort on environmental biosecurity and improved national monitoring and surveillance generally.¹³

The merits of the policy were confirmed once again this year within the *Sustainable funding for biosecurity – an evaluation of funding options* report undertaken by Frontier Economics. When assessing a range of biosecurity funding options against the criteria of efficiency, equity, adequacy & dependability, and simplicity, it found that it scored the highest possible result for all categories.¹⁴

The NFF makes notes of the following reference on page 1 of the Consultation Paper.

“Additional cost recovery or charging models for imports will be considered as part of a review looking at options to reform border fees and charges. Consultation on this will commence later in 2023”.¹⁵

While the NFF supports continued review of broader fees and charges related to risk creators such as importers, with respect to the Container Levy, industry believes such a review is not warranted. The policy has been thoroughly assessed in multiple reviews and working group processes over many years.

Since the 2023 budget, it has been advised that potential international trade implications represent a potential barrier to adopting the Container Levy. The NFF has been clear that such issues may be a genuine concern that should be properly considered. As a trade-exposed sector, it is not in our interests to run afoul of trading requirements or obligations. The sector has simply asked that these considerations be made public, however this has not occurred.

The timely resolution of this outstanding issue must be seen as being an antecedent to the implementation of the BPL.

More broadly, the NFF urges the Government to recognise the juxtaposition between the policy processes relating to the Container Levy, a similar broad-based charge to be used to fund biosecurity activities, to that proposed for farming families.

The Container Levy was recommended by independent reviews, subject to specific consultation, detailed review was undertaken into its implications (such as trade impacts noted above) and reviewed via a detailed working group process to develop a sound model and an implementation pathway. Producers are concerned that such a process seems not to have been followed for the BPL.

¹³ 2017, *Priorities for Australia’s biosecurity system: An independent review of the capacity of the national biosecurity system and its underpinning intergovernmental agreement*, Department of Agriculture and Water Resources, pg. 120.

¹⁴ 2023, *Sustainable funding for biosecurity – an evaluation of funding options*, Frontier Economics, pg. 17.

¹⁵ 2023, *Introduction of the Biosecurity Protection Levy: Consultation Paper*, Department of Agriculture, Fisheries and Forestry, pg. 1.

Key points:

- *Producers welcomed increased contributions from importers in the May 2023 budget but hold concerns about the extent to which the funds will support proactive and additional biosecurity activities.*
- *The NFF remains committed to advocating for the implementation of a Container Levy on imports.*
- *The Government must, in advance of progressing the BPL, provide information on the purported trade impediments that have stalled the progression of the Container Levy.*
- *The NFF notes the distinction between the policy development and implementation processes for the Container Levy and the BPL.*

Conclusion

The NFF urges the Department to recognise the genuine concerns of the overwhelming majority of producers outlined in this submission which underpins opposition to this policy.

We must pause and address the issues raised with the current policy and not let an arbitrary implementation deadline dictate what is a significant policy change for the entire sector. Doing so is imperative to avoid this policy leading to negative impacts on agricultural and biosecurity systems.

We remain committed in our desire to improve the resourcing of the biosecurity system and stand ready to work with Government to identify means by which this can be done appropriately.