AUSTRALIAN
Grape & Wine

SUBMISSION TO THE BIOSECURITY PROTECTION LEVY CONSULTATION

October 2023

Summary

- Australian Grape & Wine does not support the proposal for a Biosecurity Protection Levy in the format currently proposed.
- Australian Grape & Wine questions the use of the word 'levy' for a charge that cannot be shown to directly benefit the businesses to which it applies.
- This is a tax on those that can least afford it, many of whom operate as small market players and have very little ability to pass on costs to buyers.
- Primary producers should not be required to contribute to the biosecurity measures outlined in the consultation paper.
- Whilst we have presented several alternative collection mechanisms, we ask that these suggestions are not portrayed as support for imposing additional costs on primary producers.

Australian Grape & Wine supports the importance of a well-resourced biosecurity system and the prioritisation of preventing pests and diseases entering our country. The benefit of keeping exotic pests and diseases out of Australia is particularly important for industries who rely on area freedom for market access.

We do not however support the proposal that the Biosecurity Protection Levy includes agriculture. We have heard strong push back from our members that they are not willing to accept any additional economic imposition that is over and above our current investment in biosecurity, and particularly not without any consultation. Agricultural industries such as ours already make a significant contribution to the biosecurity system. When a pest arrives into Australia, the response costs to these industries can be astronomical. We also invest in preparedness and where eradication is not possible, in managing the pest following its entry and establishment into Australia. The risk creators do not contribute and nor do they compensate our industries for this. Given our significant other contributions, this early investment in prevention must be borne by the risk creators.

Industry sees this new levy proposal as unfair and confusing, particularly considering that we are already suffering the cost of frequent incursions, often no fault of our own. The consultation paper having chosen to focus solely on one aspect of the biosecurity continuum without acknowledging the enormous contribution of primary producers post border adds to the confusion.

This is a tax on food, wine and fibre production

The proposal having been presented without prior consultation, is a contradiction to the Government's own policy on the imposition of levies and we question why the terminology of a 'levy' has been chosen.

In the case of levies, there should be a clear relationship between the liability and the provision of a service for which it is exacted. So we question why the funds are destined for general revenue. An imposition such as this one that is not hypothecated for a particular purpose and must be paid whether or not the relevant service is acquired, is generally described as a tax. But the consultation paper States that these funds will go to general revenue. According to the Australian Government Department for Finance's cost recovery policy, a levy differs from general taxation as it is 'earmarked' to fund activities provided to the group that pays the levy. That same policy advises that it is usually inappropriate to cost recover activities such as law enforcement and national security. [1] Therefore,

[1] https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-cost-recovery-policy

should this proposal go ahead, there should be no opacity to the general public as to how much their Australian made products are going up in price due to costs associated with products from other trading nations. It must be applied in such a way that this is explicitly clear, as is the case with other taxes.

With that in mind, the intention to use the agricultural levy collection system to collect this tax seems most unusual and confusing to our industry members.

We are adamantly opposed to the concept of tying this proposal to the primary industries statutory levy system

Not only are we opposed to the proposal altogether, but we also believe that it is critical that the Government seeks an alternative mechanism. Our existing industry levies are generally understood as revenue generators that improve our competitiveness as an industry through research and development, marketing and biosecurity preparedness and response once the pest has entered. It is the decision of a primary industry to set this levy including the proportion directed to various activities. In the raising of a levy for investment back into its industry, primary producer representative associations are asked to clearly state the purpose of the levy, to provide evidence that thorough consultation with the majority of stakeholders has occurred, and in the case of any substantial change, to provide industry with the option to vote.

This suggested approach is further flawed in that it relies on collection principles set up for a completely different purpose. Some industries collect marketing levies and others do not. There is no logical explanation why those who have chosen to invest more on research, development, marketing and/or biosecurity by setting a higher levy, might be asked to contribute disproportionately to the size of their industry. Although not clearly stipulated in the paper, the vaguely described concept of an equivalent ten percent on levies seems completely inequitable and poorly thought through.

Winegrapes are a value-added processed product at the point of export so do not face the same challenges associated with pest and disease entry into the country as commodities who rely on area freedom for market access. The wine industry lists 14 high priority pests (HPPs) in the Viticulture Biosecurity Manual, the majority being either plant pathogens or insects associated with plant material. [2] With the exception of illegal activity, the most important strategy to keep plant pathogens out of Australia are the quarantine and inspection services largely borne by the importers of propagation material. Compliance to prevent illegal smuggling of planting material should be cost recovered in fines and penalties. This is clearly not the responsibility of businesses and can be recovered through other means such as fines and penalties.

That same very nature or our product being value added and therefore not prone to market access problems, means that rather than pay less as you might expect, we in fact pay more. According to ABARES, the GVP of winegrapes amounted to 1% of the total contribution of agriculture to GVP in 2021. [3] Ten per cent of our levies amounts to $1, 725, 500 if we were to consider total levies collected to support wine processing research and development, marketing and export charges. [4] On the other hand, if our contribution was proportionate to the size of the industry, this would see winegrapes contribute significantly less at just $475 000. This potential inequity absolutely must be addressed. Alternatively, basing our contribution on the grape research levy only would see us contribute an amount of $310, 000. Either of these latter methods for calculation would be more palatable but still not entirely acceptable.

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[2] www.farmbiosecurity.com.au/wp-content/uploads/2019/03/Biosecurity-Manual-for-Viticulture-Industry.pdf p30
[3] ABARES Insights March 2023 at https://daff.ent.sirsidynix.net.au/client/en_AU/search/asset/1034541/0
[4] Based on 2022-23 data.

The information in the consultation paper is unconvincing and confusing

The consultation paper contains very little detail to support a business case. For example, as previously suggested, it is not clear if or why a ten percent contribution might apply to a sector such as ours that does not rely on area freedom to export our produce and collects a levy quantum that is disproportionately high in relation to its GVP. Furthermore, the definition of a producer includes growers, producers, processors, or exporters of agriculture, fisheries and forestry goods. Does the inclusion of processors and exporters mean that industries that value add and industries that export pay multiple times? With the exception of wineries, most processors of food and fibre products do not contribute to the primary industries levy so we ask how they will contribute? It can only be assumed that this is an oversight in the paper as there is no way to capture them all through the levy system and very little justification that those value adding processing businesses are direct beneficiaries of plant or animal biosecurity.

There is no evidence in the paper to prove that the additional contributed revenue will support Government's capacity to provide increased and ongoing appropriation of funding for biosecurity. The information contained on the Department of Agriculture Fisheries and Forestry shows declining base funding from $597m in 22-23 progressively dropping down to $491.6m over the next three years with this levy therefore offsetting existing Government spend. The total drop in base funding over five years amounts to $382.1million before accounting for inflation.

There is little justification for the additional deliverables being the responsibility of primary industries. Surveillance for threats, security risk or natural disasters is in other cases taken on by Government. Nor does it marry up with the stated additional spend in the Department's budget factsheet which shows that the lion's share of $845 million over four years will go towards maintaining biosecurity policy, operational and technical functions on a sustainable basis. Piloting the new biosecurity detection technologies and diagnostic tools for faster identification of pests at the border (presumably the $145.2 million to enhance clearance through STEPS), should form part of the cost recovered responsibility of risk creators and in any event such investment should be balanced out by future efficiency gains rather than becoming an additional liability on industries. The published material does not provide sufficient detail as to where this additional cost burden on primary producers will be spent nor how far this goes towards recovering the cost of pre-border activities rather than activities on the ground which help farmers. Finally, there is no information as to what measures the Government intends to take to improve efficient use of existing resources. The Department of Agriculture Fisheries and Forestry should maximise internal efficiencies, before taxing other sectors.

Where in the paper is the acknowledgment of the huge contribution by agriculture to biosecurity? The information provided must clearly state the existing contribution of all participants in the system including primary industries and including investment in preparedness and response post border. According to Wine Australia's most recent annual report, in 2020-21 they committed $3.9 million of R & D funds to biosecurity related projects. A further $1 million is collected from our industry under various State and national biosecurity industry levy legislation. Our State and national associations contribute significant in kind resources and all plant sectors contribute to surveillance as part of everyday business. Plant industries have also committed millions in research funds as well as in cost sharing emergency responses. This must all be included if the paper is going to present an argument based on who pays what. It must delineate the budgeted activities of Government and whether they are related to animal or plant industries and it must demonstrate how much each primary producer will pay in relation to its value of its primary production and the expected benefits to be accrued to it.

Questions for consideration

While we in no way support the proposal, responses to the questions are provided below:

1/ A producer should be defined in a manner consistent with the Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006 (Revision 2.0) Division A 'Agriculture, Forestry and Fishing'. This definition was developed to assist government agencies responsible for policy formulation and is used in other Government primary production activities such as eligibility to access RIC's Farm Business loans and various rural support packages.

2/ The quantum of this tax on the affected products should be transparent to the general public. There is no justification that the amounts contributed by each industry should be calculated based on 10% of existing levies as this penalises those industries who choose to invest more in research and development and other eligible activities. Under no circumstances should it be applied to processors or the value adding of any products as these businesses are not primary beneficiaries. If it is to be applied to secondary beneficiaries, where would it stop? Would there need to be a contribution from retailers as well?

3/ Collection of funds should come at very little if any administrative cost to producers. Small producer exemptions should be applied.

4/ The collection mechanism must be separated from the agricultural levies collection. It is critical that there is no confusion generated that might detract from industry's ongoing appetite to contribute to building competitiveness through levies. This will be seen by agricultural producers as yet another levy. Industry bodies rely on the reputation and trust they receive from producers to ensure they are offered effective engagement relating to the primary industry levies to ensure they are on board with any changes. This is completely at odds with that approach and we wish to be well and truly distanced.

5/ There must be direct oversight of the service provided to those contributing to the fund, particularly if it is to be described as a levy. The economic benefit must be clear to each funding participant. These benefits must be shown to be over and above what should be funded by risk creators and public beneficiaries. See also the Government's own policy as outlined by the Department for Finance's Cost Recovery Policy.

About us

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of winegrape and wine producers. We are recognised as a representative organisation for winegrape and wine producers under the Wine Australia Act 2013, we are the industry member of Plant Health Australia representing winegrapes and a signatory to the Emergency Plant Pest Response Deed. As well as biosecurity, our activities focus on providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future and we represent more than 2,000 winemakers and 5,000 winegrape growers. These businesses make a significant contribution to growing regional economies by driving growth in jobs, regional exports and food and wine tourism.

We are proud of our strong biosecurity history. Through careful management, Phylloxera has been contained to just four of Australia's 65 defined viticultural regions over the last 145 years. Recently an important wine sector HPP red blotch virus was discovered. We expect to be able to contain infected vines and hope to eventually eradicate the virus through natural attrition. At this stage, we are yet to gain commitment of financial support from Government.

We appreciate the Government in seeking our advice on this proposal. We maintain the opinion that consultation must be conducted at the outset of any decision making that might impact our members rather than consulting on policies that appear to be a fait accompli. Our effectiveness in our role and in our ability to inform Government about how their policies will impact our constituents is greatly enhanced when early engagement occurs.

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