



Agriculture (Biosecurity Protection) Levies Bill 2024
[Provisions] and related bills

SUBMISSION

April 2024

Summary

Australian Grape & Wine calls upon members of the Senate to vote against this Bill which is essentially just a tax on Australian primary producers. It is a tax that would add to Australian agriculture's already complex regulatory environment.

Australian Grape & Wine does not support the Agriculture (Biosecurity Protection) Levies Bill 2024 [Provisions] and its related bills for the following reasons:

- There has been no justification for the Government to impose a new tax on Australian primary producers;
- A new tax would further exacerbate the cost price squeeze facing primary producers;
- Primary producers already contribute to biosecurity measures via existing levies;
- There are serious sectoral inequities in the benefit to cost ratio of this levy;
- Australian primary producers will be paying for the biosecurity risks of international competitors who import into this country;
- The proposal contained within this Bill is significantly altered since the Biosecurity Protection Levy consultation was undertaken in October 2023, yet industry has not been provided any further consultation nor the time required to prepare for its implementation;
- There is a lack of transparency and oversight applied within the bill itself in regard to the allocation and dispersal of the revenue collected from this levy;
- There remain alternative solutions which include addressing the critical need for efficiency gains and performance improvements in the existing system;
- There has been an overwhelming negative response across primary industries.

There is no justification to impose a new tax on agriculture, particularly at this time where producers are facing significant pressure from environmental and market related risk, rising input costs as well as downward pressures on pricing fueled by today's cost-of living crisis. Our industry sees this new levy proposal as unfair and unjustified. The Office of Impact Analysis, of the Department of the Prime Minister and Cabinet has other concerns. They acknowledge that some of the levy cost applied to producers would be passed through the domestic supply chain to consumers.

The absence of any economic analysis of existing contributions of primary producers through both research and development and emergency response levies is a fatal flaw in the consultation process, exacerbating the lack of trust in this proposal. 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 both in dealing with new pests, preparing for new ones and managing those that have become established. 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 a high priority pest, grapevine red blotch virus was discovered in an Australian germplasm collection. The cost of this, and many other new pathogens affecting winegrapes fall largely upon industry. According to Wine Australia's most recent annual report, in 2020-21 they committed \$3.9 million of research 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 sector businesses contribute to surveillance and risk management as part of everyday business. Other plant industries have also committed millions in research funds as well as in cost sharing emergency responses. When a pest arrives into Australia, the response costs to these industries can be astronomical. Like many other primary producers when we face the costs associated with increasingly frequent incursions it is often through no fault of our own. The risk creators do not contribute to, and nor do they compensate our industries for, these significant and ongoing preparedness and emergency response costs.

Similarly, the availability of public funding to support the benefits to society that plant biosecurity preparedness provides is seriously inadequate. Despite national action plans for various priority pests such as Australia's number one, *Xylella fastidiosa*, action in delivery has lost momentum with many priority actions remaining outstanding due to these funding constraints.

There remains serious inequity across the beneficiaries of this levy. Sectoral inequality concerns have indeed already been raised by primary producers. The Biosecurity Sustainable Funding Impact Analysis contains a statement justifying the benefits of biosecurity in its opening paragraph. With respect to Australia's level of pest freedom it says that 'It's this pest and disease status that underpins access for Australia's producers to export markets around the world'.¹ Export market access due to Australia's pest and disease status is of varying benefit across primary production and is of no benefit to winegrape producers whose produce ends up in a packaged product and who do not suffer any export market access risks associated with pests and diseases.

The Productivity Commission highlight and scrutinise the proliferation of levies, challenging their application. The frameworks set out in their paper suggest that "industry levies are only likely to contribute to tax system efficiency and deliver on their stated outcomes in a limited number of cases."² A report by Vanek and Breunig highlights the problem with respect that the proposed Biosecurity Protection Levy is to be applied to domestic primary producers only, yet the benefits of biosecurity are shared across a broad range of sectors and the broader community.³ Furthermore, it would be difficult to argue that these Bills are equity motivated given that the proposal is for levies to be applied on gross revenues, rather than on net proceeds, thereby imposing a smaller relative burden on wealthier producers.

The Vanek and Breunig report suggests that a tax on those who create the most biosecurity risk could instead be introduced to align the marginal private cost with the marginal social cost, thereby creating an efficient market outcome. This could incentivise improved behaviour amongst risk creators to potentially reduce the levy in future. Alternatively there is justification that biosecurity, being a public good, could be funded through general revenue.

Traditionally, funds raised from primary producer levies assist industries "to drive growth, maintain competitiveness and manage risks to ensure their ongoing contribution to the Australian economy."⁴ If introduced, this biosecurity tax on primary producers would do precisely the opposite. Australian primary producers would in fact be paying for the biosecurity risks of importers who are in many cases also their competitors.

Industry expects and deserves appropriate consultation on all political matters affecting the competitive environment in which they operate. This includes transparency as to where Government biosecurity funding is being spent as well as input into future biosecurity priorities. The proposal contained within this Bill is significantly altered since the Biosecurity Protection Levy consultation was undertaken in October 2023, so it would be unfathomable to pass this Bill without paying industry the respect of providing more time and a further consultation

¹ https://oia.pmc.gov.au/sites/default/files/posts/2023/05/Impact%20Analysis_4.pdf

² Productivity Commission (2023) Towards Levyan? Industry levies in Australia Research paper p30

³ Sasa Vanek & Robert Breunig (2024) *The biosecurity protection levy: Principles for design* TTPI Policy Brief 3/2024 Tax and Transfer Policy Institute p4

⁴ <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/levies/about-levies#:~:text=The%20levy%20system%20allows%20primary,testing%20and%20biosecurity%20emergency%20responses.>

opportunity. Despite being due to commence in three months, we are yet to be informed of the quantum of funds our industry will be expected to contribute. Not only have winegrape businesses been unable to budget for an expense they cannot calculate, but there is insufficient time for industry to implement any administrative changes needed to facilitate collection.

There is a lack of transparency and oversight applied within the Bill itself regarding the allocation and dispersal of the revenue that would be collected through these bills. 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. However, the Bill shows that the revenue remains non-hypothecated with funding going into consolidated revenue. According to the Australian Government Department for Finance's cost recovery policy, a levy differs from general taxation as it should be '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.⁵

We fully support the creation of a Sustainable Biosecurity Funding Advisory Panel, to ensure the incorporation of latest research as well as agricultural and trade sectors' views on how Commonwealth biosecurity funding is best used. However, this can and should be considered in isolation of the need to impose this new tax on primary producers.

Before (or at least concurrently with) introducing new charges, the Department of Agriculture, Fisheries and Forestry (DAFF) should pursue efficiency in the system and address its labour-intensive processes. The 2023 budgetary commitment for 'Sustainable funding for a strong biosecurity system' was to look at other options to address the biosecurity risk created by imports, including an import levy.⁶ Both actions are in line with the recommendations of the independent Craik Review in 2017.⁷ Yet, there has been little evidence of any action other than adjusted fees and charges in air and sea Full Import Declarations (FIDs). We understand that The Australian Peak Shippers Association (APSA) and Freight and Trade Alliance (FTA) plan to propose an alternative three-point plan where importers, as risk creators, are prepared to absorb the \$47.5 million in return for critical efficiency gains and performance improvements required of the system. This would be a more sustainable and equitable market-based solution. The excerpt below summarises their proposal:

"FTA and APSA fully support the need to protect against biosecurity risks and would be prepared to pay an additional levy or cost recovery fee on the proviso that an appropriate proportion directly translates to commensurate improved and immediate trade facilitation measures.

"FTA and APSA have engaged with members and key industry stakeholders in developing the following 3-point plan, recommending the federal government:

1. does not proceed with the complex proposed levy against producers (\$47.5m being 6% of the budgeted Biosecurity Protection Levy);
2. increase the Full Import Declarations (FID) cost recovery to recoup the above \$47.5m shortfall, and additional funds to address interim remedial action to support import processing until additional permanent resources and benefits of modernised systems are realised; and
3. offset the increased FID cost recovery impost on importers, by regulating against the current incontestable Terminal Access Charge (TAC) regime, currently costing importers and exporters an estimated \$850m per annum. "

⁵ <https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-cost-recovery-policy>

⁶ <https://www.agriculture.gov.au/sites/default/files/documents/FINAL%20BUDGET%20FACTSHEET%20Biosecurity.pdf>

⁷ <https://www.agriculture.gov.au/sites/default/files/sitecollectiondocuments/biosecurity/partnerships/nbc/priorities-for-aus-bio-system.pdf>

With an overwhelming negative response across primary industries and a well-supported alternative on the table, any argument for progressing this Bill would be extremely difficult to justify.

We strongly recommend discarding these Bills.

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. Winegrapes are grown in every state of Australia. There are over two thousand producers and approximately six thousand grape growers, a vast majority based in regional Australia; for some their businesses are also their family homes. These businesses make a significant contribution to growing regional economies by driving growth in jobs, regional exports and food and wine tourism. The sector supports employment of over 160,000 people.

Australian Grape & Wine strongly supports the Government's election commitment to sustainably fund Australia's biosecurity system, acknowledging the importance of a well-resourced biosecurity system. As a sector our commitment to contribute our existing levies towards biosecurity research and extension as well as planning and preparedness will continue, as will each individual business's strong and growing contribution to biosecurity on their properties.

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