



AUSTRALIAN LIVESTOCK
EXPORTERS COUNCIL



RED MEAT ADVISORY COUNCIL

CONSULTATION PAPER:
INTRODUCTION OF THE BIOSECURITY PROTECTION LEVY

OCTOBER 2023

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Introduction

The Red Meat Advisory Council (RMAC) and its members welcome the opportunity to provide a submission to the Department of Agriculture, Fisheries and Forestry (DAFF) consultation paper on the Biosecurity Protection Levy, as proposed in the 2023-24 Federal Budget.

RMAC is Australia's only policy leadership and advisory forum made up of producers, lot feeders, processors, manufacturers, retailers and livestock exporters, representing the entire red meat supply chain from paddock to plate. RMAC members are the following prescribed industry representative bodies under the *Australian Meat and Live-stock Industry Act 1997* (AMLI Act):

- Australian Livestock Exporters' Council,
- Australian Lot Feeders' Association,
- Australian Meat Industry Council,
- Cattle Australia,
- Goat Industry Council of Australia, and
- Sheep Producers Australia

Australia's red meat and livestock industry is comprised of more than 76,000 businesses and collectively services 25 million Australians and over 100 export destinations every day with safe, high quality and nutritious red meat. No other country's red meat production sector is as export exposed as Australia's, which means we must respond to rapid changes in the biosecurity landscape that are increasing pressure on Australia's ability to mitigate risks. It is imperative that Australia increase its focus, resourcing, and promotion of biosecurity as a national priority.

Key points

- ***RMAC reaffirms its support for an adequately resourced and sustainable biosecurity funding model and acknowledges the additional Commonwealth funding for biosecurity outlined in the 2023-24 Federal Budget.***
- ***RMAC remains deeply concerned with the proposed Biosecurity Protection Levy and recommends the existing and projected biosecurity funding shortfall be primarily covered via a long-term bipartisan commitment for increased budget appropriation and/or be covered by the risk creators.***
- ***RMAC believes that strong biosecurity systems require strong Government-industry partnerships, but the Biosecurity Protection Levy, as currently proposed, requires significant work to align it with this overarching principle.***
- ***Key concerns with the Biosecurity Protection Levy, include:***
 - ***Misalignment with the National Biosecurity Strategy***
 - ***Unclear scope and levy review processes***
 - ***Inequity in the proposed levy system***
 - ***Pre-existing and in-kind red meat and livestock industry investments in the biosecurity system unacknowledged***
 - ***Inconsistent with existing producer levy imposition and collection principles with no industry oversight***
 - ***Need for increased contributions from risk creators, including containerised imports***
- ***If the implementation of the Biosecurity Protection Levy is to proceed, the Government must ensure:***

- *It is not just a tax on existing levies and delivers a value proposition*
- *It is consistent with the National Biosecurity Strategy and its implementation plans*
- *It has appropriate oversight by the Inspector General for Biosecurity*
- *It can be offset by eligible biosecurity investments made by industry, hence recognising pre-existing industry initiatives and incentivising self-regulation*
- *It includes a mechanism for appropriate real time consultation with industry*
- *It is harmonised with existing biosecurity activities and systems (including traceability)*
- *It is truly equitable and consistently applied across all agricultural industries*

1. Misalignment with the National Biosecurity Strategy

The National Biosecurity Strategy, released in August 2022, provides a strategic roadmap for Australia’s biosecurity system over the coming decade. The signatories include the Commonwealth of Australia as well as all Australian states and territories. It was developed with the assistance and support of the National Biosecurity Strategy Reference Group, which includes industry, researchers and non-government organisations (NGOs).

The six areas of priority, are:

1. Shared biosecurity culture
2. Stronger partnerships
3. Highly skilled workforce
4. Coordinated preparedness and response
5. Sustainable investment
6. Integration supported by technology, research and data

RMAC notes that three out of these six priority areas under the strategy requires stakeholder cooperation. Despite the proposed levy being announced a year after the commencement of the strategy, it appears that this proposal (and its implementation process) is largely inconsistent with the national strategy priorities listed above.

The implementation of the National Biosecurity Strategy is currently being developed by the National Implementation Committee (NIC), by way of both an Implementation Plan and an Action Plan and is currently entering its stakeholder engagement phase. The NIC is comprised of a broad cross section of biosecurity stakeholders from the Commonwealth and State Governments as well as industry groups and other NGOs.

Recommendation 1a: The implementation of the Biosecurity Protection Levy needs to be informed by the deliberations of the National Implementation Committee, which can provide guidance as to how the proposed new levy can be implemented and managed, consistent with the principles of the National Biosecurity Strategy.

RMAC also believes there is a lack of clarity as to the role of the Inspector-General for Biosecurity with respect to the proposed Biosecurity Protection Levy. From industry’s perspective, it appears the Inspector-General has been isolated from current levy discussions to date, which is concerning if accurate. The red meat and livestock industry contends that the Inspector-General should have a significant and legislated role in providing advice on the levy’s implementation and its review.

Recommendation 1b: The Inspector-General of Biosecurity should have a significant and legislated role in providing advice on the levy's implementation and its review.

2. Unclear scope and levy review processes

RMAC notes that when the Biosecurity Protection Levy was first announced, it was proposed that it was to be targeted at 'producers' and be implemented from 1 July 2024 with the intended levy rate equivalent to 10% of 2020-21 producer levy rates. It is deeply concerning that the scope of the proposed levy has already been expanded beyond producers to now include processors and exporters, as shown below.

2023-24 Budget Fact Sheet (May 23)¹

*"To help meet the cost of sustainably funding the biosecurity system, a new biosecurity protection levy on all domestic agricultural, fisheries and forestry **producers** will commence on 1 July 2024."*

Biosecurity Protection Levy Consultation Paper (August 23)²

*"For the purposes of this consultation paper, a **producer includes** growers, producers, **processors, or exporters** of agriculture, fisheries and forestry goods."*

The above reinforces industry concerns around the potential for this new 'levy' architecture to enable the government to simply shift an ever-increasing burden on to industry by increasing levy rates to fund the biosecurity system. In the red meat supply chain, where an animal may face multiple transaction levies, a processor and live export levy and possibly an auxiliary wool or dairy levy, there is scope for our industry to take on an unfair burden if all current levies are used as the basis for an additional biosecurity levy charge. Industry has yet to see a complete detailed breakdown of the biosecurity levy by contributor to appropriately assess how much the red meat supply chain may contribute and whether this is equitable in comparison to other sectors.

While the Government has indicated ABARES have conducted comprehensive analysis supporting the decision to base the Biosecurity Protection Levy on 10% of 2020-21 levy rates, this analysis has not been shared with stakeholders and is unable to be assessed. Existing levy structures differ markedly across agriculture, based on each sectors preference as to how they wish to fund socialised marketing and R&D. Applying a blanket 10% on top of this existing infrastructure seems arbitrary and risks creating an unfair share of the burden. When this data was requested from DAFF, industry was advised by departmental officials that it was "Cabinet in confidence" and that there is "not anything that we can provide on the data analysis". RMAC would contend that this approach lacks transparency and undermines the Government's claim that this is a genuine 'co-design process'.

Further detail around the mechanisms and processes, including the consultation process, and parties who have authority to set and amend levy rates needs to be fully transparent prior to commencement of the levy. Industry is also seeking reassurance that the new levy won't be subject to regular CPI-type increases. The red meat industry would also be supportive of a legislated sunset clause/regular review of the Biosecurity Protection Levy legislation, to ensure the current forward budget commitments,

¹ <https://www.agriculture.gov.au/sites/default/files/documents/FINAL%20BUDGET%20FACTSHEET%20Biosecurity.pdf>

² <https://haveyoursay.agriculture.gov.au/biosecurity-protection-levy>

made in parallel with the proposed biosecurity levy, isn't reduced by future governments. For example, a rolling 5-year period would be deemed appropriate.

Recommendation 2a: The Federal Government needs to provide clarity around the mechanisms to set and amend levy rates and ensure that the system is subject to periodic reviews via sunset clauses in the legislation.

Recommendation 2b: In the interest of transparency the Federal Government should share its analysis and rationale for the Biosecurity Protection Levy rate being equivalent to 10% of 2020-21 producer levy rates.

3. Inequity in the proposed levy system

It is important that there is equitability in any proposed levy system and basing the levy quantum on levies paid historically by commodity may not deliver on this requirement. The system must ensure that industries with prescribed levies are not discriminated against compared to industries that only have voluntary levies or one-off payments.

Each of the 15 agriculture, forestry and fisheries Research and Development Corporation's (RDCs) has a unique levy collection system. These systems are based on either production, transactions, slaughter, export, volumes, etc. Applying a 10% levy based on the existing structure fails to appreciate this variance and risks imposing inequitable and inconsistent charges across the industries.

Another aspect that risks inequitable charging of beneficiaries when applied across the full agriculture, fisheries, and forestry landscape is the collection point. Existing levy systems utilise different collection points – in the red meat and livestock industry alone there are transaction, processing and export collection points with levies charged inconsistently across the different sectors at different amounts.

Equitability must also be considered for commodities, such as cattle, sheep and goats, that incur multiple transaction levies in the commodity's lifespan compared to others where there may only be a single levy interaction.

The system must also avoid 'punishing' industries that opted to implement a marketing levy and/or have a high levy to invest in research, development and innovation. It is especially inequitable to base the biosecurity charge off the marketing component of the levy which industries have voluntarily put in place. This approach has the potential to undermine faith and goodwill in the whole levy system, as industries become wary when considering an increase in their marketing and research levies, if it may be mirrored by an increase in charges for government biosecurity services.

The discussion paper notes that some agriculture sectors not subject to statutory levies will be consulted by government on an appropriate biosecurity levy charge. The basis and opportunity for this consultation should be extended across all sectors to ensure the levy design and burden is consistent and equitable.

4. Pre-existing red meat and livestock industry investments in the biosecurity system unacknowledged

The red meat and livestock industry already contributes substantially to Australia's biosecurity system and should not be the target of additional cost-recovery programs. Industry shares responsibility for funding the national biosecurity system through financial and operational contributions made to Animal Health Australia (AHA) and the Emergency Animal Disease Response Agreement (EADRA), Research and Development Corporations and Cooperative Research Centres, as well as through related fees and charges.

Through Meat & Livestock Australia (MLA) alone, industry with matching Commonwealth funding where applicable has invested in excess of \$20 million each year since 2021 in areas which support the biosecurity system, with similar expenditure forecast for the 2024 financial year. Biosecurity is also a significant feature of the on-farm accreditation programs, including the Livestock Production Assurance and National Feedlot Accreditation Scheme, and industry has invested heavily into livestock traceability over the last two decades – a critical aspect of the biosecurity system.

In addition, producers, lot feeders and processors also support the Australian biosecurity system through the payment of state and local government rates, fees, and charges; and implementing good biosecurity practices, both within their own enterprises and across their industries. As custodians of almost half of Australia's land mass, livestock producers and lot feeders also provide significant and ongoing on-farm biosecurity services to our country, which has spill over benefits for Australia's native flora and fauna and sees industry bear the cost of managing historical pest and disease incursions.

Despite these substantial contributions, DAFF's Biosecurity Protection Levy Factsheet³ (Aug 2023) states that:

*"This (biosecurity protection) levy will see **producers join taxpayers** and risk creators, such as importers, in delivering a fairer system of funding for the biosecurity system".*

This misinformed statement seemingly overlooks the fact that producers, in addition to the significant investment in biosecurity via existing levy arrangements, are already taxpayers through the payment of federal taxes. As such, the proposed levy would result in producers being charged twice for the same commonwealth government functions – once as legitimate taxpayers and again through this levy. This double dipping is unfair, and untenable in principle.

Given the substantial financial and in-kind contribution that primary producers already make to the national biosecurity system, coupled with the contribution to Australia's economy, the imposition of such a levy falls very short of "a fair go". In the face of ever decreasing terms of trade and inflationary pressures, the expectation that primary producers are expected to absorb this additional cost burden is not acceptable.

In light of the above, as well as the Biosecurity Protection Levy's consistency in many ways but name with a traditional tax, industry is seeking the opportunity to offset eligible biosecurity investments. Such offsets would recognise those industries that have invested in and taken the initiative to support Australia's biosecurity system and incentivise industries that have not done so to self-regulate. This approach would also align with the principle that biosecurity is an industry-government partnership. If the design of the Biosecurity Protection Levy does not recognise industry investment into the system,

³ https://haveyoursay.agriculture.gov.au/biosecurity-funding?tool=survey_tool&tool_id=register-your-interest

an expectation may emerge whereby industry participants pay their levy and withdraw from biosecurity initiatives in the belief that government will do everything.

Recommendation 4: The Federal Government should allow industry participants to offset or seek rebates for eligible biosecurity investments to ensure industries are not penalised nor discouraged from investing in the biosecurity system.

5. Inconsistent with existing producer levy imposition and collection principles with no industry oversight

It is critical that industry stakeholders have oversight of how the new Biosecurity Protection Levy is administered and that they can have confidence the funds are being used as effectively as possible to support the nation’s biosecurity systems. Industry oversight will also ensure that industry-led biosecurity initiatives are complimentary to government investments. Therefore, the new Biosecurity Protection Levy design must include a mechanism for real-time industry consultation, both for the implementation of the levy and its ongoing management, consistent with the sustainable funding actions of the National Biosecurity Strategy.

Industry is concerned that the annual revenue resulting from this levy will flow to consolidated revenue, unlike traditional agricultural levies. Given quantifying the overall cost of managing the biosecurity system has until recently been elusive, the red meat industry expects transparency and accountability as to where and how its investment is spent. However, Biosecurity Protection Levy payers are likely to have little to no say in which manner the funds are allocated or invested (if indeed the funds are allocated in their totality to DAFF biosecurity functions) under the current proposal. This is incongruent with other federal government policies e.g., a requirement through legislation for the establishment of levy payer registers for the purposes of transparency, accountability and genuine industry consultation on levy investment.

Further, the method in which the revenue collection has been proposed does not align with the DAFF *Levy guidelines: How to establish or amend agricultural levies*⁴. To this point, DAFF is standing up a separate branch, in addition to the existing Levies and Innovation branch, to manage the design and implementation of the Biosecurity Protection Levy – this is a further added cost and complexity.

RMAC believes the funds raised by the Biosecurity Protection Levy should be used for additional activities that will improve the system, and not to replace government investment or maintain the status quo. As noted above, both the National Implementation Plan and the National Action Plan, under the National Biosecurity Strategy, are currently under development. Both of these plans need to give adequate consideration to the implementation of the proposed new Biosecurity Protection Levy and provide guidance as to how the new levy can be implemented, consistent with the principles set out in the National Biosecurity Strategy.

Recommendation 5a: The new Biosecurity Protection Levy design include a mechanism for real-time industry consultation, both for the implementation of the levy and its ongoing management, consistent with the sustainable funding actions of the National Biosecurity Strategy

⁴ <https://www.agriculture.gov.au/sites/default/files/documents/levy-guidelines.pdf>

Recommendation 5b: Clarity is required on how collected Biosecurity Protection Levy funds will deliver additional tangible biosecurity outcomes and how these outcomes would be measured

6. Increased contributions still required from risk creators

RMAC notes that the government has expanded its cost recovery arrangements on risk-creating imported goods, which will increase the total contributions to the biosecurity system. While a broader import or container levy has been touted as another funding source for biosecurity, until it can be demonstrated as a viable and World Trade Organisation compliant solution, the shortfall should be covered by the taxpayer.

Given the substantial financial and in-kind contribution that primary producers already make to the national biosecurity system, RMAC strongly supports the introduction of additional measures that target biosecurity risk creators to fund improvements to strengthen the national biosecurity system for the benefit of all Australians.

Recommendation 6: The existing and projected biosecurity funding shortfall be primarily covered via a long-term bipartisan commitment for increased budget appropriation and/or be covered by the risk creators.

Conclusion

RMAC appreciates the opportunity to make a submission to DAFF's consultation on the proposed Biosecurity Protection Levy. It is made in partnership with RMAC members, who look forward to maintaining a high level of interest and engagement in DAFF's deliberations and providing further input during future phases of consultation.



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On behalf of:



AUSTRALIAN LIVESTOCK
EXPORTERS COUNCIL



AUSTRALIAN LOT FEEDERS' ASSOCIATION



Australian
Meat Industry
Council



CATTLE
AUSTRALIA



Goat Industry Council of Australia

