RED MEAT ADVISORY COUNCIL

RED MEAT & LIVESTOCK INDUSTRY'S JOINT SUBMISSION

DISCUSSION PAPER: SUSTAINABLE FUNDING AND INVESTMENT TO STRENGTHEN BIOSECURITY

NOVEMBER 2022

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) discussion paper on delivering a sustainable biosecurity funding model.

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 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*:

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

The red meat and livestock industry welcomes the Federal Government's commitment to deliver an adequately resourced and sustainable biosecurity funding model and acknowledges the new and accelerated funding delivered in the 2022-23 Federal Budget to support the nation's biosecurity systems and enhance livestock traceability.

The red meat and livestock industry expects that this is the first step in the consultation process to develop a sustainable funding model, and our submission therefore largely focuses on high level key elements. It is made in partnership with RMAC members, who look forward to maintaining a high level of interest in DAFF's deliberations and providing further input during future phases of consultation, particularly in relation to any draft findings or recommendations.

THE IMPORTANCE OF A SUSTAINABLE BIOSECURITY FUNDING MODEL

When we invest in our biosecurity system we are investing in our nation. It is therefore only appropriate that investment in biosecurity is a shared responsibility across the entire community. Australia's agricultural industries have benefited for over 100 years from strong international quarantine and biosecurity measures established under the Quarantine Act 1908 and Biosecurity Act 2015. The Australian Government, supported by state/territory governments, has largely kept Australia's livestock and agricultural industry businesses safe from serious animal diseases and pests that are prevalent in many parts of the world.

Changes to Australia's industries and communities, and the dramatic expansion in international trade and travel, has placed extraordinary pressures on biosecurity agencies to mitigate the numerous and rapidly evolving disease and pest risk pathways. However, biosecurity agencies are not solely responsible for mitigating this risk, with virtually all parts of the community, consumers, tourists, producers, processors, importers, exporters, regulators needing to step up.

The stakes are high; no other country's red meat production sector is as export exposed as Australia's, which means that a loss of access to export markets due to a disease incursion would have a devastating impact on producers, processors and the broader economy and community. The spread of Foot and Mouth Disease (FMD) and Lumpy Skin Disease (LSD) in Indonesia has demonstrated that we cannot afford to be complacent.

It is the red meat and livestock industry's unwavering expectation that the Australian Government continues to do all things reasonable to prevent the entry of exotic pests and diseases into Australia. To do this we accept the system must be adequately resourced through a sustainable funding model.

However, Australia's livestock and wider agricultural sector are not the only beneficiaries of a robust biosecurity

system. Keeping exotic pests and diseases out of Australia protects our native flora and fauna and unique ecosystems, which many people and businesses take enjoyment or benefit from. Given the ability for zoonotic diseases to spread to humans, illustrated recently by Japanese encephalitis, Australia's biosecurity system also protects human health. The benefits that accrue to the entire community from biosecurity practices and services are both non-excludable and non-rivalrous. It is these characteristics that make biosecurity a public good. Public goods require government co-investment to ensure they are provided at a socially optimal level.

Biosecurity protects Australia's agricultural base, environmental assets, food security and human population. A sustainable biosecurity funding model, with both appropriated funding from all levels of government and well-designed cost-recovery and incentives for risk creators and beneficiaries is therefore firmly in the national interest. It is crucial that we get the balance right between incentivising good biosecurity practices and provision of biosecurity services whilst discouraging risky activities. A robust compliance and enforcement framework is also an essential feature.

PREVIOUS BIOSECURITY REVIEW RECOMMENDATIONS

The red meat and livestock industry notes the range of inquiries and reviews that have outlined the case for reform and improvement of Australia's biosecurity system over the last decade. These include the 2021 Inspector-General of Biosecurity report into the adequacy of DAFF's operational model to effectively mitigate biosecurity risks[1], which commented that:

> *"The department's complex biosecurity funding model, with restrictions on use of cost-recovered versus appropriation sourced funds to conduct different functions, inhibits the effectiveness of the department's operational model, as it imposes limitations – in particular, on workforce agility. Industry also noted concerns that the funding model creates additional administrative burden on the department and leads to perverse outcomes, with the department focusing on functions that can be cost-recovered over those that cannot be cost-recovered."*

The Inspector-General further noted:

> *"The concept of a sustainable funding model for biosecurity has been raised in review after review for over a decade."*

Similarly, the previous Inspector-General (IGB 2017) recommended:

> *"[Recommendation 11] The Australian Government should commit to ensuring adequate long-term funding for biosecurity risk management, including border inspections and enforcement. Funding should be linked to growth in imports and biosecurity risks, with cost-recovered functions exempt from efficiency dividends and staff ceilings."*

The previous Inspector-General (IGB 2019b) also recommended:

> *"[Recommendation 14] The Australian Government should commit to ensuring adequate long-term funding for biosecurity risk management, and review biosecurity cost recovery arrangements to ensure that funds raised are sufficient for needed restoration or expansion of other priority frontline, support, system improvement and oversight operations. Funding should be linked to growth in imports and biosecurity risks, with cost-recovered functions exempt from efficiency dividends and staff ceilings."*

On 26 July 2017, Dr Wendy Craik, chair of the independent Intergovernmental Agreement on Biosecurity (IGAB) review panel, presented the final IGAB report *Priorities for Australia's biosecurity system*[2] (the Craik review) to the Agriculture Ministers' Forum. The Craik review recommended that appropriations funding should be maintained at 2016-17 in real terms or more until after the completion of the next review of the IGAB. Noting that the review found that appropriation had seriously declined 30% in the few years prior to the review.

A stocktake undertaken in 2015-16 showed that for the national system of the total funds spent ($998 million),

[1] https://www.igb.gov.au/current-and-completed-reviews

[2] https://www.agriculture.gov.au/biosecurity-trade/policy/partnerships/nbc/intergovernmental-agreement-on-biosecurity/igabreview/igab-final-report

around 57 per cent ($574 million) came from external sources and 43 per cent ($424 million) came from budget appropriations. Three stocktakes were undertaken (2013-14, 2014-15, 2015-16), however, these are not publicly available.

The red meat and livestock industry contends that there is no overall and public total picture of investment in the national system – investments and contributions made by key stakeholders including industry are not routinely captured, reviewed or invested in on a national basis, so it is difficult to know whether funding has kept up with the changes in risk levels.

The red meat and livestock industry understands that the National Framework for Cost Sharing (recommended by the Craik review and included in IGAB) was endorsed by the National Biosecurity Committee (NBC), but it is not publicly available. As a result, there is no transparency as to whether the cost-sharing principle (RE *Clause 16 - Governments contribute to the cost of risk management measures in proportion to the public good accruing from them. Other system participants contribute in proportion to the risks created and/or benefits gained*) is being met.

The Craik review recommended that the NBC in consultation with other key stakeholders, should review the National Framework for Cost Sharing Biosecurity Activities to enable its practical application and make it public.

KEY ELEMENTS FOR A SUSTAINABLE BIOSECURITY FUNDING MODEL

The red meat and livestock industry strongly recommends the adoption of the following key elements for a national sustainable biosecurity funding model:

- **The model should be co-funded by all risk creators and biosecurity recognised as a public good**
  Australia's biosecurity system is a national asset that should be funded proportionately by those who create the risks and those who benefit from it. The Australian red meat and livestock industry is already a significant investor in biosecurity systems and outcomes as discussed further in the next element. Beneficiaries not only include primary producers and other direct supply chain participants but also the broader community that shares in the benefits of strong regional economies, resilient native ecosystems and a healthy population.

  Biosecurity risk creation is not limited to the importation of containers but all imported goods and international travellers, and their means of transport. Wherever there is a biosecurity related intervention at the border there should be a corresponding fee or charge. When risk-based cost-recovery is deemed administratively impractical or uneconomical the shortfall should come from Australia's tax base.

- **Existing industry biosecurity investments must be recognised**
  The red meat and livestock industry is a beneficiary, but we also already contribute substantially to the system. Industry shares responsibility for funding the national biosecurity system through financial and operational contributions made to Animal Health Australia and the Emergency Animal Disease Response Agreement (EADRA), Research and Development Corporations and Cooperative Research Centres, as well as through related fees and charges. Biosecurity is a feature of the on-farm accreditation program, Livestock Production Assurance, and industry has invested heavily into livestock traceability over the last two decades – a critical aspect of the biosecurity system.

  As custodians of almost half of Australia's land mass, livestock producers also provide significant and ongoing on-farm biosecurity services to our country, which has spill over benefits for Australia's native flora and fauna, that should be recognised in the national biosecurity system funding model. In light of such investments and contributions, additional cost-recovery programs should not be directed towards the red meat and livestock industry.

  Government should look at recovering costs first from risk creators. But as per findings from previous Inspector-Generals of Biosecurity reviews, appropriation historically has been static or in decline, and other opportunities exist within the departments funding model and risk creator pathways.

- **Secure funding sources**
  In line with previous findings by Inspector-Generals of Biosecurity, funds raised should be sufficient for needed restoration or expansion of priority frontline, support, system improvement and oversight operations. Funding should be linked to growth in imports and biosecurity risks, with cost-recovered functions exempt from efficiency dividends and staff ceilings.

  Risk-based cost recovery from charging risk creators for biosecurity related interventions at the border would be welcome. However, given the critical importance of biosecurity to the wider Australian community, where risk-based cost-recovery is deemed administratively impractical or uneconomical the shortfall should come from Australia's tax base.

- **Cost recovery arrangements must be fair, efficient and directed towards risk creators**
  A key principle of the IGAB was that those responsible for creating the risk should contribute to the cost of risk-management measures. Trade is a key driver for increasing the spread of exotic diseases, so looking at regulatory imperatives for importers to play a role is key.

  The 2021 Inspector-General Report recommended that following the failed implementation of the 2019 onshore biosecurity levy that:

  > "*the department needed to urgently recommend a process to engage with import sector stakeholders in preparing ground-up co-developed recommendations for cost recovery reform*".

  The Craik review recommended that incoming passengers should contribute to the cost of biosecurity services - using an increase of $5 to the Passenger Movement Charge. It also recommended placing a levy on every aircraft and cruise ships entering Australia to collect a similar amount of revenue. The Craik review also highlighted that the self-assessed clearance pathways are largely unfunded/cost recovered.

  The 2021 Inspector-General Report highlights that the department's funding model has restrictions on the use of cost-recovered versus appropriation sourced funds to undertake its functions and creates an administrative burden. This leads to the department focusing on functions that can be cost-recovered over those that cannot, e.g., fee-generating activities over levy-funded activities.

  The 2021 Inspector-General Report also states that activities such as pre-screening for self-assessed clearances is unfunded (unless charged as part of a formal assessment), assessment of self-report questionnaires completed by vessel masters and specialist scientific services is uncharged, because self-reporting creates strong pressure not to apply full charges, and cost recovery for traveller screening is minor. Assessment of import permits and goods at the border is uncharged due to practical issues with applying the fee for regulatory activity in the airport. Further stating:

  > *"The underlying issues in the department's resourcing model and functional structure drive a reactive approach to resource pursuit, allocation and reallocation that is adverse to the interest of the department's efficiency and effectiveness, the import sector client base, and Australia's overall biosecurity risk mitigation*".

- **Biosecurity prevention and response funding pool**
  The people and businesses that face the consequences of an animal (or plant) disease incursion are not the ones that create the biosecurity risk, nor are they able to protect themselves financially against these risks due to the lack of appropriate insurance products. The provision of a funding pool to spend on biosecurity prevention and response activities should be seen as a compulsory insurance scheme, where risks are pooled and shared across the community.

Like any compulsory insurance scheme, moral hazard is an ever-present concern. Risk creators need to face the correct (financial and non-financial) incentives to avoid reckless or negligent behaviour that would increase the overall risk profile and costs to society. If this is not done, the scheme will be unsustainable and face constant demands for increased government contributions.

An ongoing government contribution is required to ensure the socially optimal provision of biosecurity services by the entire community. This goes beyond just funding. All levels of government need to directly provide personnel and resources (for example biosecurity staff and detection equipment at points of entry into Australia) and a robust compliance and enforcement framework, as well as incentivising industry to undertake biosecurity-enhancing activities.

The right balance must be achieved to ensure that the system is funded in an equitable and efficient manner without becoming unnecessarily burdensome or a threat to the competitiveness of any particular industry sector. Scheme design and alignment of costs with the sources of risks is critical to ensure the scheme is effective and efficient.

- **Works with industry on self-regulatory options where possible**
  Expanding on the previous point, beneficiaries also need to face the correct (financial and non-financial) incentives to avoid reckless or negligent behaviour that would increase the overall risk profile and costs to society. The Australian red meat and livestock industry has an exemplary track record on self-regulating to ensure biosecurity uptake and compliance (e.g. Livestock Production Assurance program, National Feedlot Accreditation Scheme, Australian Livestock Processing Industry Animal Welfare Certification System). At the same time, a national approach to post-border biosecurity needs to be underpinned by harmonisation in biosecurity legislation and regulations between jurisdictions.

- **Provides for urgent implementation of traceability reforms**
  The rapid and reliable traceability of livestock plays a significant part in any emergency animal disease response. The faster animals are traced the greater the ability to control a disease outbreak and minimise its economic and social impacts. The Australian red meat and livestock industry has invested hundreds of millions of dollars into traceability to assure consumers that even if there is an EAD outbreak in Australia, we will be able to isolate the farm or region, and control and eradicate the disease as quickly as possible.

  The red meat and livestock industry supports meaningful traceability reforms to further strengthen traceability for biosecurity, food safety and emergency response purposes, and for supporting market access requirements. A key focus needs to be improving the effectiveness of the NLIS for the identification and traceability of FMD susceptible species. NLIS reflects our commitment to biosecurity and food safety and underpins Australia's competitive advantage as a supplier of safe and wholesome products in the global market. Accurate and timely traceability is extremely important for domestic consumer confidence as well as export trading partners.

CONCLUSION

The red meat and livestock industry expect that the Australian Government continues to do all things reasonable to prevent the entry of exotic pests and diseases into Australia. To do this, the system must be adequately resourced through a sustainable funding model.

Australia's agricultural industries have benefited for over 100 years from strong international quarantine and biosecurity measures. However, rapid changes to the biosecurity landscape are placing increasing pressure on Australia's ability to mitigate risks. No other country's red meat production sector is as export exposed as Australia's, which means that a loss of access to export markets due to an incursion would have a devastating impact on producers, processors and the broader economy and community. The spread of FMD and LSD in Indonesia has highlighted the need to be vigilant.

Biosecurity protects Australia's agricultural base, environmental assets, food security and human population and can only therefore be defined as a national asset - a national asset that needs a sustainable biosecurity funding model. This submission provides the high-level key elements that need to be considered for this this to occur. A sustainable Biosecurity funding model is a public good and the model should therefore be co-funded by all risk creators and beneficiaries, noting that the red meat and livestock industry already substantially invests in the system.

RMAC and its members appreciate the opportunity to provide industry feedback on the delivering a sustainable biosecurity funding model discussion paper and looks forward to providing further input during future phases of consultation.