

Submission: Proposed Biosecurity Levy

Submission to the Biosecurity Levy Steering Committee
April 18, 2019

Executive Summary

The Australian Chamber welcomes this opportunity to provide input to the Biosecurity Levy Steering Committee's deliberations.

Biosecurity is a vital component of Australia's trade and economic wellbeing, protecting over \$60 billion worth of agricultural production nationally, underpinning Australia's inbound tourism industry worth over \$38 billion and protecting our environment from pest and disease incursions.

The Australian Chamber is supportive of an efficient and effective biosecurity system for Australia.

We refer to the work of Dr Wendy Craik and her team in the 2017 independent review of the capacity of Australia's biosecurity system and the underpinning Intergovernmental Agreement on Biosecurity (IGAB).

Dr Craik released the *Priorities for Australia's Biosecurity System report 2017* (Craik Report) containing 42 recommendations for improving and bolstering Australia's biosecurity system, in partnership with industry.

The World Bank Ease of Doing Business Reports lists Australia as having the most expensive export and import border compliance among OECD high income economies, scoring last in the grouping across 2016, 2017, and 2018.¹

The announcement of the Biosecurity Levy during the 2018-19 Federal Budget represents a lone aspect of the recommendations in the Craik Report, and appears worryingly lacking in purpose and design, in contrast to the recommendations set out in the Craik Report.

The Australian Chamber has concerns relating to the implementation of the proposed Biosecurity Levy, outlined in our submission across the following pages.

Executive Summary of Recommendations:

- **1:** Government and industry must continue to work together on biosecurity as equal partners to the benefit of the national wealth.
- **2:** Any proposed Biosecurity Levy raised should be used for clearly identified augmentation of existing biosecurity measures, not general public revenue.

¹ World Bank Database, *Historical Doing Business: OECD high income - Trading Across Borders*, 2016, 2017, 2018.

- 3: Because the biosecurity system benefits the nation as a whole, it is appropriate for public revenue to continue to be used to sustain the system.
- 4: A new point of Levy transaction should not be added to an already crowded shipping payment regime, as this will cause a domino effect of escalating costs and red tape. We suggest using the Australian Business Activity Statement system to collect any future Biosecurity Levy.
- 5: Passenger Movement Charges (PMC) on the tourism sector are already significant, and past increases to PMC were partly justified on the basis of biosecurity, running the risk that the Government is using the Levy as a general revenue-raising tax. Instead, the Levy on industry should be light-touch and tailored to the relevant industry.
- 6: The Biosecurity Levy implementation should contemplate a market-based solution that incentivises industry to self-manage risk thus supporting the biosecurity system, by offering a reduced rate of the Levy.
- 7: The Government should consider alternate means of raising the funds sought, such as improved collection of excise revenue from the black economy.

Introduction

Australia's coastline stretches 25,760 km, equivalent to more than half the circumference of the planet – the size of our borders presents a daily challenge for Government and industry in securing our agricultural and environmental wealth against biosecurity risks.

Biosecurity across our continent has subsequently become a big business in itself, representing a vital component of Australia's trade and economic wellbeing, protecting over \$60 billion worth of agricultural production nationally and also underpinning Australia's inbound tourism industry worth over \$38 billion.

To ensure an effective and economically sustainable biosecurity system can be maintained into the future, Government and industry must continue to act together on biosecurity in a true partnership.

It is for these reasons the Australian Chamber firmly believes that biosecurity should remain an ongoing activity that industry and Government perform jointly. It is only through working together that we can address real biosecurity risks in a way that meets the community's expectations and industry's commercial needs, while allowing Government inspectors and other administrative activities to take place efficiently.

The World Bank Doing Business Reports lists Australia as having the most expensive export and import border compliance among OECD high income economies, scoring last across the grouping in 2016, 2017, and 2018.²

The introduction of the Biosecurity Levy in the 2018-10 Budget has been piecemeal and inconclusive.³ Imposing arbitrary fees for a poorly defined service risks undermining biosecurity in Australia with unnecessary and costly red tape, ultimately reducing the overall effectiveness of the biosecurity barrier.

² World Bank Database, *Historical Doing Business: OECD high income - Trading Across Borders*, 2016, 2017, 2018.

³ Biosecurity Levy Steering Committee, *Discussion Paper*, March 2019.

We note and support the current effort underway to untangle the implementation confusion in the work of the Biosecurity Levy Steering Committee, with the aim to consult industry on how the Levy will work and what it will pay for.

Between August 2018 and February 2019 the Department of Agriculture and Water Resources consulted with affected stakeholders on the design of legislation giving effect to the collection of the Biosecurity Levy, and we note that the outcome of that work has not yet yielded a consensus.

We therefore support the creation of this Steering Committee, and believe its work is important in articulating the need of industry to be approached as partners to biosecurity.

Working together for a sustainable biosecurity system

The Australian economy has benefitted from the tradition of Australian business working with Government to create robust reform and institutional structures that benefit Australia as a nation. The biosecurity system is a national asset that serves the Australian people by protecting our extremely valuable environmental, agricultural and tourism industries.

Business also stands to welcome schemes that are a benefit to the economy and tailored by Government to suit that purpose.⁴ The present biosecurity arrangements are comprised of industry partnership with Government, and this approach should not change – indeed, we appreciate the creation of this Steering Committee is a sign that this tradition will continue into the future.

We are concerned that the proposed Biosecurity Levy raising \$325 million over three years would be streamed into general revenue, instead of used for the purpose that was intended. The costs on industry at the border for a range of levies and fees already paid, such as Passenger Movement Charges (PMC), are already significant. We are concerned that additional costs imposed on industry will be used in ways that do not benefit those industries.

We also note that many responsible operators already conduct their own activities to reduce biosecurity hazards, but would still appear to be required to pay the full Levy. Any Levy imposed should be structured to ensure that industry participants already conducting a level of expenditure on achieving the goals and aims of the biosecurity system are asked to pay a reduced rate of any Biosecurity Levy, commensurate with their existing activities.

We also wish to clarify that all revenue raised from the proposed Biosecurity Levy should be used only for the improvement and enhancement of Australia's existing biosecurity arrangements. We will also require Government to adequately justify the costs being covered and ensure that any fundraising was against efficient necessary expenditure and not ambit departmental desires.

National economy benefits & reducing red tape

As the Australian economy is the ultimate beneficiary of a strong biosecurity regime, we believe it is appropriate for public revenue to be used in significant part to pay for biosecurity activities, alongside the contributions of industry.

The challenge facing Australian industry operating under Australia's biosecurity arrangements is a balancing act – on the one hand industry seeks to operate in a commercially competitive way, while on the other it aims to help safeguard the biosecurity system in partnership with Government. The

⁴ Craik Report 2017, *Part 1.2 "An evolving system"*, p. 12.

wrong approach could risk regulatory and procedural red tape, and the flow-on costs to the economy that would arise.

Any payment system to raise a Biosecurity Levy must co-opt an existing payment already in place, in order to reduce red tape. Having in mind that the affected industries are all Australian businesses with Australian Business Numbers, we suggest using the Australian Business Activity Statement system to collect any future Biosecurity Levy, thus removing the risk that the Levy becomes an unintended trade barrier at the border crossing.

Tourism and cruise industry: needing a light-touch approach

The World Economic Forum's Travel & Tourism Competitiveness Index (2017) ranks Australia poorly – 36th overall, 94th for taxes and charges and 128th (of 136) for price competitiveness. Australia ranks poorly down the list for taxes and charges, with Australia's \$60 Passenger Movement Charge (PMC) being the second highest international ticket tax and the highest short haul charge in the OECD. An Australian travelling to Indonesia, for example, will now find a quarter of their ticket cost is Australian tax.

The Cruise industry is also an integral part of Australia's visitor economy. The industry supported 17,000 full-time jobs and contributed \$4.8 billion directly and indirectly to the Australian economy in 2017-18. The industry operates in an environment of high port and operating costs (in addition to the PMC) which brings into question the viability of the industry in Australia in comparison to other favourably placed destinations.

The PMC is a tax payable by all passengers departing Australia, either on international flights or sea vessels. The charge is intended to offset the cost incurred by the Government to facilitate customs, immigration, and biosecurity and quarantine functions for passengers at international terminals. The PMC was increased in 2012 and 2017 without justification with collection far exceeding the cost of providing these services at our international departure terminals.

At AUD\$60 PMC per passenger, the Australian Chamber argues the tourism sector is dealing with a very real risk that the levy will be seen as a general revenue-raising tax that could disproportionately affect Australia's growing inbound tourism market. Tourism is a highly competitive global market, with competition poised to get stiffer in the future. International tourists are price sensitive and decisions to holiday in Australia are based on its value for money. We also note that biosecurity activities were used to justify past increases in the PMC (biosecurity being an element of the \$2 increase to PMC in 1995 and again an \$8 increase in 2001). Accordingly, although the PMC goes to general revenue, we argue that a substantial amount is already being collected through the PMC to cover biosecurity activities. These funds should be deployed toward the biosecurity task before any additional levy is applied to the tourism sector.

The Australian Chamber supports the views and submission of our member, the Cruise Lines International Association Australasia, and recommends that the cruise industry as part of the tourism sector already contributes to the funding of biosecurity activities through the PMC and should be exempt from the proposed biosecurity levy.

Alternate measures the Government could consider

Industry should be incentivised to reduce the risk of biosecurity incursion and so lower the administrative costs to Government for system operations. The Australian Government is implementing a system of "Trusted traders" for national security and we believe this system could be co-opted for biosecurity as well.

That is, companies that undertake initiatives to reduce biosecurity through increased inspections, pre-loading measures and voyage management, should be incentivised through a reduction in costs at the Australian border. We would welcome the opportunity to work with the Government on “industry led” approaches to reducing Australia’s biosecurity risks and costs.

We also note that it is estimated that over \$2 billion annually could be recovered from improvements in collection of excise if there was greater vigilance applied to the control of illicit tobacco in Australia.⁵ Instead of the Biosecurity Levy as proposed by the Government, if 5% of this opportunity revenue was captured, it would result in an equivalent of revenue being available to the Government and there would be no need to raise the Biosecurity Levy at all. Government should consider alternate means to raise the revenue required than an explicit levy.

Recommendations

- **Recommendation 1:**

Government and industry should continue working together as equal partners, with administrative functions of inspection and other related activities to the direct benefit of industry and the national wealth.

- **Recommendation 2:**

The proposed Biosecurity Levy revenue must be used for agreed efficiently delivered biosecurity purposes and not be channelled into general public revenue.

- **Recommendation 3:**

Public revenue should continue to be used in significant part to pay for biosecurity activities, alongside the contributions of industry.

- **Recommendation 4:**

Australia ranked last in the OECD high income economies for the expense of export and import border compliance across 2016, 2017 and 2018. Accordingly, the Australian Chamber recommends that in order to reduce further costly red tape, any payment system to raise a Biosecurity Levy must co-opt an existing payment already in place. Having in mind that the affected industries are all Australian businesses with Australian Business Numbers, we suggest using the Australian Business Activity Statement system to collect any future Biosecurity Levy.

- **Recommendation 5:**

Passenger Movement Charges (PMC) are already a significant fee levied on that industry and already include a contribution toward biosecurity. The funds already collected should be deployed toward the biosecurity task and no additional levy should be placed on the tourism sector.

- **Recommendation 6:**

The proposed Levy does not appear to contemplate a market-based solution that incentivises industry to self-manage risks. A responsible operator already conducting its own activities to reduce biosecurity hazards still appears required to pay the full Levy. The

⁵ KPMG, *Illicit Tobacco in Australia*, 20 April 2018, p. 48.

Australian Chamber accordingly recommends that the Levy be structured to ensure that industry participants already conducting a level of expenditure on achieving the goals and aims of the biosecurity system are asked to pay a reduced rate of any Biosecurity Levy, commensurate with their existing activities.

- **Recommendation 7:**

That Government should consider alternate means of raising the funds sought, such as improved collection of excise revenue from the black economy.



About the Australian Chamber

The Australian Chamber of Commerce and Industry speaks on behalf of Australian Businesses at home and abroad.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, making us Australia's most representative business organisation.

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