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

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About the Invasive Species Council

The Invasive Species Council was formed in 2002 to advocate for stronger laws, policies and programs to keep Australian biodiversity safe from weeds, feral animals, exotic pathogens and other invaders. It is a not-for-profit charitable organisation, funded predominantly by donations from supporters and philanthropic organisations.

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Contents

Summary

In this submission, we explore the main principles that should be factored into any sustainable funding measure, including levies, along with two models to inject a much needed and long overdue investment into environmental biosecurity as well as the broader system. They are risk insurance for import shipping, and an environment protection levy.

We also provide a list of key priorities that are needed to strengthen Australia's environmental biosecurity, to provide avenues for real outcomes that could be funded by these mechanisms.

Inquiry opening statement

Thank you for the opportunity to give evidence at this important inquiry.

The Invasive Species Council is an independent not-for-profit environmental organisation. We advocate for stronger laws, policies, and programs to keep Australia's incredible biodiversity safe from weeds, feral animals, diseases and other invaders.

Invasive species are one of the biggest drivers of environmental decline in Australia and have been the major cause of 17 of the 25 known extinctions in Australia since 1960.

I'm sure you are all aware of the damage caused by feral cats or feral deer or weeds like lantana and scotch broom.

But their impact could be dwarfed by the invasive species on our door-step like avian influenza, eucalyptus killing myrtle rust strains, the murder hornet, the assassin snail or the black-spined toad. These will cause environmental devastation, including new extinctions, if they reach Australia.

And our governments are spending hundreds of millions every year trying to eradicate more recent invaders like fire ants, yellow crazy ants or the shot hole borers killing ancient figs in Western Australia.

Investing in prevention and early action are always the most cost-effective and damage mitigating approach to invasive species and our national biosecurity system is fundamental to this.

We believe there are 4 key problems which are undermining our current biosecurity system and threatening Australia's unique wildlife, bushland and waterways. They are:

1. The adequacy of funding - the system is desperately under resourced
2. The sustainability of funding - We need clear, long term solutions to ensure risk creators pay for the system
3. What the money is spent on - environmental biosecurity is under prioritised, compared to industry biosecurity
4. The culture of the department - while there are many good people, the overall culture is focussed on protecting Australia's export access and threats to the agricultural industry, with environmental threats seen as a minor concern.

We acknowledge and welcome the recent changes made by the Australian Government to increase some charges on importers.

However, the reforms proposed by the government, including the levy proposed in this legislation, only go part way to addressing the issue of sustainability of funding. This Bill and the other reforms do nothing for the other three issues of adequacy, focus or culture.

The increases to importer charges only achieve cost recovery, that is they fund the administrative processing at the border, not the response capacity for eradication and response when things get into the country like fire ants, myrtle rust or the recent gold clam in the Brisbane river.

In terms of solutions - it is clear that importers are the main risk creators and should be made to pay for not only the costs at the border, but also the costs of eradication when things get here.

One problem with implementing this is that we know the risk pathway but it is very often difficult or impossible to identify and hold to account the precise importer at fault. For this reason cost recovery of this needs to be across all importers, ideally on a risk basis.

Risk insurance or an environment levy perhaps on containers are options to address this and my colleague Lyall Grieve can go into detail about these. The Centre of Excellence for Biosecurity Risk Analysis (CEBRA) has been undertaking detailed work on the risk insurance approach which we strongly recommend the committee seek further details about.

There are five key areas that require strengthening, to prevent the next environmentally destructive invader, better understand the risks posed, and be better equipped to deal with outbreaks.

1. Increase the capacity and capability of the Environmental Biosecurity Office, and at least triple the Environmental Biosecurity Project Fund.
2. Establish an independent body to coordinate environmental biosecurity response, preparedness and engagement, like Plant Health Australia.
3. Improve surveillance for high-risk potential invaders.
4. Improve the coordination of responses to established invaders.
5. Strengthen research, development and extension (RD&E) for invasive species.

On the specifics of this Bill

Our position is that:

While $50 million per year is not an insignificant contribution to the biosecurity system, whether this levy becomes law or not will not make or break the biosecurity system.

We also believe that the scale of this levy is modest and will not have a significant impact on producers, particularly as compared to regular movements in commodity prices.

We have three concerns:

1. It will only make a minor difference to the chronic underfunding of national biosecurity and invasive species control.
2. It perpetuates a failure to properly charge risk-creators for the cost of preventing AND eradicating new invasive species which harm the environment, agriculture and human health.
3. It does not address the systemic under-prioritisation and under-funding of environmental biosecurity, essential to protect Australia's wildlife and ecosystems from invasive species.

Given this, the position of the Invasive Species Council is to support the proposed Biosecurity Protection Levy if, and only if:

1. Significant additional policy and funding commitments can be secured to drive transformative and long-term improvements in environmental biosecurity and invasive species management, and
2. The Australian Government commits to a process to investigate a risk insurance model and/or environmental levy targeting risk creators to fully fund the full cost of preventing AND eradicating new invasive species which harm the environment, agriculture and human health.

Recommendations

Adequate and ongoing funding to support biosecurity

1. The current level of funding, even with the efforts by the Department of Agriculture, Fisheries and Forestry (DAFF) presented in these legislative amendments, is not sufficient to prevent new incursions, respond to incursions when they occur or successfully eradicate high risk invasive species.
2. Undertake a comprehensive assessment of the full cost of preventing new high risk environmental incursions, responding to those incursions and eradication of high risk invasives. This assessment will then inform the scale and design of adequate and ongoing funding required.
3. Investigate new and alternative funding models that can adequately and sustainably fund environmental biosecurity, applying the principles of equity and efficiency. For example, a biosecurity risk insurance incentive-based mechanism.
    a. To explore the technical application and details of biosecurity risk insurance, the committee should call upon the Centre of Market Design and Centre for Excellence in Biosecurity Risk Assessment (CEBRA) at this inquiry.
    b. Consult with the industries that would be part of a broader roll out of these mechanisms, such as the Freight Trade Alliance, who may be very willing to take on this model.
4. Consider the application of an environmental protection levy on high risk trades, directing funds to environmental biosecurity activities and outcomes.

Support world-leading and well resourced environmental biosecurity to prevent new invaders and mitigate impacts of invasive species. The following is a list of priority reforms.

5. Increase funding dedicated to environmental biosecurity functions by at least $62 million over four years.
6. Increase funding for the Environmental Biosecurity Project Fund to $2.5 million per year (up from only $825,000 per year since 2017). COST: $10 million over 4 years.
7. Strengthen and elevate the office of the Chief Environmental Biosecurity Officer (CEBO), by:
    a. Making it an independent, statutory role appointed by the Minister for a fixed 5 year term, to avoid the role being removed, downgraded or undermined in future.
    b. Appointing the CEBO at the equivalent seniority of the Chief Plant Protection Officer and Chief Veterinary Officer (First Assistant Secretary).
    c. Establishing the Environmental Biosecurity Office (EBO) as a separate office reporting to the CEBO within the Biosecurity section of the department by January 2025.
    d. Ensuring there are at least 20 permanent FTEs reporting to the CEBO and fully focussed on environmental biosecurity functions, not serving other departmental priorities.
    e. Including the budget for the EBO as a separate line item in the federal budget.
8. Commit to review and revise the National Priority List of Exotic Environmental Pests (EEPL) in 2024, and to have completed by 2027 new response plans and pathway action plans for at least 30 species or species groups assessed as high environmental risk.
9. Create 6 new national invasive species coordinator positions to complement existing feral deer, pig and cat/fox positions ($400,000 each/year) focussed on (1) invasive grasses in northern Australia, (2) community surveillance, (3) invasive insects, (4) freshwater invasives, (5) invasive cacti, and (6) myrtle rust and exotic plant diseases. COST: $7.2 million over 3 yrs.
10. Develop and implement a national offshore islands and mainland havens invasives strategy COST: $1.5million over 3 years.
11. Commission a detailed risks and pathways analysis for invasive fungi. COST: $250,000.
12. Establish Environment Health Australia as an independent, non-government body, similar to Plant/Animal Health Australia, that would:
    a. Coordinate environment biosecurity responses with states and territories.
    b. Host the National Environmental Biosecurity Response Agreement (NEBRA).
    c. Drive research, development and extension for environmental biosecurity and invasives.

    COST: $10 million in seed funding over 3 years.
13. Invest $69.8 million over 4 years in high priority environmental research and innovation, including
    - implementation of the National Environment and Community Biosecurity Research, Development and Extension Strategy (NECBRDES)
    - development of more-effective and human control methods for invasive vertebrate animals
    - assessment of fungi and other pathogen risks for Australian native plants
    - biocontrol programs for nationally significant invasive plants and animals (where feasible)

- maintenance and expansion of validated reference collections for biosecurity risk groups in Australia's national biological collections
- Invest in rapid identification research for environmental pests and diseases, and rejuvenate Australia's ageing reference collections
- expand the Environmental Biosecurity Project Fund from a mere $850,000 to $8 million over four years - kept within the EBO in DAFF.

14. Allocate $0.4 million for a Research, Development and Extension coordinator role (salary at EL2 level plus travel and event expenses)
15. As part of the 'making biosecurity sustainable initiative', Investigate funding across the entire biosecurity spectrum, including the functions administered by state/territory governments, not just DAFF activities at the border.

Introduction and background

Strengthening environmental biosecurity – stopping new invasive species arriving, establishing and limiting the harm caused by established invaders – must be an Australian government priority of the highest level if we are to achieve the goals of no new extinctions, a world leading biosecurity system, and Australia's obligations under the Global Biodiversity Framework.

A landmark global scientific report, released in September 2023 by the United Nations Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, has found that invasive species cost the global economy over $423 billion every year, with costs having at least quadrupled every decade since 1970. The report finds that invasive species have played a role in 60% of global plant and animal extinctions, and that prevention measures are underfunded and not prioritised particularly for environmental risks. In Australia, invasive species have caused the vast majority of species losses since 1960. There have been 21 probable extinctions of animals and 4 of plants, averaging 4 extinctions per decade. Of the 23 losses for which experts have assigned causes, 17 (73%) were due mainly to invasive species.[1]

Australia has thousands of naturalised alien plant species, of which several hundred are invasive[2]. More than 230 invasive species are listed as directly impacting Australia's threatened species[3]. with associated costs amounting to approximately $25 billion every year, or more than 1% of Australia's GDP in losses to agriculture and management costs, not including environmental damage and losses that cannot easily be quantified in dollar amounts. A functional and strengthened system protecting the environment also benefits human places, such as gardens and pets.

The Invasive Species Council welcomes the government's commitments to a world-class and sustainably funded biosecurity system - but these will require substantially strengthening and resourcing the whole biosecurity system, from preparedness and prevention at the border to the management of established threats by states and territories.

While there remains a lack of direct connectivity between this proposed levy and the priority areas enshrined in the National Biosecurity Strategy, working to implement sustainable funding measures, and applying stronger partnerships by including all stakeholders in decision making are good alignments with the strategy. Sustainable funding is a key priority area in the strategy and will be

[1] (IPBES 2023)
[2] (Dodd et al. 2015)
[3] (Kearney et al. 2019))

required for it to be fully implemented and effective. The current level of funding, presented in these legislative amendments, is not sufficient to prevent new incursions, respond to incursions when they occur or successfully eradicate high risk invasive species.

In this submission, we explore the main principles that should be factored into any sustainable funding measure, including levies, along with two models to inject a much needed and long overdue investment into environmental biosecurity, as well as the broader system. They are: risk insurance for import shipping, and an environment protection levy.

The case for more funding for environmental biosecurity

It is widely accepted that the biosecurity system needs more funding. In 2017, the independent review of biosecurity found that "additional funding is required" for the national biosecurity system, including for environmental biosecurity[4]. The Inspector General of Biosecurity concluded in 2021 that "the biosecurity system is not in a strong position to address the diverse and evolving biosecurity risks and business environment" – among other reasons, the report highlights the absence of an appropriate funding model[5].

Historically, Australia has operated with a reactive model for funding biosecurity. As a crisis emerges, a complex framework of laws, agreements, deeds and committees must work together to assess the costs, feasibility and strategy of response, and negotiate the funding between governments and industries, and between federal and state governments. Environmental incursions receive even less preparedness investment, often taking a longer time to decide on a course of action during the most critical phase of the invasion curve where action is the most cost effective, and eradication most feasible.

As stated in the Intergovernmental Agreement on Biosecurity review, "Environmental considerations should be comparable to human health and primary production with respect to biosecurity, and comprehensive national arrangements need to be explicitly developed (pre-border, at the border and post-border) to address environmental biosecurity risks[6]." Environmental biosecurity is worth this investment. While the systems that are established to protect agriculture and the environment are shared (risk assessment, response, surveillance, diagnostics, R&D and legislation), it is the priorities and practices for the environment that are not understood or adequately resourced. All Australians, including our industries, are direct beneficiaries of a strong environmental biosecurity system. The return on investment for the whole biosecurity system is as high as 30:1[7] return on investment in environmental biosecurity: Prevention of extinctions, species declines and environmental degradation - things highly valued by the community and regarded as priceless.

With adequate additional funding, Australia could demonstrate it is taking a leading role internationally, strengthening environmental protections by stopping new invasives and strengthening the biosecurity system. We recommend the following key areas to focus on to create a world leading biosecurity system for the environment:

[4] (Craik, Sheldrake, and Palmer 2017)
[5] (Inspector-General of Biosecurity 2021)
[6] (Craik, Sheldrake, and Palmer 2017)
[7] (Dodd et al. 2020)

Pillars of a strong environmental biosecurity system

5 key reforms needed to strengthen Australia's environmental biosecurity system:

1. Implement sustainable funding measures that target risk creators first.
    - This could take the form of risk based import levies or insurance arrangements.
2. Establish an independent body to coordinate environmental biosecurity response, preparedness and engagement. (An Environment Health Australia.)
3. Increase the capacity and capability of the Environmental Biosecurity Office.
    - This is intended to provide national leadership, coordination, preparedness and awareness extension for environmental biosecurity matters.
4. Improve surveillance for high-risk potential invaders.
    - The national list of exotic environmental threats requires updating, with some risk assessments and response plans developed. The catastrophic risk posed by species listed on the National Priority List of Exotic Environmental Pests (EEPL) requires comprehensive risk assessments and planning, to the level of equivalent exotic threats to agriculture and trade.
5. Strengthen research, development and extension (RD&E) for invasive species.
    - Australia risks falling behind in investment, focus on innovation, and outreach for biosecurity. New control methods and surveillance technologies require coordinated funding to trial and implement.
    - Without a leading coordinating body or funding commitment, RD&E programs will continue to attract mostly projects that are market driven. The environment must not continue to fall short behind agriculture research and innovation.
    - We must do all we can to keep new invasive species from entering Australia, and control or eradicate (where feasible) those already here.
    - Exotic environmental pests require investment into targeted and general surveillance, understanding pathways, risks of entry, rates of establishment and potential impacts.

Past achievements show that with early action, dedication and resources, Australia can achieve world-leading results. We have, for example, eradicated several red fire ant populations, as well as rats and cats from many islands, and beaten back some weeds through biocontrol or concerted removal (bitou bush, sea spurge and prickly pear, for example. So far, we've been able to keep out destructive new invaders such as the Asian black-spined toad, giant African snail and wattle rusts, but unfortunately environmental invasives continue to slip through the biosecurity net and establish themselves, usually being detected when it is too late (or deemed too expensive) to eradicate.

To inform the investigation of funding options, it is important to estimate the future funding needed for Australia to achieve the Appropriate Level of Protection (ALOP), the Australian government's commitment for no new extinctions, and the Convention on Biological Diversity (CBD) Global Biodiversity Framework (GBF) Target 6 - "Reduce the Introduction of Invasive Alien Species by 50% and Minimize Their Impact", of which Australia is a signatory. This target aims to *"Eliminate, minimize, reduce and or mitigate the impacts of invasive alien species on biodiversity and ecosystem services by identifying and managing pathways of the introduction of alien species, preventing the introduction and establishment of priority invasive alien species, reducing the rates of introduction and establishment of other known or potential invasive alien species by at least 50 per cent, by 2030, eradicating or controlling invasive alien species especially in priority sites, such as islands."* Without a significant increase in funding for environmental and broader biosecurity, this target will not be

achieved by Australia. Biosecurity is the most direct, cost-effective way to enhance our protections and work towards achieving the goal set out under the GBF.

Australia must prioritise preventing the next red fire ant, cane toad, or myrtle rust. One of the measures that this depends upon is adequate and ongoing funding to support the work of the Environmental Biosecurity Office within the Department of Agriculture, Fisheries and Forestry. Additionally, targeted funding to the Environmental Biosecurity Project Fund must be increased, ideally three fold. This fund is currently the only earmarked environmental biosecurity budget within the federal government and has remained at a paltry $825,000 per year since its inception in 2018.

The position of the Chief Environment Biosecurity officer was recently changed from First Assistant Secretary level (equivalent to the other two Chief positions in the "Three Chiefs"), and now sits within the broader Plant Biosecurity division under the Chief Plant Protection Officer. While sharing resources may benefit the work of the office since being understaffed and under-resourced, this move only adds to the perception of the low value DAFF and the Australian government places on environmental biosecurity, despite it being the most critical function to prevent new extinctions in the future.

Adequate and ongoing biosecurity funding

An adequate level of sustainable, ongoing funding will be critical to the delivery of a strong biosecurity system as threats and pressures increase each year. If achieved, it will be ready to protect Australia's economy, environment and communities. There are choices of mechanism that have multiple beneficial implications - such as incentivising better biosecurity practices and lower rates of non-compliance, and contributing to the National Biosecurity Strategy's shared culture and responsibility commitments. These incentivising mechanisms have the potential to increase both the efficiency and effectiveness of biosecurity arrangements. (For example, refer to the Centre for Market Design's submission to the RRAT Inquiry into the Adequacy of Australia's biosecurity measures and response preparedness, in particular with respect to foot-and-mouth disease and varroa mite.)[8]

Developing funding mechanisms requires the application of some widely accepted economic principles, employed by the Australian Government in various ways. In this scenario the most important is equity. In this case, equity means to prioritise charging risk creators, with beneficiaries second, and general taxation third. Currently, the creators of the majority of biosecurity risks are not being adequately charged, even with the announced package of funding reforms (48% from importers, 44% from taxpayers, and 6% producers). Examples of risk creators that should bear the majority of costs to mitigate the risk incurred include high risk pathways such as cut flowers, exotic pet trade, and legal trade in weeds as nursery plants. These specific high risk imports incur an unfair cost that is being paid predominantly by taxpayers.

In a 2023 report, Frontier Economics concluded that "from an economics perspective, the optimal investment in biosecurity would be the point where the marginal cost of biosecurity activities is equal to the marginal social benefit." This supports the research into the value of the biosecurity

[8] (Centre for Market Design, 2023)

system, revealing that any investment provides a massive return, and that we could be allocating much more without risking waste.[9] However, for most of biosecurity, these costs are 'externalities' that are imposed on other sectors of the community (i.e. not borne by parties importing goods into the country and creating the risk), they are not necessarily considered by the individuals or businesses when deciding whether to import goods or people into Australia. Therefore in the absence of government involvement in setting appropriate biosecurity investment, there is likely to be over-provision of activities that increase Australia's exposure to biosecurity risk; and under-provision of biosecurity management activities that could deliver biosecurity benefits to the community. The net effect of these two impacts is likely to result in a net cost to the Australian community.[10]

This relationship was also noted by the Productivity Commission, in that Biosecurity has both public good properties and spill-over effects (externalities). A pest- and disease free environment is a public good, and if providing such an environment was left to the private sector, this could lead to free-riding on the management efforts of others and result in underinvestment in biosecurity activities. This failure of the market to adequately address pest and disease risks is a major reason for government involvement in biosecurity.[11]

While the proposed Biosecurity Protection Levy will add a welcome $50 million per year into the operation of the system by DAFF, the manner in which it has been designed has been vague, and consultation limited. Affected industries already contribute levies to biosecurity, some of which are voluntary. The levy in its current design does not consider the difference in risk from different products or pathways, and funding generated will not be earmarked for specific biosecurity activities or services, rather it will go to consolidated revenue of DAFF for any part of the portfolio. It can be understood why there is resistance to the levy, based on these factors along with the equity principle discussed above. The broader package of funding measures do include some increases charging risk creators, including the $10 increase on international passengers. There has also been an announced increase to low value private imports, which is estimated to generate $27 million for cost recovery - unfortunately this will be paid by Australian taxpayers.

There are widely held concerns with the current approach. There have been vague indications to introduce an import risk-based levy, however senate estimates questions on notice confirm that the department has shelved the idea citing complications and risk from WTO rules and the General Agreement on Tariffs and Trade. The previous government was in the final phase of introducing a container levy, which would have generated $325 million over three years for the biosecurity system. The levy proposed a $10.02 biosecurity charge per 20-foot container, and a $1 per tonne levy on bulk imports by sea, with the funding being allocated to detect and screen for exotic pests and diseases. It is understood that the proposal was stopped following lobbying by minerals and concrete industry alliance who justifiably were of the view that as importers of much lower biosecurity risk products, they should not have to pay the levy. This situation is now repeating in the debate about the fairness of the Biosecurity Protection Levy.

[9] (Dodd et al. 2020)
[10] (Frontier Economics 2023)
[11] (Australian Government Productivity Commission 2016)

The increased industry levy (the Biosecurity Protection Levy) will provide some (approximately $50 million per year) ongoing funding for Australia's biosecurity system, however by prioritising a 'beneficiary pays' model the resources for the system are unlikely to scale as risks (for example trade volumes) increase to the degree that will be required. Additionally, the revenue generated by both the increased industry levies and passenger movement charge will go to consolidated revenue rather than hypothecated (earmarked) to a special account exclusively for biosecurity. This presents a significant risk that these funds may be diverted to other priorities by a future minister or government.

We recommend the Australian government investigate and consider alternative mechanisms to the producer levy model that is the primary option currently being considered. It is understood that the Biosecurity Protection Levy is not supported by the majority of affected industries. These alternative mechanisms that provide the best potential outcomes for equity, environment, and the broader biosecurity system are:

1. **An environment protection levy on imports, and**
2. **Risk insurance for biosecurity activities relating to imports.**

Proposed funding models

Figure 1 below outlines the key principles to consider when designing a funding model. Frontier Economics performed a review and also took in a range of other criteria based on well-established taxation and funding principles. Seven funding mechanisms were rated with a traffic light system reflecting their success in meeting key aspects of the criteria.

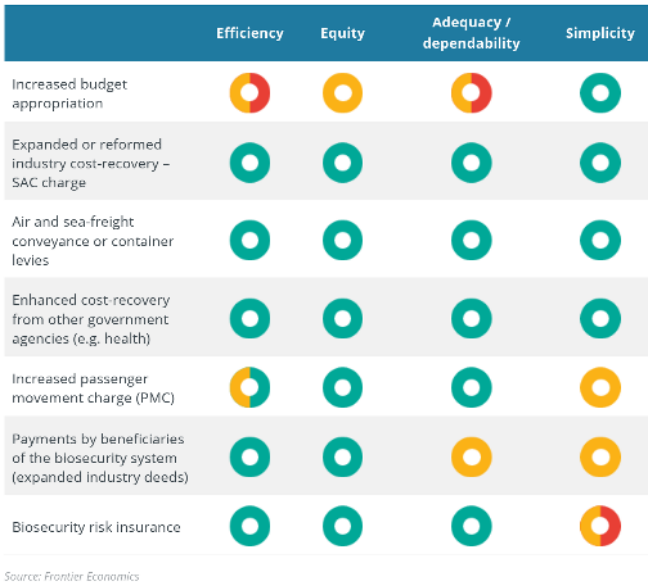

Figure 1: Summary of funding assessment (Frontier Economics)[12]

The results indicate that the three leading options (with all green traffic lights) were industry cost-recovery, air and sea-freight levies, and cost-recovery from government agencies. In many ways

[12] (Frontier Economics 2023)

this is common sense and aligns with the principle that those creating the biosecurity risks should contribute to funding. The biosecurity risk insurance model would also be rated as green if there was more data available to demonstrate how it can work. Fortunately there has already been significant research and development of this idea, notably by the Centre for Excellence in Biosecurity Risk Analysis (CEBRA) including work on applying this model to biofouling,[13] demonstrating efficiency gains from setting a higher cost the higher the risk from the trade.

While not included in this analysis, charging international arrivals is a good mechanism for a small increase in funding. The proposed increase to the Passenger Movement Charge will provide additional funding, however there are also concerns raised by the tourism industry disagreeing with the charge being hypothecated to biosecurity, and being one of the highest charges in the OECD. An alternative model can be seen in New Zealand's International Visitor Conservation and Tourism Levy (IVL), which is currently set at NZ$35. This levy is earmarked for projects that help create sustainable and productive tourism that protects the environment and values of the community.[14]

An environmental protection levy

To achieve long-term environmental biosecurity outcomes we need to consider all potential funding models, and resource the whole of the biosecurity system adequately, including the activities of state and territories.

It can be difficult to argue for charging industry and trade for environmental protection. However, industries or trading partner countries that heavily rely on imports of goods with high environmental footprints may also be considered risk creators, as their activities contribute to environmental harm. Conversely, those who bear the brunt of environmental degradation, such as communities affected by pollution or climate change, are often the beneficiaries of environmental protection measures. To promote equity, policies such as the sustainable funding for biosecurity should aim to redistribute the burden of costs from disadvantaged industries, communities or sectors, and on to industries or importers that disproportionately contribute to environmental harm. This could involve mechanisms such as targeted levies on goods that contribute to environmental harm such as biosecurity risk imports. By prioritising equity in the design and implementation of import taxes, governments can ensure that environmental protection efforts are not only effective but also socially just, and also avoid any international disputes under the WTO.

Rather than increasing the levies placed on producers (the beneficiaries), implementing an import tax or levy as a means to generate revenue for environmental protection requires a strategic and well-coordinated approach. Similar to the legislation currently under review for the Biosecurity Protection levy, this would require extensive consultation and learning from other levies that have been implemented for similar public good outcomes. Legislation must outline the types of goods or pathways subject to the tax, the rates applicable to each category, and the mechanisms for collection and enforcement.

A levy should not be vague in its application or go to general consolidated revenue of a department. This does not provide the certainty, transparency and security of funding that must be tied to the

[13] (Hester 2022)

[14] https://www.mbie.govt.nz/immigration-and-tourism/tourism/tourism-funding/international-visitor-conservation-and-tourism-levy/

biosecurity activities or assets affected. A levy must directly reduce the costs of the risk that has been created, and this direct relationship must be a core component of the design to achieve these goals. An environmental levy would need to have clear environmental priorities identified and agreed upon before implementation. These could include biosecurity research and innovation for enhanced surveillance and detection, conservation efforts to protect and conserve species and ecological communities that are being damaged or threatened by the trade, and management of established invasive species costing the nation billions of dollars. For a detailed costing of priorities refer to Attachment 1 - Invasive Species Council 2024 Budget Submission.

Setting the levy's rates should be undertaken by actuaries. The rates of collection would be set based on the risk incurred by different pathways or commodities, incentivising environmentally-friendly behavioural change while avoiding additional burden on consumers or businesses. Pathways with higher risks and greater potential environmental impact could have a higher rate of collection.

Finally, the revenue generated could be allocated to specific project funds (a perfect example being the Environmental Biosecurity Project Fund), earmarked for environmental biosecurity surveillance and preparedness, or as a cost-shared arrangement with states and territories supporting the risk and invasive species impact mitigation roles that they provide to the broader system.

Governments must consider the trade risks of implementing import taxes within the context of international trade agreements, particularly bilateral agreements under the WTO and General Agreement Tariffs and Trade GATT. As in the case of the proposed Biosecurity Protection levy, an environmental protection levy should not create trade-threatening issues under these agreements, as they would apply based on assessed risk and scientific evidence, and could apply upon arrival by the importing vessel. Any implementation of an import levy should ensure that it complies with existing trade agreements and does not provoke retaliatory actions from trading partners. It would be expected that this was a core component of the development of the Container Levy proposal in 2018.

By adopting these steps, the Australian Government can effectively harness import taxes as a source of funding for environmental protection efforts, contributing to the goals of sustainable development, a world leading biosecurity system, and no new extinctions.

Biosecurity risk insurance

A somewhat new and promising economic model that would address many of the key requirements of sustainable biosecurity funding is that of biosecurity risk insurance, a concept that has been investigated by the CEBRA and the Centre for Market Design has been trialling risk insurance as a mechanism for biosecurity funding, through theoretical research and a real world pilot project addressing the risks from biofouling on shipping.[15]

Risk insurance provides an ideal mechanism to explore for Australia's biosecurity system funding. It is efficient, scalable, incentive compatible, financially sustainable, and adheres to the 'risk-creator' pays equity principle. Insuring Australia against risk from the primary risk creators works to fund the

[15] (Centre for Market Design, 2023)

maintenance of an appropriate level of protection through government activities - before, and at the border, and also contributes to a 'buffer' with neighbouring countries and provides a rapid response fund that can be accessed immediately when there is a biosecurity incident.[16]

Traditionally, biosecurity agencies consider biosecurity threats, perform a risk assessment, and then apply actions, conditions and surveillance to reduce said risk to an accepted ALOP. With insurance mechanisms, the risk considers not only the risk of entry, but also the costs of mitigation and reduction, and the implications of incursion and costs of eradication or control. Estimating the expected loss caused by a threat can be difficult when considering environmental damage, however this mechanism gets around this by covering the costs of government responses.

Risks that are correlated with their consequences (i.e. a pest incursion traced to a specific importer) can be dealt with through compliance frameworks in the current biosecurity system, and are not appropriate for insurance. Non-correlated risks cannot easily be mitigated by the traditional system, and insurance provides an ideal mechanism[17].

To address the funding needs of the broader biosecurity system, premiums would be relatively high for the highest risk activities, and lowered for low risk activities inducing behaviour change amongst importers. Therefore, this levy alternative would be far more equitable, with costs to industry directly proportional to the costs to the nation and risks that they create and benefit from. Additionally, this model is far more economically efficient, by setting the correct financial level of investment that is required by governments.

The fund where premiums are collected also addresses the Government's need for sustainable funding for biosecurity. The pool of funding should be dedicated to covering the costs of enabling import trade that carries biosecurity risks, and also provide rapid dedicated funding for responses. This fund also provides an ideal opportunity to give environmental biosecurity a much needed funding increase, as the risks created by import trade directly affects environmental quality, species survival, and investment that Australia must commit to protecting threatened species from extinction. Environmental services are difficult to quantify in dollar values, and this has contributed to the vague and under-resourced nature of environmental biosecurity and responses. By formalising that import risk insurance is available for environmental incursions, Australia can overcome this roadblock to adequately support environmental biosecurity activities.

Risk insurance is by its design a funding mechanism that can achieve equity (by charging the risk creators), positive behavioural change (through lower or higher premiums), efficiency (less non-compliance, overall risk and government administration required) and can be utilised for environmental biosecurity cost recovery and investment.

This model would also benefit the biosecurity agencies financially, a significant consideration during the current fiscal situation of DAFF. By applying an incentivised model, it would reduce the operational and financial pressures on departmental compliance activities. This occurs because importers choose less risky suppliers to reduce their premiums.

[16](Hester 2022)
[17] (Rossiter and Hester 2017)

Investigating and applying risk insurance to the biosecurity system would also provide the Australian government with a useful path from the current political stalemate on the Biosecurity Protection Levy debate. Initial resistance to the insurance model may originate from a lack of experience in non-levy and cost recovery funding models in biosecurity, along with a perceived mistrust of risk assessed by non-scientific experts. This is misguided, as the Australian government already places a great deal of trust in industry self regulation and risk management, seen with the extensive range of approved arrangements operating as accredited quarantine facilities, and authorised officers inspecting export cargo employed by the exporters and accredited by the Australian government. This trust in industry has created significant concern and market access negotiation for Australia, however we have succeeded in convincing key markets that Australia regulates and certifies these arrangements to a satisfactory level of compliance. Additionally, when comparing the equity between the Biosecurity Protection Levy with Risk insurance, a levy treats importers of a given product or on a given pathway as posing the same risk to Australia.

In discussions about funding biosecurity through import levies, a consistent barrier has emerged in the WTO and bilateral trade agreements along with Australia's obligations under the General Agreement of Tariffs and Trade. Applying a risk averse approach to changing the specifications under these agreements is sound, and the implications of trading partners withdrawing agreements or seeking reassurance are significant to Governments, exporters, and the general public. It is unclear whether the Department of Agriculture has explored these risks in relation to sustainable funding models. The setting of premiums under a biosecurity risk insurance model is done using transparent methodology by actuaries, and any change can be easily communicated with trading partners, who would employ their own to test and verify the principles and methods used. This is no different from improvements or changes to treatments, or inspection rates. In contrast, risk insurance would be far more aligned with WTO principles - it is efficient, effective and not just 'appropriate'.

While ideally risk insurance would be applied across all risk creating pathways and imports, it would require a staged and stepwise roll out. The federal department of Treasury could be the most appropriate agency to host the insurance fund, and operate the mechanism for fee collection. In the trial tested on biofouling for vessel operators, initial premia being set by information provided to determine their risk rating, properly assessed by actuaries. None of the components are starting from scratch, and a great deal of this model has been done in other sectors, including aspects of the National Disability Insurance Scheme, and the operations by the Los Angeles port authority in the United States.

Conclusion

Any funding allocated to biosecurity is welcome, however the predicted ~$50 million that will be collected through the Biosecurity Protection Levy will not significantly enhance the capability, responsiveness or preparedness for Australia. Any additional funding is positive, however the proposed package is not sufficient to prevent new incursions, respond to incursions when they occur or successfully eradicate high risk invasive species.

Environmental biosecurity is the last line of defence that is preventing the next catastrophic invasive species from arriving, and further pushing our species to extinction and degrading our environment. With the increasing effects of climate change already being felt in Australia, we will only see these threats increase unless we make commitments now to strengthen preparedness, and be ready for what is on the horizon.

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Attachments

Invasive Species Council - 2024 Pre-budget submission