

18 April 2019

Mr David Trebeck
Independent Chair
Biosecurity Imports Levy
Industry Steering Committee



Via email; bilreview@yahoo.com

GEA RESPONSE TO BIOSECURITY IMPORTS LEVY DISCUSSION PAPER QUESTIONS

Dear Mr Trebeck

Gas Energy Australia (GEA) welcomes the opportunity to comment on and respond to the questions posed in the Biosecurity Imports Levy Industry Steering Committees' discussion paper.

By way of background, GEA is the national peak body, which represents the bulk of the downstream alternative gaseous fuels industry, which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the gaseous fuels supply chain including producers, refiners, distributors, transporters, retailers, vehicle manufacturers, equipment manufacturers and suppliers, installers, educators and consultants.

GEA does not support the introduction of a biosecurity imports levy and considers that given biosecurity risks come from so many sources and the beneficiaries of measures to mitigate these risks are many, the funding of additional biosecurity measures should come from consolidated revenue. In particular, GEA is concerned that if implemented, the levy would represent another impost on an industry that is competing with other energy sources that are often subsidised.

That said, if the Federal Government remains committed to legislating a biosecurity imports levy, it should be reflective of biosecurity risk. The levy announced in the 2018-19 Federal Budget is poorly targeted and if implemented would raise a significant percentage of its revenue from imports with minimal biosecurity risk such as gaseous fuels and oil products.

GEA's responses to the consultation questions are outlined below.

Question 1. Do you accept the tenor of the above quotes from the Craik Review? If not, please explain clearly why, and what alternative views you endorse.

GEA acknowledges the increasing need to fund biosecurity management due to the increasing volume of cargo and passenger movements by air and sea. However, the introduction of a broad-based tax on all imports and vessels entering Australia by sea does not accurately reflect biosecurity risk posed by import movements. GEA cannot comment on the level of biosecurity risk associated with particular sources or processes of movements and considers there to be many sources of

biosecurity risk in the import process and equally as many beneficiaries of improved biosecurity measures. GEA does not support the proposed Biosecurity Imports Levy and considers that given biosecurity risks come from so many sources and the beneficiaries of measures to mitigate these risks are many, the funding of such measures should come from consolidated revenue.

Question 2. Do you see issues arising from the previous paragraph's recognition that the proposed levy is a tax? How could these issues be addressed? For example, if you consider the Government's proposed revenue target could be met via one or more cost recovery charges, what might they be (given the Constitutional risk to such charges from over-recovery)?

GEA considers the levy announced in the 2018-19 Federal Budget to be poorly correlated to biosecurity risk and the new biosecurity measures it is intended to fund which is consistent with the subsequent assessment that the levy is best regarded as a tax rather than a levy. Consequently, GEA considers the new biosecurity measures should be funded from consolidated revenue.

Question 3. Do you agree with the points in paragraph 30? Please amplify as appropriate.

Yes, GEA agrees with the concerns raised in paragraph 30.

GEA considers that these points highlight the need for biosecurity measures to be funded from consolidated revenue due to the poor correlation between levy payers and biosecurity risk. As acknowledged by Departmental officials during industry consultations, bulk fuels in general and LPG in particular, pose negligible biosecurity risk. If implemented, the levy would impose a disproportionate cost burden on vessels carrying a negligible risk bulk fuel such as LPG. As noted above, GEA is concerned that the levy would represent another cost on an industry that is competing with other energy sources that are often subsidised, once again highlighting the poor correlation between biosecurity risk and levy payers and the need for the levy to be funded from consolidated revenue.

Question 4. Given the Steering Committee has noted that the Government's proposed levy is properly regarded as a tax measure (paragraph 28) and the concerns of paragraph 30, do you agree with the proposed recommendations in paragraph 31? Would you qualify or amplify those recommendations; if so please explain?

GEA does not oppose the recommendations in paragraph 31, but still considers it better to fund these measures to "improve the overall biosecurity system" from consolidated revenue to avoid the need to fund such activities given the imprecise link between the proposed levy payers and biosecurity risk already noted above.

Question 5. Do you agree with the above principles, especially as they relate to equity and efficiency, as a basis to assess potential levy proposals? Are there any others you consider should be followed?

GEA does not consider the proposed levy to be equitable due to the imprecise link between levy payers and biosecurity risk. As mentioned above, LPG imports pose a negligible biosecurity risk but industry would shoulder a significant share of the overall revenue target relative to risk. GEA considers that the exclusion of a per ton vessel charge as put forward in the 2018-19 Budget to be unequitable and not correlated to biosecurity risk. GEA considers that the above principles highlight why these measures should be funded from consolidated revenue.

Question 6. Given that a levy is to be implemented, and that it should relate to “processes of importing that might raise biosecurity risks”, do you agree with its application only to sea freight, as per the Budget announcement? What about its extension to air freight, as recommended by the Craik review, on equity grounds? Should a vessel tonnage levy (as discussed above) be considered? Should such a vessel tonnage levy apply to cruise vessels? Or to vessels more generally, including those arriving in ballast to load exports, or private yachts? Noting the present moratorium on the Passenger Movement Charge, should the levy be extended (in due course) to air and/or sea passengers?

As stated above, GEA supports these biosecurity measures being funded from consolidated revenue, however if the Federal Government remains committed to legislating the levy it should be more reflective of biosecurity risk. GEA highlights the Craik Review recommendations that “the vessels themselves also create biosecurity risk” and supports the alternative and industry positions on levy base and rates put forward at the 28 November 2018 industry workshop. These iterations seek to include a per ton vessel levy charge and decrease the rate per ton for bulk cargo. GEA considers this levy base better reflects biosecurity risk and therefore supports this levy design if it is to be legislated. GEA also supports, should the levy proceed, applying it to all sources of imported biosecurity risk not just sea freight.

Question 7. Given the information and discussion in Section I, what views do you have about the optimal imposition of a levy, in terms of either: forms of levy, rates, and/or revenue targets by categories of levy payer? Given that the optimal imposition point of the levy is undetermined and as such beneficiaries of the increase in funding for biosecurity measures are many.

GEA supports the Department of Agriculture and Water Resources’ most recently articulated position that vessel owners, operators or their agents should report on and pay the levy. Given the specialised nature of LPG import processes, this approach would reduce compliance costs for the LPG industry and would be more consistent with a broader revenue base reflecting biosecurity risk than using the existing narrow-based Full Import Declaration (FID) system which would not cover vessels entering Australia without declarable imports.

Question 8. Do you support use of the Full Import Declaration as a means of collecting the levy? If so, please amplify your views in light of the above discussion. If not, why not, and what alternative collection mechanism would you support?

As stated above, GEA supports the Department of Agriculture and Water Resources’ most recently articulated position that vessel owners, operators or their agents should report on and pay the levy rather than use the narrow-based FID system which would not cover vessels entering Australia without declarable imports

Question 9. Please comment on the extent of industry contribution to the overall biosecurity system from your knowledge and perspective. Please provide specific examples and if possible \$ figures, where this information might not be well understood.

There are currently biosecurity risk mitigation controls in place for the importing of bulk liquid fuels such as LPG into Australia that require the gaseous fuels industry to work closely with relevant port and government authorities. For example, in the case of Port Botany these biosecurity risk mitigation controls include measures dealing with:

- ballast water - NSW Ports will not permit the release of ballast water into Botany Bay unless the ship has received a certificate relating to the loading of the ballast water from an Australian port, ballast water loaded in other countries cannot be released into Botany Bay;
- drinking water – NSW Ports will not permit the release of drinking water into Botany Bay unless the ship has received a certificate relating to the loading of the drinking water from an Australian port;
- waste - waste removal is carried out using bins authorised by Australian Quarantine Inspection Services (AQIS), disposal is carried out by service providers authorised by AQIS; and
- AQIS inspections – inspections/verification visits to the Port Botany Bulk Liquids Berth are regularly carried out.

Question 10. Please provide comments on the appropriateness and extent of biosecurity expenditure programs and general activities that have been identified for funding from the biosecurity levy. Are there any other activities that might be appropriate for funding?

GEA has no comments on this question.

If you have any questions regarding this submission please do not hesitate to contact Gas Energy Australia's Policy Research Officer Melissa Dimovski at mdimovski@gasenergyaustralia.asn.au or 0436353877.

For your consideration,

A handwritten signature in black ink, appearing to read 'John Griffiths', with a long horizontal stroke extending to the right.

John Griffiths
Chief Executive Officer
Gas Energy Australia