



CATTLE COUNCIL OF AUSTRALIA

SUBMISSION

8 July 2020

Department of Agriculture, Water and the Environment
GPO Box 858
Canberra City ACT 2601

Via email: leviestaskforce@agriculture.gov.au

Dear Sir/Madam

Re: Streamlining and modernising agricultural levies legislation – Early assessment regulation impact statement

Cattle Council of Australia (CCA) is the peak industry organisation representing and promoting the needs of Australia's grass-fed cattle producers. Established in 1979, CCA brings together all state-based farming organisations (SFOs) representing cattle producers and individual members operating beef cattle enterprises. Collectively representing more than 15,000 levy paying cattle producers who account for the majority of Australia's beef cattle herd.

In addition to its traditional advocacy role, CCA has a prescribed red meat industry function set out under the *Australian Meat and Live-stock Industry Act 1997* (AMLI Act). Through these arrangements, CCA is intrinsically linked to the levy collection and distribution process. Under the current Memorandum of Understanding (MoU) for the broader red meat industry, the primary role of CCA and other peak councils is to provide leadership, formulate policies, set strategic imperatives and determine overall levels of levy payer expenditure, as well as providing policy advice to the relevant minister with respect to the sector it represents.

CCA welcomes the opportunity to provide comment on the Streamlining and Modernising Agricultural Levies Legislation Regulatory Impact Statement (RIS). We provide this submission without prejudice to any additional submission from our members or individual producers.

Current issues

The Senate Inquiry into industry structures and systems governing levies on grass-fed cattle found that, for levy payers, the levy system is complex and difficult to understand while mechanisms available to influence investment decisions regarding levy revenue are almost impenetrable. It also found that the levy system and structures underpinning the red meat industry have become the most complex and bureaucratic in operation in Australian agriculture¹.

¹ Rural and Regional Affairs and Transport References Committee. Industry structures and systems governing levies on grass-fed cattle. September 2014.

As acknowledged in the RIS, the 45 sections in nine pieces of legislation relating to the Cattle Transaction Levy (CTL) make it a complex and difficult system to navigate and inform levy payers and agents of their levy obligations.

The complexity of the laws and the resulting compliance rate (ranging from 65 to 69 per cent) as described in the RIS, further validate the proposition that the legislation and subordinate sections are indicative of a complex system resulting in what would be considered a poor compliance rate.

Based on the above, CCA supports Option 2 as outlined in the RIS for transforming levies legislation to provide more efficient and streamlined levies process and understanding of compliance requirements.

More flexible instruments

CCA agrees with the assertion in the RIS that levy settings need to maximise the benefits to industry and enable them to better respond to changing circumstances, and that the lack of flexibility in the system inhibits the optimising of levy settings to the benefit of industry.

The complexities of the systems and processes that underpin the CTL have contributed to frustrations and misunderstandings regarding respective roles and responsibilities. The \$5.00 per head CTL is currently split:

- \$0.13 to Animal Health Australia (AHA) for biosecurity and animal health;
- \$0.29 to National Residue Survey (NRS) for residue testing;
- \$3.66 to Meat & Livestock Australia (MLA) for marketing; and
- \$0.92 to MLA for Research and Development.

As at the end of Q3 2020, the grass-fed levy reserve balance held by MLA was over \$47.5 million – with \$41 million of this reserve in its marketing income levy stream. This amount is over 320 per cent of the required grass-fed industry reserve amount. The grass-fed levy reserve balance held by NRS was \$8 million, which is over 200 per cent of the reserve balance required by industry (i.e. one year's program expenditure).

These levels of reserves highlight the rigidity and complexity of the levy structure and the inability to move industry funds more easily to other priority areas. As the RIS acknowledges, the lack of flexibility and agility in the existing levy system results in delays in optimising levy settings which subsequently impacts on industries (pg. 7). Greater flexibility will significantly enhance industry's ability to respond to emerging trends and challenges which industry could otherwise manage while potentially relying less on other forms of support (i.e. government).

The protracted process to change either the quantum of the CTL or to redistribute the levy to either existing levy recipients or other entities make reserve management extremely difficult and enables existing service providers to receive the same portion of the levy regardless of performance or need. The efficiency and effectiveness of program funding and the purpose of levies, that being to improve industry's ability to prepare and respond to emerging threats and challenges, is impaired as a result. In turn, this likely impacts the return on investment of levies through, among other things, reduced productivity gains and market access.

In addition, increased movement of people, goods and vessels around the world correspondingly increases the probability of biosecurity threats hitting Australia. A widespread view within Australia's biosecurity system is that in today's world it's not a case of 'if' a new threat will get here, it's a case of 'when' it will arrive².

² CSIRO, 2014. 'Australia's Biosecurity Future – Preparing for future biological challenges'.

The inflexibility of the levy system is highlighted by the requirement to fund industry initiatives through other, less it's not a case of if a new threat will get here but when it will arrive reliable mechanisms. The Integrity Systems Company (ISC) was developed out of an identified industry need to improve the traceability and provenance credentials of the red meat sector. The importance of this entity to our industry and its ability to provide the foundation for access to domestic and international markets cannot be overstated. The fact the ISC relies on funding from sources other than a portion of the CTL highlights the need for industry to direct levies to those organisations that require ongoing funding to ensure maximum capability. Market access and industry compliance to the programs underpinning this access are potentially compromised as a result.

The pressure from customers and consumers for ever increasing levels of information and verification on the provenance of product, added to the fact the state and Commonwealth governments have reduced funding for these services, further increase the demand for industry levies which will inevitably increase. The argument for an increase in levies is severely diminished when industry has 'dead pools' of reserves only accessible for limited purposes which are enshrined in often several layers of complex and archaic legislation.

CCA therefore seeks increased flexibility in the levy system and that routine operations be delegated to a power requiring less than legislative change.

CCA agrees with the proposal that routine rule making powers in regulations and/or a minister's rule authorised by imposition, collection and disbursement Acts or delegated to the secretary of the department.

CCA agrees that the formula that must be used to determine an industry's GVP in the operational details; and the maximum levies limits could be removed (pg. 21).

We look forward to further consultation with the department on this important process. If there are any queries about this submission, please do not hesitate to contact our office on 1300 653 038 or email cca@cattlecouncil.com.au.

Yours sincerely



Travis Tobin
Chief Executive Officer