

Proposed

Nursery Production Biosecurity Eradication Levy and Plant Health Australia Membership Levy

Protection for the Australian
Nursery Production Industry

Information Guide



Nursery & Garden Industry

Proposed Biosecurity Eradication Levy and Plant Health Australia Membership Levy Explained



What is biosecurity?

Biosecurity is the protection from risks posed by exotic pests to the Australian nursery production industry through actions such as exclusion, eradication, management and control. Effective industry biosecurity is a shared responsibility involving governments, industry and the general community.

Why is it important to the Australian nursery production industry?

The Australian Nursery Industry is valued at over \$6 billion and includes more than 20 000 small to medium sized businesses supporting a workforce of approximately 45 000 Full Time Equivalents.

Owing to the geographic isolation of Australia, nursery production in Australia has remained relatively free from key Exotic Plant Pests (EPP).

Exotic plant pests have the potential to cause huge production losses and trade problems. Indeed, the detection of an EPP in Australia may prevent the cultivation and sale of certain plant species and restrict intrastate and interstate plant trade.

Nursery production in Australia grows more than 10 000 plant cultivars and as such is impacted on, in some way, by almost every EPP incursion due to our wide host range. These impacts are likely to become more frequent and cost individual businesses in lost crops, treatments and restricted market access unless industry acts as a unified entity.

Biosecurity preparedness

Nursery & Garden Industry Australia (NGIA) is a member of Plant Health Australia (PHA) who manages agreed plant health programs on behalf of its industry members, to deliver a coordinated and effective national plant health framework for preventing and responding to an EPP. Together with PHA, NGIA

have developed a suite of awareness and training material to engage with industry on biosecurity. These materials can be viewed at www.ngia.com.au

Nursery and Garden Industry Australia recently launched 'Reducing the Pest Risk – The Australian Nursery and Garden Industry's Policy Position on Quarantine and Biosecurity' at its National Conference on Thursday 15 March 2012. The Policy Position paves the way for industry to ensure biosecurity responsibilities are shared equally between governments, industry and the community as part of the biosecurity continuum. This Policy Position can be downloaded from www.ngia.com.au

Emergency Plant Pest Response Deed (EPPRD)

In 2005, NGIA formally joined with the Australian Commonwealth and State/Territory Governments as a signatory to the EPPRD. The EPPRD clarifies responsibilities and activities if an EPP incursion occurs. Under the EPPRD the industry is required to have in place funding mechanisms to meet financial liabilities for EPP responses. To meet this obligation, the nursery industry is proposing the introduction of a Biosecurity Eradication Levy.

The Commonwealth Government has made it clear that they will not underwrite an industry, in an EPP eradication program, if that industry does not have a mechanism in place to recover its proportion of the eradication cost. This means affected businesses will not receive owner reimbursement on costs associated with the EPP eradication.

What are the benefits of being a signatory to the EPPRD?

The most substantial benefit for industry is the ability to respond quickly and effectively to an EPP threat while minimising uncertainty over the management and funding arrangements for an EPP response.

Other significant benefits include:

- Industry is directly involved in decision making about mounting and managing an EPP response from the outset.
- Affected growers receive owner reimbursement of certain authorised direct costs associated with an approved EPP response which will off-set any direct costs incurred by a grower under an EPP Response Plan.
- Funding mechanisms are agreed in advance.

- The Commonwealth Governments agreement to initially pay an Industry Party's share of costs where that Industry Party is unable to do so and to allow such funding to be repaid over time.
- Costs are minimised for all Parties.
- A requirement that all funding Parties remain engaged in cost sharing until the EPP response is successful or a decision is made that the EPP response is no longer feasible or cost effective.
- A consistent and agreed national approach for managing incursions.
- Provision of accountability and transparency to all Parties.

Is the nursery industry involved in each EPP incursion?

No. There are several EPP incursions each year, however not all of them impact on the Australian nursery industry. Those EPPs that do have some impact on nursery production are assessed, and based on the level of impact, the industry at its discretion can either agree to participate or withdraw from a Response Plan. For many years NGIA, with PHA, have identified key EPPs that would impact on the Australian nursery industry. These are listed in the Nursery & Garden Industry Biosecurity Plan that can be downloaded at www.ngia.com.au

Emergency Plant Pest (EPP) categorisation.

Each EPP is categorised based on several factors including its impact on public health, domestic and international markets, national and regional economies, plant protection and the environment. Categorisation ranges from 1 to 4 and effectively determines the split of costs between government and industry parties in an emergency response.

- Category 1 means 100% of costs to be funded by government.
- Category 2 means 80% of costs to be funded by government and 20% of costs to be funded by an industry Biosecurity Eradication Levy.
- Category 3 means 50% of costs to be funded by government and 50% of costs to be funded by an industry Biosecurity Eradication Levy.
- Category 4 means 20% of costs to be funded by government and 80% of costs to be funded by an industry Biosecurity Eradication Levy.

Why implement a Biosecurity Eradication Levy?

The proposed Biosecurity Eradication Levy will become the nursery industry's payment mechanism as part of the EPPRD. For example, this proposed levy will be used to fund industries share of Category 2, 3 and 4 EPPs as discussed above. The Nursery & Garden Industry is required by the Department of Agriculture, Fisheries and Forestry (DAFF) to implement a Biosecurity Eradication Levy.

Who will pay the Biosecurity Eradication Levy?

The proposed levy will be applicable to the producer of the potted plants. However, for ease of administration, the proposed levy is collected from the producer by the seller of the nursery pots/container i.e. pot manufacturers, distributors and other persons who sell containers to producers of potted plants. These people must forward the levy to Levies Revenue Service (LRS) along with return forms which are available from all LRS offices or by accessing www.daff.gov.au/levies

Where producers purchase nursery pots/containers from overseas and use these to produce potted plants, that person is liable to pay the proposed levy, and must send it to the LRS along with return forms.

What is the Biosecurity Eradication Levy payable on?

The proposed Biosecurity Eradication Levy will be applicable to containers which are used by a production nursery to cultivate nursery products.

Container means any container that is designed:

(a) for use in the production or preparation of a nursery product for sale or for use in the production of other goods; and

(b) to be the immediate container of the nursery product.

Nursery products: trees, shrubs, plants, seeds, bulbs, corms, tubers, propagating material and plant tissue cultures, grown for ornamental purposes or for producing fruits, vegetables, nuts or cut flowers and foliage. Seedlings grown for re-forestation purposes (State Government or otherwise), are not classified as nursery products, and therefore the containers used for their propagation are not leviable.

Production nurseries, irrespective of their membership with NGIA will be the sole beneficiary from the Nursery Production Biosecurity Eradication Levy.

What will be the rate of the Biosecurity Eradication Levy?

The proposed levy will be set at zero percent and will only be activated in the event of a major EPP incursion. The proposed levy is a separate calculation, just like the existing container levy and is exclusive of GST.

Management of the Biosecurity Eradication Levy funds

LRS within the Department of Agriculture, Fisheries and Forestry (DAFF) on behalf of the Commonwealth Government will collect and forward to PHA amounts collected by the Biosecurity Eradication Levy.

PHA is required to hold the payments for each participating plant industry in a separate fund and draw on these to repay the Commonwealth Government based on the respective industry's agreed contribution under each specific EPP Response Plan (i.e. Category 2, 3 or 4 incursions).

What will the Biosecurity Eradication Levy fund?

Should there be an EPP incursion, under a Response Plan the Biosecurity Eradication Levy may contribute to funding all costs associated with the:

- destruction of plant material.
- loss of profit from crops destroyed and direct costs of the Response Plan incurred by the owner.
- removal and destruction of 'motherstock' plants.
- replacement value of any capital items destroyed as part of the Response Plan.
- depreciated crop replanting costs.
- value of any produce stored on-farm and destroyed as part of the Response Plan.

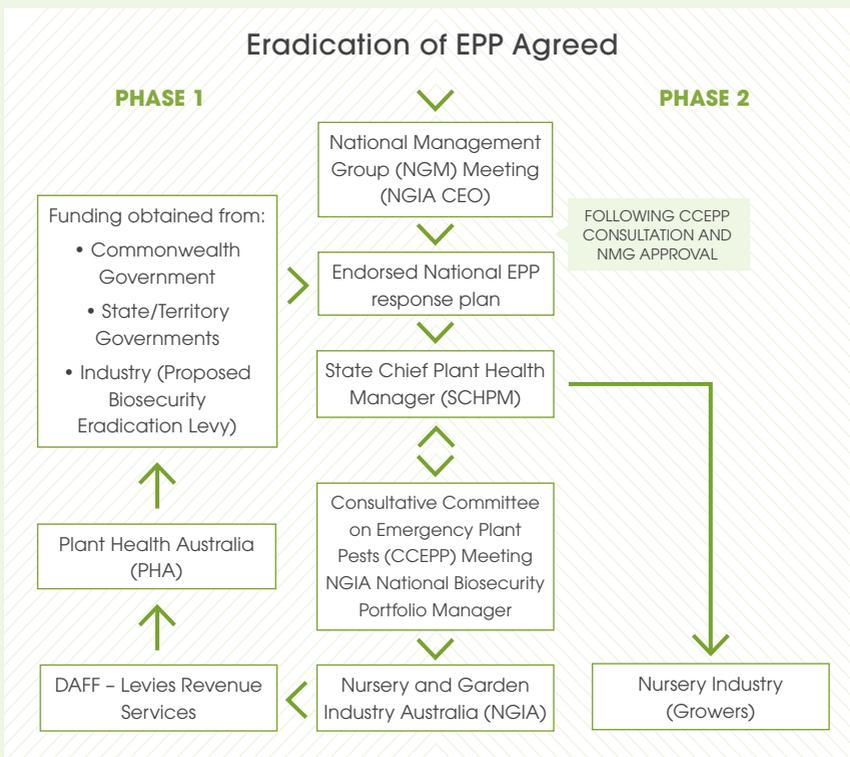
The funds generated through this proposed levy will be applicable to production nurseries only. Cut flower producers will not be entitled to funds raised through the proposed Biosecurity Eradication Levy.

How will the levy work following an EPP incursion?

If the EPPRD is triggered by an EPP that impacts the nursery industry, NGIA will be involved in the categorisation of the EPP as discussed earlier.

If the EPP is deemed eradicable and categorised as a 2–4 EPP, and the industry is in agreement with proposed plans, then the nursery industry will have to contribute to the cost of the Response Plan to eradicate the pest through the proposed Biosecurity Eradication Levy. For example, if a Category 2 EPP required \$3 million dollars to eradicate, the government would need to contribute \$2.4 million towards the eradication and the nursery industry would cover the remaining \$600,000.

The following diagram provides an overview of the payment and collection of the proposed Biosecurity Eradication Levy.



Explanatory Notes

Phase 1 – Collection and implementation of Biosecurity Eradication Levy funds is through DAFF – Levies Revenue Services through NGIA. Plant Health Australia holds these funds to repay the Australian Government.

Phase 2 – Payment of costs to the nursery industry associated with an Endorsed National EPP Response Plan is facilitated through the SCPHM.

If the EPP affects multiple industries, who funds the emergency response?

Following an incursion, if the EPP affects several industries, funding weight calculations apply that determine how much each affected industry has to contribute towards the emergency response costs.

For example, if Citrus Canker was detected in Australia triggering the EPPRD, the citrus industry would be responsible for funding 96.7% of the industry emergency response costs and the nursery industry would be responsible for the remaining 3.3% of the industry emergency costs.

If the proposed Biosecurity Eradication Levy is triggered, at what rate is it set at?

The rate at which the proposed Biosecurity Eradication Levy is set at following an incursion will depend on the total costs required to successfully eradicate the EPP.

Industry costs can be repaid to the Commonwealth Government over a period of up to 10 years (interest at annual rate of inflation – Net Present Value). For example, if the industry costs following a response plan to eradicate the EPP amount to \$1 million, then \$100,000 is required to be repaid per annum for ten years. This equates to the Biosecurity Eradication Levy being set at approximately 0.25% per annum for 10 years (using current levy collection data supplied by LRS).

Which plant industries have implemented a biosecurity levy?

Currently 9 plant industries have implemented biosecurity levies with many others poised to implement a biosecurity levy after positive industry support (onions & potatoes). The existing industries with biosecurity levies are:

- Apple and Pear Australia Ltd
- AUSVEG
- Cotton Australia Ltd
- Citrus Australia Ltd
- Grains Council of Australia
- GROWCOM (Pineapples)
- Ricegrowers Association of Australia
- Wine Grape Growers Australia
- Strawberries Australia Inc

Case Study

Myrtle Rust

Myrtle Rust is an exotic plant pest in Australia that affects plants in the Myrtaceae family including Agonis, Callistemon and Syncarpia species. In April 2010 it was detected for the very first time on a commercial property in NSW. Consequently the EPPRD was triggered and immediately industry with government officials set about developing a Response Plan to contain and eradicate this fungal disease. The pest was categorised as a Category 1 Emergency Plant Pest meaning government is covering ALL costs associated with its eradication and containment.

Although the industry was not responsible for the financial costs associated with eradication, the incursion has directly affected growers through host plant destruction and indirectly impacted the industry as movement of plant material across the country has been restricted in order to minimise the risk of this pathogen spreading. As per the terms of the EPPRD, growers affected under the Myrtle Rust Response Plan in NSW have had their direct costs reimbursed and are continuing to operate without the burden of crippling financial hardship.



What if the nursery industry doesn't implement a Biosecurity Eradication Levy?

The industry would no longer be able to participate in the EPPRD and would no longer have a role to play in the management of EPPs. This would mean that the government will not contribute to industry reimbursement if eradication is commenced and therefore, individual growers would have to absorb ALL costs individually.

The situation with a Biosecurity Eradication Levy

Government (state & commonwealth) plus industry work together in funding the cost of eradication and containment of an EPP in line with the EPPRD cost sharing arrangement. It is important to acknowledge that without a Biosecurity Eradication Levy no state, territory or commonwealth government has a legal obligation to 'compensate' growers under an EPP response.

Plant Health Australia Membership Fees

In addition to the 'Biosecurity Eradication Levy' NGIA is proposing to establish a 'Plant Health Australia Membership Levy' based on the existing pot levy system (current set at 5% of invoice price of containers).

The current pot levy is payable on containers to provide funding for promotion, research and development programs carried out via Horticulture Australia Limited (HAL). Currently, the 5% levy is split into Research and Development (3%) and Promotion (2%).

The proposed Plant Health Australia Membership Levy will be drawn from the Research and Development funds, and would be set at 0.25% of the 5% invoice price of containers. In other words, this proposed change will have NO impact on the current 5% Levy.

The 0.25% will be allocated to cover Plant Health Australia Membership fees. Any surplus funds will provide industry with immediate funding for incursions should the EPPRD be triggered. The Plant Health Australia Membership Levy would be managed via memorandum between NGIA and PHA.

In summary, the current 5% pot levy is proposed to be split as follows:

- 2.75% Research and development
- 2% Promotion
- 0.25% Plant Health Australia Membership Fees.

Do you see value in the Australian nursery industry continuing with biosecurity?

If you do, then a Biosecurity Eradication Levy and Plant Health Australia Membership Levy are required to meet our industry's share of eradication and containment under the EPPRD.

If you don't, then you accept there will be NO reimbursement of funds to growers and industry will not have a direct say in eradication management.

All state and territory Nursery & Garden Industry peak bodies support the introduction of the Biosecurity Eradication Levy and are available to provide further information to you if required.



Further Information

Information sessions will be scheduled during the later stages of 2012 to ensure levy payers have a first-hand opportunity to ask questions and learn more about the levy proposal. A schedule of information sessions will be circulated shortly. Additional sessions will be arranged as required to ensure all levy payers have ample opportunity to consider the levy proposal and to have their say.

The levy consultation process will conclude with a ballot of eligible voters to be undertaken after the information sessions have been completed.

Industry stakeholders are encouraged to contact their State/Territory Association to further discuss the proposed levy arrangements or any other industry matters. Alternatively, visit www.ngia.com.au or contact:

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