



Animal Health Alliance  
SOLUTIONS FOR THE FUTURE

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Committee Secretary  
Senate Standing Committee on Rural and Regional Affairs and Transport  
PO Box 6100  
PARLIAMENT HOUSE ACT 2600

[rrat.sen@aph.gov.au](mailto:rrat.sen@aph.gov.au)

Dear Sir/Madam

### **Senate Inquiry into the Australian horse industry and an Emergency Animal Disease Response Agreement (EADRA)**

The Animal Health Alliance (Australia) Ltd [the Alliance] is the voice of the animal health industry in Australia. It represents registrants, manufacturers and formulators of animal health products. The association's member companies represent in excess of 85 per cent of all animal health product sales in Australia (ex factory gate). The Alliance manages both national and state issues with the objective of ensuring its members can operate within a viable regulatory environment. The Alliance also contributes to sustainable industry risk reduction practices that provide business opportunities to members and add value to the broader Australian community.

The Alliance welcomes the opportunity to provide a submission to the Senate *Inquiry into the Australian horse industry and an emergency animal disease response agreement*.

**In summary, the Alliance opposes the targeting of registered horse wormers in Australia for a sales levy to deliver a solution for the Australian horse industry in relation to EADRA obligations. Reasons for the Alliance position and facts to underpin our stance are presented here.**

The Alliance is aware that the Primary Industries Ministers from the Commonwealth and all of the Australian states and territories have clearly stated that from now on they won't support a nationally cost-shared response to any exotic horse disease until there is firm commitment to a cost sharing agreement. Furthermore we are aware that Ministers have set 1 December 2010 as the deadline for the Australian horse-owning community to reach agreement on a mechanism to allow it to meet its share of response costs.

Recently in the third "*Signing EADRA*" Newsletter the Horse Levy Working Group indicated that of all the levy options considered, a levy placed on the sale of horse wormers was considered by the horse community respondents as the most preferred. Unfortunately the manufacturers and registrants of horse wormers have not been engaged in this discussion until quite recently, and so we have not been able to share our data which indicates that the assumptions considered by the Horse Levy Working Group in viewing horse wormers as a viable levy option are flawed.

Horse wormers are unsuitable as the levy target because firstly, product user's and doses used are grossly disproportionate and under-representative of the Australian market potential and thereby the numbers of horses in Australia, and secondly, because the use of horse worming agents is wholly discretionary. Any attempt to effectively change the purchase price of the product so as to include the levy can be modelled to forecast an outcome which will see current users simply ceasing to purchase horse worming products. Many contributors to web fora on this levy issue have already noted that, if a levy was imposed on horse wormers then they would not buy horse wormers.

The horse wormer market in Australia is estimated at \$18M/year. A cost recovery estimate (using 100% 2007 Equine Influenza [EI] outbreak costs) as a model for a possible future disease outbreak is calculated at \$126M/10 years or \$12.6M/year. This would mean a near doubling of product prices and assumes no loss of unit sales, both of which are unrealistic.

Many separate factors, both pre- and post- disease outbreak, could also reduce the usage base of horse wormers in the Australian market. Things like the:

- development of products with longer-interval treatments
- turnover of equine products such as wormers are likely to be at their nadir at the commencement of collection of the levy due to standstill arrangements/biosecurity concerns
- potential for future best-practice anthelmintic management to become similar to that in the European Union (EU) [prescribed on a needs basis after Faecal Egg Count Reduction Tests]
- potential to drive consumers to use unregistered/unapproved alternatives such as cattle anthelmintics, herbal or compounded formulations, with a consequent potentially negative impact on horse health.

The levy could act as a disincentive to investment in equine R&D in Australia:

- by targeting the same industry (animal health) which is relied upon to develop and provide treatment options for events such as a disease outbreak
- noting the precedent with MUMS Marketing Authorisation which had to be introduced in the EU to address the decline in equine health registrations resulting from higher regulatory and financial burdens
- by possibly having an anti-competitive impact as smaller companies are unable to spread the burden that a levy-induced price increase imposes

There is potential for opportunistic price increases by wholesalers and/or retailers citing the levy as the cause:

- at cessation of levy collection, manufacturers could remove levy component from wholesale price, but would wholesalers/retailers do so to the same extent?
- multiple discrete disease outbreaks within a 10 year period could result in the imposition of more than one levy charge on a single item.

If the horse community were to identify wormers as intrinsic to horse ownership, and then mandate the appropriate management of anthelmintics for at least any horse which raced/competed/was transported, on the basis that optimum horse health is one of the best means of preventing the contraction of disease and/or of minimising its effect, this might assist to mitigate reduced product unit usage associated with perceived increased product cost. It is reasonable to contend that quarantine drenching or proof of up-to-date management of parasite burdens would enhance biosecurity and overall horse health, but it would require administrative input from breed society and event organisers, etc - the same organisations which have indicated that the collection of a levy would be an unreasonable impost.

Alternative levy points which have not been included in the options list include:

- horse sales, either per transaction or as a proportion of sale price
- National Livestock Identification System (NLIS), as many racing and competition (thus higher-risk) horses already carry passports.

The Alliance is available to further discuss this submission and offer additional input on our industry's opposition to horse wormers being targeted as the point of levy collection.

Yours sincerely

Dr Peter Holdsworth  
Chief Executive Officer  
Animal Health Alliance (Australia) Ltd