



RACING AND WAGERING WESTERN AUSTRALIA

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Ms Jeanette Radcliffe  
Committee Secretary  
Senate Standing Committee on Rural and Regional Affairs and Transport  
PO Box 6100  
Parliament House  
**CANBERRA ACT 2600**

Dear Ms Radcliffe

## **INQUIRY INTO THE AUSTRALIAN HORSE INDUSTRY AND AN EMERGENCY ANIMAL DISEASE RESPONSE AGREEMENT**

Racing and Wagering Western Australia (RWAA) appreciates the opportunity to contribute to the debate on the Australian Horse Industry and an Emergency Animal Disease Response Agreement through the Senate Standing Committee on Rural and Regional Affairs and Transport.

RWAA recognises the contributions of Animal Health Australia, the Australian Racing Board (ARB), Harness Racing Australia (HRA), the Australian Horse Industry Council and other National Equine Bodies in this debate, with the majority of these bodies supporting the need for the Australian Equine Industry to be signatories with the Commonwealth and State Governments to the Emergency Animal Disease Response Agreement (EADRA).

Whilst RWAA is a member of the ARB and HRA, this submission should be read as a separate submission from these bodies. RWAA is a unique body, as it is the only organisation in Australia, which is a Principal and Controlling Authority for Thoroughbred, Harness and Greyhound Racing as well as operating a TAB, all within Western Australia. RWAA was formed by an Act of the Western Australian Parliament in 2003.

Whilst Equine Influenza did not spread to Western Australia, during the outbreak of 2007, it has had a detrimental economic impact on the operations of the WATAB, which has impacted RWAA's ability to adequately fund the Western Australian racing industry, which is one of the key functions of the organisation.

RWAA's position on the Emergency Animal Disease Response Agreement (EADRA) is:

- RWAA supports the need for the EADRA to be signed by the Equine Industry and a Levy established – RWAA to be a collection point for the WA Racing Industry if required;
- Levy collection should be through a mechanism that all segments of the Equine Industries (Racing – Thoroughbred and Harness, Equestrian and Recreation) contribute an even share.

## Implications to the Australian Horse Industry of Committing to an Emergency Animal Disease Response Agreement

The Australian Equine Industry was fortunate that the Australian Government funded the response to the 2007 Equine Influenza outbreak, otherwise this would have left the Australian Equine Industry financially crippled and elements of the Industry would not have survived.

There will be costs associated with the Australian Equine Industry committing to the EADRA however the benefits far outweigh the costs as an EADRA;

- Provides a valuable “insurance” policy for the Equine Industry in the event of an outbreak of an Equine Emergency Animal Disease (EAD);
- Guarantees that the Australian Government will underwrite the costs of an emergency response;
- Provides an immediate funding source for the management of an Equine EAD;
- Allows action to be taken immediately.

## Options for equitable contributions by horse owners to a levy scheme to meet their obligations under an EADRA in the event of an emergency animal disease outbreak in horses

RWWA supports the following principle from the Equestrian Federation of Australia in relation to equitable contributions by horse owners to an EADRA Levy:

*“That when there is an outbreak of an emergency animal disease such as Equine Influenza affecting the horse sector there is a need for ALL participants in this sector, who benefit from the response, to make an equitable contribution to the recovery of costs incurred.”<sup>1</sup>*

In effect all Australian Equine Industry Participants benefited from the financial response in relation to Equine Influenza. For NSW and Queensland there was a direct benefit in the containment, eradication, control and management of the disease. For states like Western Australia there was the benefit of keeping Equine Influenza out of the state, which allowed Equine Activities to continue within the state, for all but one week of the outbreak. **All states** were affected by Equine Influenza.

RWWA supports the following principle for the Levy:

*“Zero based levy arrangement – no money will be collected until an emergency actually occurs. The industry portion of the cost will be initially covered by the Australian Government, and paid back via the levy over a period of up to 10 years. Until the next horse disease emergency occurs, industry will pay nothing.”<sup>2</sup>*

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<sup>1</sup> Venhaus F (2008), “Equestrian Federation of Australia, Summary Submission to the Senate Review Committee for Rural and Regional Affairs and Transport – 22 September 2008,” found at: [http://www.apah.gov.au/Senate/committee/rurat\\_ctte/horse\\_disease/submissions/sublist.htm](http://www.apah.gov.au/Senate/committee/rurat_ctte/horse_disease/submissions/sublist.htm), Last Accessed, 25/6/2010, 14:20

<sup>2</sup> Livestock, Health and Pest Authorities, (2010), “Stop Press – Horse Industry Agreement Close,” found at: <http://www.animalhealthaustralia.com.au/horse-owners-and-the-eadra/talking-points.cfm>, Last Accessed: 25/6/2010, 14:15

However RWWA believes that there should be some mechanism where only those horses / equine industry participants, who benefited from the EAD response, contribute. For instance, RWWA does not believe that a horse born 7 years after the Equine EAD event should contribute to the costs of the recovery.

The concerns that RWWA has with the Levy are:

- The Racing Industry will be funding a majority portion of the Levy and it will not be fair and equitable;
- It will be cost prohibitive for individuals, which results in them withdrawing their participation from the Equine Industry;
- It will be difficult to manage administratively.

There are several comments within the submissions to the 2008 Senate Rural and Regional Affairs and Transport Committee 2008, *"Inquiry into Horse Disease Response Levy Bill 2008, Horse Disease Response Levy Collection Bill 2008, and Horse Disease Response Levy (Consequential Amendments) Bill 2008."* about participation within the Non-Racing Equine Industry as a hobby (not for profit) and significant costs associated with this hobby, and if an EADRA Levy was introduced this would result in them leaving the Equine Industry. These comments also apply to a proportion of the Western Australian Racing Industry (Thoroughbreds and Harness) as:

- Approximately 60% Thoroughbred Owners and 70% Harness Owners are not registered for GST with RWWA (indicates hobbyist);
- Approximately 50% of Thoroughbred and Harness Trainers are not registered for GST with RWWA (indicates hobbyist).

There are several ideas for the base of the levy including:

- A 10 cent Levy on all TAB bets placed or small proportion of gambling profit from racing;
- Horse Shoes, Food and Wormers Sold;
- Registrations;
- Event Levy.

*A 10 cent Levy on all TAB bets placed or small proportion of gambling profit from racing;*

RWWA is also the WATAB, thus as an organisation, we have experience of the wagering industry and the implications of this proposal. The wagering market is very competitive with TABs, On-Course Bookmakers and Corporate Bookmakers, as well as other gambling industries including Casinos and Lotteries.

This proposal has only one segment of an extremely competitive wagering industry contributing with the TABs contributing, (the segment which is responsible for the majority of funding for the Australian racing industry).

Why should only one segment of the vast Australian Equine Industry cover the entire cost of an Equine Industry Disease, when all segments receive some benefit from the management an outbreak of an Equine EAD, as per the statement from the Equestrian Federation of Australia?

A small proportion of gambling profit from racing, in the case of the WA TAB, would eat into already small returns, which would have a significant flow on impact on the ability of RWWA to adequately fund the WA Racing Industry. For every wagering dollar taken by RWWA approximately:

- 84 cents goes to wagering customers in winnings;
- 6 cents to the WA Government in Taxes;
- 8 cents to the WA racing industry;
- The balance as administration costs to operate RWWA, the WATAB and administer the WA Racing Industry.

RWWA DOES NOT support this proposal.

#### *Horse Shoes, Food and Wormers Sold*

Horse Shoes, Food and Wormers Sold; provide broad-based equitable schemes for the collection of the EADRA Levy. The Levy should be collected at the manufacture or distributor level to reduce administration costs; however as part of the collection of the levy the collector should be able to retain a small percentage of the Levy to recover the cost of collecting the levy.

RWWA has concerns with comments in relation that the levy amount should be greater for:

- Racehorse shoes over non-racehorse shoes and;
- Premium horse food over non-premium horse food.

RWWA believes that the levy amount should be the same for all horse shoes, food and wormers, regardless of the type and quality.

#### *Registration*

All participating racehorses in Western Australia need to be properly registered with RWWA before they can complete. This method is simple for the racing industry and would just be another component to the annual registration fees of racehorses.

An issue with registration is the horses which are not registered with the Equine Industry Groups, don't pay. A method to overcome this is for the compulsory registration of all horses with local councils (similar to dogs being registered) or other government authorities. This would also have the benefit of creating and maintaining a database of the location of horses to assist in the management of potential emergency disease responses.

## *Event Levies*

RWWA does not charge nomination fees for race meetings, except for major race events. However this has major benefits for the industries that do not register their horse annually. By entering into an event, in effect this can substitute as registration fees.

There are concerns from some volunteers with having to collect monies for the events; however this is overcome, as all horses should be registered for each event. As part of the registration, there must be a component for the payment of EADRA, and this is easy to calculate at the end of the event. For instance \$5 EADRA Levy on each horse at an event. 100 horses registered for the event, \$500 is the EADRA levy that should be collected.

A problem associated with Event Levies will be where persons don't enter their horses into events.

## *Conclusion for Levy Bases*

There should be several components to the mechanism for collecting the Levy, so a majority of the Equine Industry contribute evenly to the costs associated with an Equine Emergency Animal Disease. The levy SHOULD NOT be based on any monies associated with Wagering, the TAB or Gambling profits.

## **Criteria by which the cost burden of a levy would be shared between Commonwealth, state and territory governments, horse industry groups and owners**

RWWA believes that the cost burden of a levy should be shared fairly between Commonwealth, State and Territory Governments, Horse Industry Groups and Owners.

RWWA believes that all Emergency Animal Diseases affecting horses should be categorised as a minimum category 3 disease, under the "*Australian classification of Emergency Animal Diseases.*" Category 3 provides:

*"These are EADs that have the potential to cause significant (but generally moderate) national socio-economic consequences through international trade losses, market disruptions involving two or more states and severe production losses to affected industries, but have minimal or no affect on human health or the environment."*<sup>3</sup>

Category 3 provides 50 / 50 share between the Government and the Equine Industry. However RWWA would also like this category description amended to read:

*"These are EADs that have the potential to cause significant (but generally moderate) national socio-economic consequences through international trade losses, and/or market*

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<sup>3</sup> Phillips Fox Lawyers, (2009), "*Government and Livestock Industry Cost Sharing Deed in Respect of Emergency Animal Disease Responses,*" Found at: <http://www.animalhealthaustralia.com.au/programs/eadp/eadra.cfm>, Last Accessed 28/6/2010, 11:10.

*disruptions involving two or more states and severe income production losses to affected industries, but have minimal or no affect on human health or the environment.”<sup>4</sup>*

The 2007 Equine Influenza outbreak had a considerable financial impact for RWWA, which has impacted on the ability of RWWA to adequately fund the WA racing industry. During the initial Equine Influenza movement bans in all states, RWWA's ability to generate income was reduced by 80% (i.e. 80% of RWWA's trade relates to horse racing).

Harness Racing Australia requested financial information from RWWA, regarding the financial losses to the Harness Industry in WA due to EI. Of the non-infected states' Harness Racing controlling authorities, RWWA was the greatest impacted financially.

Equine Influenza cost RWWA approximately \$513,000, fortunately the Western Australian Government provided \$346,000 to offset some of these costs. Not included in these costs are the costs of employee's time, which was considerable, at one stage approximately 40 employees were involved with RWWA's Equine Influenza response, with Veterinarians and Business Continuity / Crisis Management Employees employed full time for a period of 9 months or more.

The significant cost for RWWA came through the reduction in TAB revenue. The difference in budgeted versus actual margin (the amount from turnover less dividends paid to customer) was approximately \$15 million, thus approximately \$8.5 million could not be distributed to the WA racing industry. RWWA absorbed this cost so monies to the WA racing industry would not be reduced.

RWWA was fortunate, to be able to recover approximately \$4.85 million of the loss in margin through insurance, however in discussions with RWWA's Insurance Brokers since the Equine Influenza outbreak, insurance for any future Emergency Animal Disease outbreaks is unlikely to be available, and if it is, it is likely to be significantly cost prohibitive.

The 2007, Equine Influenza outbreak did cause significant national social-economic consequences through market disruptions, involving each Australian state and territory of Australia and severe income production losses to the WATAB, a primary function of which is to fund the WA Racing Industry.

### **Quarantine and Bio-security threats to Australia's horse industry**

There are always Quarantine and Bio-Security threats to the Australia Agricultural Industry whilst there are imports of any item into Australia. RWWA is NOT advocating that the Borders be closed, but advocating that strict Quarantine and Bio-Security controls be in place, and followed by all people importing horses into Australia, and at the Quarantine venues.

From a risk management perspective the outbreak of Equine Influenza into the Australian Horse Industry is a prime example of how failures in systems and poor compliancy by persons who had access to the Eastern Creek Quarantine Facility, can have a devastating and significant economic, social and environmental impact on a large industry such as the Australian Horse Industry.

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<sup>4</sup> Phillips Fox Lawyers, (2009), "Government and Livestock Industry Cost Sharing Deed in Respect of Emergency Animal Disease Responses," Found at: <http://www.animalhealthaustralia.com.au/programs/eadp/eadra.cfm>, Last Accessed 28/6/2010, 11:10.

The example of failures of systems and compliancy are highlighted in the Callinan Inquiry report:

*“The movements of those people in and out of the Quarantine Station and their activities in the equine enclosure were not rigorously supervised or monitored by anyone from AQIS or by any of the other people at Eastern Creek during the period of the intake.”<sup>5</sup>*

*“It is essential that people and equipment having contact with the animals are adequately decontaminated before leaving the station. That was not happening at Eastern Creek in August 2007. Had such biosecurity measures been in place, it is most unlikely that there could have been any escape of equine influenza from the Quarantine Station.”<sup>6</sup>*

*“That the most likely way that the virus entered the general horse population is by its escape from infected horses at Eastern Creek Quarantine Station on a contaminated person or persons or equipment leaving the Quarantine Station, and coming into contact with a horse. The contaminated person or persons, or equipment, are most likely to have been associated with those caring for the horses while they were in quarantine at Eastern Creek.”<sup>7</sup>*

By performing such simple actions, as decontamination/disinfection and changing clothes after dealing with horses in the Quarantine Facility, there may have been no outbreak of Equine Influenza, instead the disease would have been contained within the Eastern Creek Quarantine Station, preventing significant stress, harm and financial loss to the Australian Equine Industry.

It is amazing that such a small group of people, not following simple decontamination processes in New South Wales could result in an organisation in Western Australia not being able to trade on 80% of its product for a week.

There are always Quarantine and Bio-Security threats to the Australian Horse Industry, whilst Australia imports horses, and endemic diseases like the Hendra Virus exist. However as long as the Quarantine systems which are associated with the import of horses are sound, and those systems are fully complied with, the threat / risk of another incident like Equine Influenza to the Australian Equine Industry is greatly diminished. **Prevention is better than Cure!!!**

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<sup>5</sup> Callinan I (2008), *“Equine Influenza – The August 2007, Equine Influenza Outbreak in Australia,”* Commonwealth of Australia, Canberra, Australia, Page xvii

<sup>6</sup> Callinan I (2008), *“Equine Influenza – The August 2007, Equine Influenza Outbreak in Australia,”* Commonwealth of Australia, Canberra, Australia, Page xviii

<sup>7</sup> Callinan I (2008), *“Equine Influenza – The August 2007, Equine Influenza Outbreak in Australia,”* Commonwealth of Australia, Canberra, Australia, Page 312

## Other matters

If EADRA is not signed by the Commonwealth and State Governments and the National Equine Industry bodies then the present preferred policy of "*Containment and Eradication*," for Equine EAD outbreaks becomes obsolete, and the Equine Industry has significant financial exposure should an EAD evolve.

Should EADRA not be signed, vaccination for Equine Influenza becomes an important issue. RWWA's current position on vaccination is that "*the argument to vaccinate at this time in a non EI infected state such as WA is not compelling*," however should EADRA not be signed, RWWA will be reviewing this position.

## Conclusion

The Australian Equine Industry needs an EADRA as an insurance policy, should an event like the 2007 outbreak of Equine Influenza ever occur again.

However it must also be stressed that it is the role of all members of the Australian Equine Industry and Australian Quarantine Services to ensure that there are no future Equine Industry EAD outbreaks which are caused by quarantine breakdown.

Yours sincerely

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**Richard Burt**  
**CHIEF EXECUTIVE OFFICER**