



28th July, 2010.

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

Re : Inquiry Into The Australian Horse Industry And An Emergency Animal Response Agreement

The Australian Horse Industry Council (AHIC) is a national representative body, serving the Australian Horse Industry. The main role of the AHIC is to provide a voice for the interests of horses and horse owners in national forums. Particular issues that are a focus of AHIC activities include horse health and welfare, personal safety and any other issues that can have widespread effects across the horse industry.

The AHIC operates through the voluntary services of elected Directors and the expertise of individuals co-opted on to sub-committees and its standing committee, the Industry Advisory Committee: which represents a large number of horse organisations from different sectors. Financial support for AHIC activities is provided by annual subscriptions from horse industry organisations and individuals. Funding is also sought through grants for individual projects.

The Australian Horse Industry Council supports the adoption of an equitable levy mechanism to enable the horse industry to become a signatory to the Emergency Animal Disease Response Agreement (EADRA). AHIC appreciates the opportunity to provide the following comments to the Inquiry into the Australian Horse Industry and an Emergency Animal Response Agreement.

HISTORY OF HORSE INDUSTRY LEVY PROPOSALS

There have been several attempts to identify a mechanism that complies with the Australian Government's *Levy Principles and Guidelines (the Guidelines)*. While it is relatively easy for other livestock industries to comply with the *Guidelines*, the structure and day-to-day operations of the national horse industry make compliance with the *Guidelines* more difficult.

The Australian Horse Industry Council have been communicating with all levels of the Horse Industry since 2004 in an effort to come up with an acceptable levy mechanism.

As you are no doubt aware, a submission was submitted in November 2006, but was defeated in the Senate in December 2008. Since that time the Horse Industry's Signature to an EADRA has been discussed at all meetings of AHIC and extensively around the country.

From these ongoing discussions we are confident that :

- a) When the Australian Horse Industry commits to an Emergency animal Disease Response Agreement (EADRA) it will mean that:
 - i. The majority of the Australian Horse Industry supports the concept of EADRA and the role it plays in maintaining Australia's freedom from many diseases which affect other countries around the world.

Australian Horse Industry Council

ACN 080 921 660 ABN 18 080 921 660

P.O. Box 802, Geelong VIC 3220 Phone: (03) 5222 6650 Fax: (03) 5229 8244
Email: secretary@horsecouncil.org.au Web: www.horsecouncil.org.au

- ii. The Australian Horse Industry can look forward with6
 - iii. certainty to an across all jurisdictions response to any disease incursion.
 - iv. The Australian Horse Industry has the support of the majority of its participants for an appropriate levy mechanism to be used to repay any cost sharing requirements in managing any disease incursion
 - v. The Australian Horse Industry is aware of its need to improve biosecurity aspects of horse activities as required by the EADRA.
 - vi. The Australian Horse Industry will have representatives on the National Management Group who are able to give an across industry view on any EADR plan and the costings involved and
 - vii. The Australian Horse Industry will be brought into line with the livestock industries and should no longer be seen as a potential imposition to Government from a biosecurity risk management aspect.
- b) The Australian Horse Industry Council (AHIC) has canvassed its member bodies and individual members along with the general Horse Industry public on a variety of levy options.

These were being discussed by AHIC's Industry Advisory Committee (IAC) well before the Primary Industry Ministerial Council (PIMC) Communique of 23rd April, 2010. Several discussion papers have been circulated by AHIC through its membership, media outlets, websites, radio interviews, meetings and the Horse Emergency Contact Database.

Recently Animal Health Australia established a Horse Levy Working Group which is taking the co-ordinating role in producing the EADRA submission with its levy mechanism.

Attached are the documents developed by AHIC :

1. Options and levy principles
 - (a) Communication of the 5th May, 2010
 - (b) Communication of the 8th June, 2010

Legality of Levy Options

The AHIC has been aware of canvassing levy options without knowing their legal status and has worked with the Department of Agriculture, Fisheries and Forestry (DAFF) to ensure that the levy options put forward for debate were in fact legal. The legal advice obtained by DAFF stated that all the options put forward were legal. DAFF also sought advice from the Australian Government Solicitor on Constitutional issues which the initial legal opinion was not able to provide. DAFF advised the AHIC that there were no impediments to the use of the levy options being discussed.

The levy options chosen for further discussion were :

1. Levy based on hard feed
2. Levy based on wormers
3. Registration based levy

Options 1 and 2, the hard feed and wormer levies, are self explanatory with the feedstock manufacturers and the wormer manufacturers being the levy collectors. The horse industry would pay for the levy when purchasing hard feed or wormers at the retail level.

Option 3, a registration levy, may appear surprising in view of the failure of the legislation that went to the Senate in February 2009.

There have been major changes to the interpretation of a registration levy since that time.

Legal advice from DAFF stated that the same levy could be applied multiple times to a horse. This meant that the number of horses immediately available for levy payment dramatically increased to include all currently active registered horses rather than the small number of the earlier proposed legislation when only new registrations were to be included.

Legal advice from DAFF also stated that a levy could be applied to members of horse organisations where membership was clearly linked to horse ownership but the horses were not themselves registered.

This broadening of the definition of registration will markedly increase the total number of levy payers and hence reduce the unit costs.

The levy payments for registrations would be made at the time of registration or membership renewal and will have minimal impact on the day to day running of most clubs and their parent bodies and individual breed/sport based organisations. Individual receipts would not be required.

Legal advice from DAFF stated that it was possible to have differential fees for levy options which means it would be possible to set a higher registration levy for the Racing sector.

- c) The AHIC accepts the concept of 4 categories of emergency animal diseases with their different cost sharing arrangements between Government and the Horse Industry. The 4 categories are based on classification guidelines.

Once the horse industry has signed EADRA it may seek a recategorisation of Hendra Virus from Category 2 to Category 1 and a recategorisation of Equine Influenza from a Category 4 to Category 3. This opportunity is only available to parties to the EADRA Deed.

- d) The 2007 Equine Influenza (EI) outbreak was due to infected horses being imported to Australia from Japan. This would not have been a problem had appropriate biosecurity practices been in place in both quarantine stations receiving horses that had been exposed to EI. Spotswood contained the disease but Eastern Creek, through poor management, allowed EI to spread into Australia's naïve horse population with the ensuing consequences.

As a result of the review into the EI incursion by Justice Callinan and the Beale Inquiry into Biosecurity major changes were made to operating procedures with a special emphasis on EI.

The AHIC fully supports the rigorous pre-embarkation testing and audit processes for overseas quarantine combined with the extensive post-arrival testing that should ensure EI will not be a problem.

The recent Import Risk Analysis of diseases of horses was welcomed by the Industry and provided an excellent reminder to the industry of the need to maintain appropriate standards to minimise the risk of a new disease incursion.

The temporary closure of Spotswood and the impending closure of Eastern Creek at the end of 2015 are of great concern to the Horse industry. Increasing costs of quarantine have led to a reduction in the horses using Eastern Creek and an increase in the number of horses coming into Australia via New Zealand. The rental for Eastern Creek is being re-negotiated and is certain to be increased which will mean an increase in the cost of quarantine if the full cost-recovery policy is maintained.

The AHIC, along with other members of the Horse industry, welcomes the opportunity given to participants in the future development of quarantine in Australia and will be actively contributing to the 2nd pass phase of this process. The recent briefing from Biosecurity Australia was a helpful start to this important issue being resolved.

- e) The lack of accurate information on horse numbers and their distribution throughout Australia has been an ongoing problem for the horse industry. The racing authorities have excellent data as part of their licencing arrangements. Some organisations register horses but often these registers may be outdated. Some events require tracing information on their entry forms.

The 2007 EI incursion and the 2009 Black Saturday Bushfires in Victoria highlighted the paucity of detailed information on the whereabouts and ownership of horses. The same lack of detail provided some difficulty in modelling some of the levy options.

The mandatory requirement for properties which have horses on them to be identified through Property Identification Codes (PIC's) is being implemented throughout Australia. AHIC supports this development which should be of benefit to the horse industry.

There are a slowly increasing number of horse organisations which require horses to be microchipped. In Victoria regulations are in place for the voluntary microchipping of horses and AHIC fully supports this concept.

There is an increasing belief by horse owners that all horses should be microchipped and the details put on an appropriate register as required in Victoria. There are currently 4 registries available.

It would be sensible to have microchipping and registration of horses become mandatory in the near future as is the case with cats and dogs. This would give an excellent data base upon which horse related problems could be usefully discussed, especially when combined with the PIC's data. It would allow the horse industry to manage any future disease incursion with greater confidence and knowledge. It would also be invaluable in situations such as serious bushfires or floods. It would also assist in the management of welfare concerns.

Once microchipping and registration was sufficiently widespread across the horse industry it would be logical to use this as a levy mechanism. All horse owners except for those associated with the statutory racing authorities would register their microchipped horses with their local council.

Those horse owners belonging to horse organisations would be able to indicate this on their annual council registration papers and hopefully through showing this responsible action, could receive a discounted annual council registration fee.

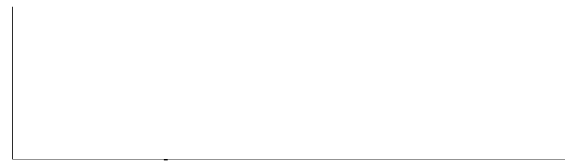
Those horse owners who do not belong to any horse organisation would have their primary registration with the local council.

If a levy is required for repayment of costs under EADRA then the levy could be collected by the horse organisations registering horses/members and by the council for horse owners where the councils are the primary registration.

The increased accuracy of the information on horse numbers and registration details should enable improved estimation of levy charges and ensure horse owners have a clearer picture of the situation.

Yours sincerely

AUSTRALIAN HORSE INDUSTRY COUNCIL



Roger Lavelle (Dr)
President

Attachments

1. Communication of the 5th May, 2010
2. Communication of the 8th June, 2010

Australian Horse Industry Council's submission to the
Inquiry Into The Australian Horse Industry And An Emergency Animal Response Agreement
ATTACHMENT 1

Communication sent to Horse Industry via email and Horse Emergency Contact Database

The Horse Industry and an Emergency Animal Disease Response Agreement (EADRA)

Background to levy options discussion paper.

The recent Primary Industries Ministerial Council (PIMC) meeting had three important messages for the Horse Industry.

Firstly: maintenance of Australia's strong cooperative approach to biosecurity was vital to effective responses to any future incursions of exotic pests and diseases.

Secondly: by 1December 2010 the industry needed to have a commitment to a national levy and to inclusion of the industry under the EADRA.

Thirdly: there would be no nationally cost shared response to any exotic disease incursion.

Tabulated are factors which show the wide difference in structure of the agricultural livestock industries and the horse industry trying to indicate the reasons why finding a suitable levy mechanism for horses has been a challenge.

This is followed by some levy options which are possible.

It would be helpful for your organisation to comment formally on this discussion paper and for individuals to also express their views.

Further levy options would be welcome but any related to gambling will be non-starters. The Horse industry has a few months to get its act together under PIMC's commitment to introduce legislation and to work with the industry organizations in all jurisdictions and members of the Australian Parliaments to ensure broad support for timely progression of the funding legislation. Please send comments to secretary@horsecouncil.org.au.

LET'S DO IT!
Roger Lavelle
AHIC

Horse Industry Levy Mechanism

Below are tabulated some of the differences of structure between the agricultural livestock industries and the horse industry.

Agricultural Livestock Industries	Horse Industry
Large number of units for levy. ie 000's millions – many millions. Numbers well documented	Small number of units. Less than 1 million. Number poorly documented
Rapid turnover of units. Eggs daily, lamb, pork, weeks beef months	Slow turnover with many horses living to greater 20 years. Breeders more rapid but still years.
Relatively uniform enterprises	Many varied enterprises
Common end point related to sale human consumption through meat, milk, wool clip etc	Small number slaughtered for human consumption. No coordinated end point.
Tracing practiced for disease/human health purposes	Some controls eg racing and elite EA horses.
Drug controls re human health with good documentation	Drug controls re doping across many sectors but documentation limited racing and elite EA.
Levy process fits well with day to day transactions which occur in very large numbers over a broad spectrum of each individual livestock sector	Fragmented nature of the horse industry in the past led to a failure to maintain original support for levy process.

The Australian Horse Industry Council has been working with Department Agriculture, Fisheries and Forestry to identify levy mechanisms that are possible for the purpose of the handling of emergency animal disease outbreaks.

There were 3 key points to the advice received.

1. Different types of levies can be imposed on the industry at the same time. For example, a horseshoe levy could be imposed in addition to an event registration levy.
2. A levy can be imposed on multiple occasions in respect of the same horse. For example, a levy can be imposed each time a horse registers for an event.
3. Different rates of levy can be set for different industry sectors. For example, the levy for racing plates could be higher than for other horseshoes.

The AHIC has been trying to explore way in which the number of units to be levied will be as high as possible and the levy per unit as low as possible.

This must be linked to the audit process to ensure that the process is simple and the audit costs are as small a percentage of the levy collected as possible.

The levy is for emergency animal disease and would be zero rated until there is a disease incursion.

Communication sent to Horse Industry via email and Horse Emergency Contact Database 5/5/2010

Options for levies

A. Registration Levy

This can be imposed on horses registered with organisations as occurs with the racing sector, some horse organisations which have competition cards and breed societies.

Registration of horses is not practiced across the whole industry which means some organisations would need to alter their current administration practices to be able to comply.

The organisations would be the level at which the levy was imposed and costs would be recovered in the registration fees. This means there would be no need for receipts for individual horses.

It may be possible to link human membership of organisations where that membership is linked to horse ownership, as the mechanism an organisation might use to have the levy imposed. This would be simpler than horse registration and it would probably pick up many extra organisations.

B. Event Registration Levy

It is possible to levy a horse each time it goes to an event such as a race meeting, show, competition, rally. The more times a horse travels to an event the greater risk it becomes. To make the audit process simple the levy would have to be imposed on the event organisers who would recoup their costs in the pre-entry paperwork in a similar manner to facility fees, yard costs, etc. The levy costs per participants would be remitted by the event organisers to their State or National Body who would pass them on to the levy collection services.

C. Horse Shoe Levy

This has the advantage of higher unit numbers which enables the levy cost per unit to be small. It is thought that between 700-800,000 sets of shoes are sold each year which would cover approximately 100,000 horses.

The levy could be applied when a) fixing a shoe, b) manufacture of a shoe or c) sale of a shoe. For audit purposes the simplest levy point is at the importation level. This will require careful negotiation with the importers to ensure there is as little impact on their day-to-day business as possible.

D. Wormer Levy

The great appeal of this levy is the widespread use of worming programmes across the many different sectors of the horse industry.

The unit numbers would be the greatest for any common transaction in the horse industry.

To make the audit process simple the levy would need to be imposed on the drug companies or wholesalers who would recoup their costs through small increases in the costs to customers.



**Australian Horse Industry Council's submission to the
Inquiry Into The Australian Horse Industry And An Emergency Animal Response Agreement
ATTACHMENT 2**

8th June, 2010.

The Horse Industry and an Emergency Animal Disease Response Agreement (EADRA) .

Further to our earlier communication of the 5th May, members of horse organizations throughout Australia and individual horse owners who are not members of any society need to be aware of the decision of the recent Primary Industries Ministerial Council (PIMC) that a deadline of 1 December 2010 has been set for the industry to show that it is prepared to support an EADRA.

The proposed timeline for finalizing an EADRA submission is :

1. Define and choose the funding (cost recovery) options [30 June]
2. Undertake industry consultation process
 - Organisational and regional levels
 - Use of websites, possibly press advertisements, 'road shows'
 - Obtain letters of support from all relevant organisations, regional and national
 - Identify any 'pockets' of dissention/disagreement[31 August]
3. Prepare final draft of industry submission [mid-October]
4. Obtain industry sign-off to final submission to Minister [mid-November]
5. [DAFF undertakes the assessment process, including legal advice, then providing advice to Minister]
6. Formal advice to PIMC [1 December]

This agreement between all Australian governments (Federal, State and Territory) and the horse industry brings with it a certainty of a properly coordinated response to any disease outbreak listed in the agreement. There are 22 diseases listed. Most are going to have a far more dramatic impact on affected horses than seen with Equine Influenza (EI). Signing the EADRA also means that the industry has a role in deciding how a response is managed including monitoring of costs involved.

The EADRA also involves a cost sharing arrangement between Governments and industry. The proportion of the share depends on the nature of the disease in its impact on human health, the socio-economic consequences, and the affect on horses' health and production losses.

Category 1

An example is Rabies. The Government share is 100% of costs.

Category 2

An example is Hendra virus. The Government share is 80% and industry 20%.

Category 3

An example is African horse sickness. The Government and industry have an equal 50% share.

Category 4

An example is EI. The Government share is 20% and the industry pays 80%.

Before the Government will sign EADRA they need to be convinced that any costs incurred in managing the disease outbreak can be recouped. This is done through a levy mechanism. The levy will initially be set at zero dollars and remain so until a disease occurs. Once the disease has been eradicated and proof of freedom established the costs are tallied.

Once the industry's share of the costs are known a levy figure is established and the levy collection process put into play. An industry is usually given 10 years in which to pay their share of costs. The interest charged and the audit costs have to come out of the levy monies. If it is a relatively small amount to repay the industry may wish to pay over a shorter period than 10 years.

LEVY OPTIONS

On behalf of the horse industry the Australian Horse Industry Council (AHIC) has been liaising with the Department of Agriculture, Fisheries and Forestry (DAFF) to seek levy options that can legally be used. Constitutional advice has recently been sought from the Australian Government Solicitor but that advice is not yet available.

Some general principles.

1. A levy may be applied to a horse on multiple occasions. eg when each new set of shoes is fitted or at each event a horse attends.
2. More than one levy may be applied to the same horse. eg a wormer levy and a horse shoe levy could be applied to the same horse.
3. It is possible to have differential levies. eg the levy for racing plates might be \$3.00 and that for all other shoes \$1.00.

The use of smaller multiple levies will help keep the costs to individuals to a minimum.

The Levies.

1. A levy can be applied via "wormers".

If 600,000 of the reported 1 million horses are wormed 4x/year then 2.4million units of wormers will have been used.

If a levy of 50 cents was applied to each unit then \$1.2M would be collected in year one and \$12M over 10 years.

2. A levy can be applied via horse shoes.

Approximately 800,000 sets of shoes are used each year with approximately 200,000 of them racing plates.

If the levy was \$3.00 for racing plates and \$1.00 for all other shoes then \$1.2M would be collected in year one. This is made up of 600,000 sets of shoes at \$1.00 and 200,000 sets of shoes at \$3.00. In 10 years this would raise \$12M.

3. A single event levy can be applied each time a horse participates in an event. This could be a race start, a horse show, a competition or a rally. No definition has been reached on the number of horses needing to be present to constitute an event nor has a decision been made on a full list of events. The horse would only be levied **once** at any one event, regardless of the number of classes it attended at that event.
For Example :

- The Thoroughbreds have approximately 200,000 starts a year.
- The Horse Riding Clubs Association Of Victoria has approximately 11,000 starts a year.

At a levy of \$3.00 the Thoroughbreds would raise \$0.6M in one year and the HRCV levy of \$1 would raise \$0.01M. In 10 years this would raise \$6.1M from these two bodies. This figure would markedly increase if all organizations running events were included.

4. A levy can be applied via "hard feed".

An estimated figure of hard feed used by horses in a year is 165M kgs.

This is approximately 7M bags of feed.

At a levy of 50 cents/bag this would raise \$3.5M in one year and \$35M over 10 years.

At a levy cost of 2 cents/kg this would raise \$3.3M in one year and \$33M in 10 years.

5. A horse registration levy can be applied. This may be done directly to lists of horse registrations or it may be done indirectly where membership of an organization is linked to horse ownership.

This will greatly increase the number of horses included compared to the numbers used at the failed Senate session.

At a levy cost of \$3.00 for a thoroughbred x 100,000 = \$0.3M

At a levy cost of \$2.00 for a harness horse x 33,000 = \$0.06M

At a levy cost of \$1.00 for non-racing horses x 320,000 = \$0.32M

This gives a total of \$0.68M in one year and \$6.68M in 10 years.

Your input is needed now!

All these levy options are only examples of the ways in which a levy *might* be collected. Although the figures used are not unreasonable they have been used to explain how each of the levy options might work and to give some indication of how much money they might raise. They indicate that it should be possible to raise the monies required relatively easily if a couple of options were chosen. All options are up for consideration with a view to coming up with the options that will capture the majority of horses for the least amount.

As an organization or an individual horse owner some thought needs to be given to the levies that you might consider fair and worthy of support from the list provided above.

We need your feedback and your ideas as soon as possible, with your reasons why you think particular options would or would not work. Once we have received your feedback a further discussion paper will be circulated setting out the advantages and disadvantages of the different options.

Please email your comments to secretary@horsecouncil.org.au or post to The Secretary, Australian Horse Industry Council, PO Box 802, Geelong, Vic. 3220, as soon as possible.

Roger Lavelle
President
Australian Horse Industry Council
PO 802
Geelong, Vic. 3220
Contact : 03 54 291 682