

19<sup>th</sup> September 2008

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Senate Employment, Workplace Relations and Education Committee  
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Re: Submission to the Senate Review Committee  
for Rural and Regional Affairs and Transport  
Horse Disease Response Levy Bill

Dear Sir,

I have enclosed a copy of the submission compiled by Ms Kelly Gannon, which I have read and completely endorse every aspect covered in this submission.

Furthermore as a recreational horse owner/breeder, that is situated in what was the restricted control area of South East Queensland during the 2007 EI Outbreak I would also like to point out the following:

- My costs incurred in keeping my horses for the duration of the lockdown remained the same as every other horse owner, yet my costs were not eligible for compensation, nor was I allowed to protect my horses.
- Every product and service that I utilize as a result of owning my horses, attract a GST portion which I am not eligible to claim back from the taxation department. These products and services are not restricted to the day to day upkeep of horses such as feed, equipment, tack, farriers, veterinary products and services they extend to every aspect of keeping horses. Including (but not limited to) fencing, machinery, farm buildings (stables and feed sheds), transport of feed and my horses to participate in recreational activities and training.
- Commercial enterprises in the industry can not only claim the GST back but also the expenses as a tax deduction. I cannot!
- As a tax payer I pay taxes which in turn pay public servants to do THEIR job, which includes keeping our country disease free.
- State and Commonwealth Governments are elected to run the country and part of their duty is to maintain quarantine services to ensure our country remains disease free. They failed at both levels, State and Federal and expect that in future should they fail to do their jobs that we should pay the price, not only the cost during any incursion but pick up the cost of fixing their mistakes.
- Under the current proposed Cost Sharing agreement, where by 80% is recoverable from 'industry', 10% by Commonwealth and 10% by State Government. NSW have already moved a bill to change their legislation so that they can recover THEIR costs from industry as well. (Refer to : Hansard Legislative Council, 4 June 2008)

<http://www.parliament.nsw.gov.au/prod/parliament/hanstrans.nsf/V3ByKey/LC20080604>

*The next major proposal I now outline relates to cost recovery. Currently the Act does not provide for the collection of fees or charges to cover the costs of issuing permits to allow movement of stock and equipment and other Government activities. **The bill introduces a regulation making power to impose fees and charges. This will enable the New South Wales Government to recover its costs,** which will in turn lead to improvements in service delivery. To ensure consistency, similar amendments will be made to the biosecurity legislation I mentioned earlier. By moving to a cost recovery model, some additional minor costs may be imposed on industry. Overall, however, costs to industry will be reduced as a result of improving the effectiveness of responses to disease outbreaks.*

Effectively the State Government of NSW want to impose fees and charges on 'industry' to do their job and further penalise industry by cost shifting.

I am completely opposed to the Introduction of the Levy in its current form and believe the levy should be structured on a 'polluters pay' basis. The TB Racing and Breeding industry are the ones that have eroded our Quarantine system to maximize their profitability and therefore presenting the highest risk factors.

I do not believe that the AHIC are representing the interests of the entire horse industry, as has been pointed out in the attached submission and request that consideration be given to some of the options for a more equitable levy as per the attached document.

Yours sincerely

Cindy L Medway

# Horse Disease Response Levy Bill

**Submission to the Senate Review Committee for  
Rural and Regional Affairs and Transport.**

Compiled by:

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# Introduction

I am writing to you as the author of the online petition (<http://www.gopetition.com/petitions/equine-influenza-levy.html>) against the then proposed **Equine Influenza (EI) levy**. This petition represents 6,743 people who are opposed to the implementation of these bills until extensive consultation is completed with the general equestrian community. To date, it is my belief that this consultation has not occurred and the **Government's own guidelines and principles to the implementation of new levies have not been met**. I also believe that the implementation of a flat levy on the equine community is in **direct contradiction of some of the basic principles of the Government's own Cost Recovery Guidelines**.

It has been mentioned that AHIC is the peak body for the horse 'industry' in both the media and recent Government Hansards. The AHIC has made arbitrary decisions on behalf of the equine community, often in contradiction to its own industry advisory board (as per the minutes of the 2nd April, 2008 when the meeting voted 13 against, 2 in support and 1 undecided for a levy and reconfirmed this decision the following month at the subsequent meeting.) and without allowing for feedback through the member organisations' grass roots level, and the community in general, is in no position to speak on behalf of 'potential levy payers'. Member for Riverina, Mrs Hull, is quoted in Hansard for the 3<sup>rd</sup> of September, 2008 as stating that **"It is wrong that the AHIC purports to represent these members. Most of them cannot go to the meetings...and they are not informed of how these decisions are made or that decisions were made."**

Not all states and territories are represented in AHIC due to a lack of funding at State/Federal level to establish Horse Councils to act/lobby on a National and State platform. Of the State Horse Councils represented in AHIC, one major State Horse Council (Queensland) also stands in direct opposition to the proposed legislation in its present form.

The Australian Racing Board and Harness Racing Australia are also paid members of AHIC as well as being significant lobby groups to Government in their own right. As such, AHIC's comments are not reflective of the broader equine community and are more reflective of a member representative body and it could be compromised by the paid membership of commercial industry groups pushing their own agendas.

**AHIC needs to undergo a review if it wishes to present itself as a true peak body.** Commercial industries can fund a peak body through subscriptions, etc but recreational horse owners should have a peak body that is funded (partially or otherwise) separately by government to act as a lobby group at this level. It would be difficult to meld the needs of a commercial industry (with its own state and federal ministers) with the complexity of varying recreational and sporting needs.

The current legislation has not been altered in light of the **Equine Influenza: the August 2007 outbreak in Australia report** by the Hon. Ian Callinan AC (commonly referred in this document as the **Callinan report.**) and still does not address the shortcomings and potential disease incursion points created by the Thoroughbred Breeding Industry.

The current legislation continues to **place the majority of the financial burden of any future disease response on the non commercial and recreational sectors of the equine community when they are likely to not be the recipients of any financial assistance** in the light of past outbreaks.

The criteria for listing a disease as an 'Emergency Animal Disease' (EAD) under EADRA is narrow and relates mainly to exotic diseases that are likely to be brought into the country. The only time that endemic disease becomes the focus of an EADRA response is when:

- a) A variant form which is not itself endemic.
- b) Is a known endemic disease, but is occurring in such a fulminant outbreak form (far beyond the severity expected), that an emergency response is required...

As such, not even the current Hendra outbreak in Queensland would fall under an EAD at present. Furthermore, most lay horse owners will not be the beneficiary of being a party to EADRA as most endemic disease are covered under State legislation. Because the focus of EADRA agreements is on exotic disease response, with the preclusion of endemic diseases, it is unlikely that the recreational equine community will see any benefit from an Equine Levy other than the protection of diseases created by the commercial thoroughbred racing industry or a future breakdown in quarantine standards.

It is also in contradiction to the Governments own Cost Recovery Guidelines in that this levy when applied to a group equally will end up subsidising some sectors (that utilize the resources of the regulator more frequently) more than others. This was highlighted in the **Callinan Report** and is clearly expressed in the **Cost Recovery Guidelines** when it states **"...individuals/groups that have created the need for regulation should pay cost recovery charges."** It is my belief that the majority of intended '**potential levy payers**' do not create the need for these regulations, do not create the risk of disease and do not run commercial profitable businesses, and are, in actual fact, the unfortunate recipients of other peoples commercial risk taking behavior. **As such, we continue to oppose the Horse Disease Response Levy Bill 2008 and related bills in their current format.**

# Original AHIC Consultation did not meet the Levy Principals and Guidelines.

## Summary of Recommendations

- Recommendation 1:** Proper consultation with all intended prospective levy payers is undertaken. This consultation and establishment of willingness to pay should be conducted in lines with the **(DAFF) Levies Guidelines and Principles** and should not be conducted by AHIC
- Recommendation 2:** Demonstration of a significant majority on the imposition of the levy and collection mechanism. The Government and other pro-levy organisations have to demonstrate that there is a significant majority of support by the '**potential levy payers**' to the collection of the fee.
- Recommendation 3:** Design a levy system that gives equity
- Recommendation 4:** Link the Collection of the Levy to where the market failure has/is occurring. Non-commercial sectors should not be asked to cross-subsidise the commercial sectors.
- Recommendation 5:** Application and collection of the levies, does not place additional burdens on families, volunteers, disadvantaged groups and recreational sports people.
- Recommendation 6:** That a simply administered and enforceable system of cost recovery is developed to fund equine disease responses.
- Recommendation 7:** That the funding system is aimed at those who create the risk and provide the need for the principles of cost recovery for the Equine Community.
- Recommendation 8:** That the annual importation of Shuttle stallions for the CHRI is included in this levy.
- Recommendation 9:** Category 4 equine diseases re-categorised as (minimum) Category 3 diseases immediately for future incursions.
- Recommendation 10** AHIC undergo a review if it wishes to present itself as a true peak body. (eg. Commercial industries already have access to Government through representation to racing specific ministers. It would be hard to meld the competing interest of commercial and recreational interests under the one umbrella unless member representation is changed.)

## Summary Levy Structure Recommendations:

### *Change to Levy guidelines to reflect the complex nature of levy points within the equine community.*

- ❖ That Animal Health Australia adjusts the regulations to fee collection in recognition of the complex nature of the equine livestock community and how those animals are utilized within it.

### *Proposed Levy points to reflect identifiable commercial inputs, outputs or units of value of production*

- ❖ Only commercial industries should be involved in EADRA. This can be collected as 1% of GVP paid as per the formula outlined in the current EADRA cost sharing deed (a registered thoroughbred is a horse registered with the Registrar of Racehorses and included on a stable return).
- ❖ That a similar formula is developed for the HRA.
- ❖ A 1% levy included in a service fee paid at the point of joining a mare to a registered Thoroughbred Stallion verified as per his stallion returns (my suggestion would be that the levy would be higher than the identified 1% of GVP for international Shuttle Stallions due to the heightened risk associated with these stallions; eg. 6% of GVP of one southern hemisphere breeding season or \$1,000.00 per mare booked for service). This was also identified in the Callinan report and is not reflected in this current proposed legislation (pg 330). The leader of the National Party, Minister Truss, stated in Hansard on the 1<sup>st</sup> September, 2008, that approximately 29,070 thoroughbred mares produced 17,854 foals in 2005-6, of which only 13,618 were registered. **Including the levy at the point of service ensures that the levy reflects the true nature of the commercial risk taking behavior rather than the net result of foals registered.**
- ❖ That a cost recovery fee (such as an insurance premium identified in the Callinan report) be applied to horses, other than Thoroughbreds, entering the country to cover associated risks.
- ❖ A 10 cent levy be included on all TAB bets placed during a period that an EADRA cost recovery program is in place. This could be continued outside of these cost recovery periods to assist in building a reserve for the industry and a basis for research. *(This was a popular suggestion by many people on the petition)*
- ❖ **By structuring the levy in the above format it avoids placing undue hardship on the smaller end of the commercial industries such as the backyard trainers who may only have one or two horses and places the brunt of responsibility on the more profitable and riskier end of the equine industry.**
- ❖ Transaction fee on all horses sold at market or through slaughter, similar to other livestock industries.





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# EXECUTIVE SUMMARY

Disease management in Australia, as in all countries, is a major issue for all who are affected. While there is an expectation that governments will intervene in the event of a disease outbreak, it is not expected that all affected parties will be equal recipients to the provided interventions and management. Private and smaller affected parties are assumed to have to bear their own costs (and outlays) while larger organizations and industry sections will have their costs met.

The outbreak of the exotic disease Equine Influenza (EI) is an example of inequality of intervention. The Commercial Horse Racing Industry (CHRI) received significant funding, and assistance throughout the EI outbreak, while recreational users and small businesses were left to bear the burden of additional costs and loss of income.

The use of the phrase "horse industry" is an offhanded way to describe the many facets of a community that varies from a large recreational and not for profit sector to a smaller, highly profitable commercial industry. If there is to be equity in any proposed levy, there is a need to ensure that **those who produce the higher risks, reap the greatest rewards and expect the maximum benefits from disease intervention, bear the burden of funding.**

Unfortunately there has been little or no attempt to adequately engage with the equine community at a grass roots level to provide a majority view as to its willingness to participate in the payment of an equine levy. This leaves the current proposals, struggling to have a foundation of commitment towards payment of any levy and it is unrealistic to acknowledge or concede that there is any support at all other than from the CHRI.

Far more consultation and a realistic attempt to engage the equine community must be made to ensure that there is a majority support for general charging of an equine levy that is spread over the whole horse community. Otherwise it is incumbent on the CHRI to fund its own operations and disease response issues.

This has been recognized at a number of levels already with Horse Racing Australia already included in the Emergency Animal Disease Response Agreement (EADRA). It is this agreement and relationship that should be further developed for their benefit. EADRA, as with all other livestock included in the current agreement, is a commercial agreement between Government and commercial industries to provide a platform of protection for the public from their commercial risk taking behavior. In the case of EI the racing industry was not a signatory yet but was the main beneficiary of the assistance granted. They also received special dispensation in the movement of their

stock and resumption of racing above that of other sectors that had to wait until January, 2008 before their standstill was over.

## Introduction

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# Original AHIC Consultation did not meet the Levy Principals and Guidelines.

The reality is that the original levy proposal did not meet the criteria set by the **Department of Agriculture, Fisheries and Forestry (DAFF) Levies Guidelines and Principles** introduced in January 1997. Ms Parkes, the member for Fremantle, has also stated that "There is a list of 12 guidelines as to what can be a suitable levy for an animal industry, but criteria that are suitable for other livestock industries do not easily fit the national horse industry." (Hansard, House of Representatives, 3<sup>rd</sup> September, 2008) **It is my belief that the Government is so worried about not having the equine community 'signed up' that it is trying to fit a square peg into a round hole without first considering the full ramifications of the equity, public good and potential cross-subsidisation that this fee structure creates.**

I have addressed the principles individually:

## Principle 3

***"The initiator of a levy proposal ... demonstrate that all reasonable attempts have been made to inform levy payers of the proposal...and that they have had the opportunity to comment on the proposed levy."***

In 2006, the Australian Horse Industry Council (AHIC) advertised in the national media and apparently wrote to more than 100 organisations. According to their own media release at the time they gave a time frame of 2 weeks for all consultation to be conducted. Their letter (dated 30<sup>th</sup> June, 2006) states "*Any comments must be received by AHIC in writing by Monday July 17<sup>th</sup>, 2006. This is to enable AHIC to report back to AHA by 1<sup>st</sup> August, 2006.*" There is no mention of a vote, or the opportunity for other peak bodies under the AHIC umbrella (such as Pony Club Australia or the Equestrian Federation of Australia) to consult with their members to determine broad support within the timeframe allowed. 20 responses (3 dissenting) do not represent how the 50% or 75% test has been satisfied according to the Levy Guidelines.

An informal request of verification of AHIC consultation from online petitioners received 14 responses representing a variety of grass roots organisations, state they have never received information from either their peak bodies or AHIC for comment in regard to a proposed disease levy. They represent pony clubs in 4 states, breed society members, endurance and trail riding associations, dressage and equestrian groups. Responses have been received from QLD, NSW, Victoria, SA and WA and

they have all stated that the first they knew of it was when EI broke out or through my online petition.

**Recommendation 1: Proper consultation with all intended prospective levy payers is undertaken.**

This consultation and establishment of willingness to pay should be conducted in lines with the **(DAFF) Levies Guidelines and Principles** and should not be undertaken by the AHIC, but by an independent agency that do not have a vested interest in the outcome. This process should allocate sufficient time and resources to resolve the issue. This would include the identification of the likely beneficiaries and the costs to those who would not receive benefits.

**Principle 5:**

***“The initiator must be able to demonstrate that there is agreement by a significant majority on the levy imposition/collection mechanism...”***

The guidelines that support the levy principles indicate that the initiator must conduct a vote of potential levy payers (not boards of peak bodies) to ascertain industry support. **Point F) in the levy guidelines states: “...has been unable to conduct a vote under Guideline E,...then they will need to demonstrate majority support by providing evidence that a thorough industry –wide consultation process has been followed and that industry is widely supportive of the proposal.”**

Once again I reiterate that 2 week consultation period (however well intentioned) does not constitute a thorough industry wide consultation. Most voluntary organizations are run on monthly meetings and this consultation period would not allow enough time for the information to be sent to peak bodies and then disseminated through the ranks to their members for response. This is reflected in only gaining 20 responses during the original consultation period in 2006. Given the number of organizations that are members of AHIC, it would not be unrealistic for a vote to be taken of these members and nor would it be uneconomical in this day and age of technology to run an internet vote of all paid members of subsidiary organizations of AHIC. The internet has proven an effective tool in reaching the equine population during the recent EI outbreak. It is my belief that the 50% and 75% test has not been met.

## **Recommendation 2: Demonstration of a significant majority on the imposition of the levy and collection mechanism**

The Government and all other pro-levy organisations have to demonstrate that there is in fact a significant majority of support by the intended levy payers to the collection of the levy.

### **Principle 6:**

***“The levy imposition must be equitable between levy payers.”***

The recent outbreak has shown that there are serious gaps in the levy imposition in regards to what sectors create the greatest risks, what sectors generate the greatest GVP and what sectors are currently not included in the levy proposal. Compensation payments under the CHAPS scheme indicate that there are distinct boundaries on who was eligible for compensation and assistance and who wasn't during the recent EI outbreak. This clearly shows that some sectors that will be targeted for levy payments (eg hobby breeders) will not receive market benefits for their payments if another outbreak were to occur under the current system. A flat levy across all breed societies has shown that it is inequitable to a large sector of the equine community.

In applying **Principle 6 “the levy imposition must be equitable between levy payers”**, it is reasonable to draw similar reference from the commercial poultry industry and equitably apply the levy to commercial operators

### **2006 AHIC Press Release**

***“The poultry industry does not worry about the back yard poultry breeders and owners who are minor investors in the industry and have relatively little to lose in an emergency disease situation. The major investors in the industry are happy to carry the lesser players so long as their considerable investments and businesses have access to the Agreement assistance. “***

The poultry industry does not quibble about the recreational activities. They realize that **those who have the most to gain should pay the most**. They have businesses and investments to manage, so they get on with business, building in disease response as part of the cost. This should be reflected in applying any proposed equine levy.

Financial assistance given to the equine community reflects that priority was given to commercial interests. Equine Influenza Hardship Grants, Equine Workers Hardship Wage Supplement Payment, Equine Influenza Business Assistance Grant and the Commercial Horse assistance Payment (CHAPs) were all assistance to commercial

recipients only. NSW Mortgage Assistance and the Grants for non-government and not-for-profit organisations were the only financial assistance given to non-commercial sectors. Within the assistance to commercial sectors, varying levels of assistance were experienced depending on which sector of the equine community you represented. CHAPs paid different amounts depending on whether you were racing metropolitan based or country based and a lesser amount if you were a professional equestrian sports person. (\$20 per day for an equestrian sports person as opposed to \$50 per day as a Sydney trainer or \$55 per day as a Brisbane or Gold Coast Trainer) ***This clearly shows that benefits of disease response were not distributed equally and therefore the levy should not be imposed equally.***

### **Recommendation 3: Design a levy system that gives equity**

**Any levy system must provide equity. Equity can be broken into several different areas, these include:**

- i. Commercial interest and Avoidable Costs**
- ii. Creation of Risk**
- iii. Beneficiary of response**
- iv. Cost Recovery and Ability to pay**
- v. Public Good**

### **Principle 7:**

***“...levy must be related to the inputs, outputs or units of production of the industry or some other equitable arrangements linked to the function causing the market failure.”***

The levy only identifies one point of levy transaction. AHA has already identified a formula for the Australian Racing Board (pg 66 Government and Livestock Cost Sharing Deed in Respect of Emergency Animal Disease Responses) but there is no levy formula identified for the Harness Racing Board or for the Australian Thoroughbred Stud Book's "shuttle stallions". These are serious failures in identifying commercial inputs, outputs or units of value of production of the 'commercial' sector of the equine community thus leading to an inequitable distribution of levies.

As described in principle 6, application of any levy would be far easier to apply equitably and economically on the inputs, outputs or units of production of the CHRI.

Additionally as described in **Guideline L) where there is failure to demonstrate a net industry benefit and market failure; statutory levies shall not be supported.** As described above, while the CHRI may receive a net industry benefit, the same could not be said about the rest of the equine community. It could actually be said that the



levy is poorly designed and creates the possibility of non-commercial sectors cross-subsidising the commercial industry by allowing cost shifting onto the non-commercial sector. (**Australian Government Cost Recovery Guidelines, July, 2005**)

**Recommendation 4: Link the Collection of the Levy to where the market failure has / is occurring.**

The result of disease and its subsequent response is primarily to avoid a market failure in the businesses of the Commercial Horse Racing Industry. If the CHRI did not create the risk of disease, or did not financially benefit from the commercial enterprises they undertake, there would be no need to have a large disease response. In other words these are “avoidable costs”.

It is not suggested that there should not be a racing industry, what is recommended is, that if the CHRI business model creates unnecessary avoidable risks and avoidable costs, they should fund the need to respond to those risks and costs.

**Conclusion on review of DAFF Levy Guidelines and Principles:**

**In order for a levy to be accepted an industry must be able to demonstrate it has met the first 11 levy principles established by DAFF. The above arguments indicate that the AHIC has failed to meet at least 4 of those 11 principals and requires further consultation to reach the 50% test (achieved through industry voting) or the 75% test.**

It would also be argued that only a percentage of the equine community comes under the banner of ‘industry’ and thereby a focus of any potential levy.

# Levy proposal is inequitable

The current levy proposal does not take into consideration that some sectors of the equine community are commercial and others are not. Presently, the legislation provides for a flat fee across all breed societies and horse associations. This is not reflective of the fact that the majority of the horse community does not make a business out of their animals. It is not the responsibility of the equine 'community' to bear the costs of commercial undertakings. A lot of petitioners have stated that **"...we elect a government to govern. We pay our taxes so as the government can carry out its duties. One of those duties is to keep Australia free of disease. They have not carried out their duty."** (petitioner 5246)

The Webster's Concise Edition English Dictionary describes an industry as **'an organized production or manufacture of goods: a branch of commercial enterprise.'**

The purpose of an extra levy above what normal people pay in taxes is to provide the equine 'community' with a level of protection from the heightened risks associated with the commercial activities of the horse 'industry'. This is the essential difference between what is meant by market and public benefit referred to in the Department of Agriculture, Fisheries and Forestry (DAFF) **Levies Guidelines and Principles**.

A \$100 levy (as a suggested example which has been recently used) would force a lot of people out of hobby breeding of horses. This cost would be on top of already increasing costs of registration fees, DNA tests, micro-chipping, branding and vet bills incurred as part of normal registration costs of registering each horse. Add to this annual membership fees, farrier, horse dentist, worming, feeding and rugs just to raise the animal. This fee would force a lot of smaller boutique breeders out. The **Australian Government Cost Recovery Guidelines July, 2005** state that **"cost recovery may not be warranted where....it unduly stifles competition and industry innovation."** This proposed legislation with its flat levy may be the direct cause of many smaller breed societies folding.

The **Cleveland Bay Society of Australasia** represents an endangered equine species and it is the view of some members that this levy could be the downfall of the breed in Australia (petitioner 5321). A large number of breeders accessing the online **"Say no to Equine Influenza Levy"** petition have suggested that most breeders **are 'hobby breeders'** and this levy would see large numbers of breeders either stop breeding or stop registering their stock. They believe that valued pedigrees would disappear and inbreeding will become unavoidable.

As a similar example, a retired couple close to the authors' residence owns some of the only Hackney 'horses' in Australia. They earn no income from their stud; they sell

few horses (they are all members of the family) but continue to register all new progeny and be a vital component of this breeds survival in Australia. If this levy was to come in, their valuable bloodlines will be lost as they will cease breeding and would no longer continue their membership of the studbook. It would be the demise of not-for-profit small Breed and Ag society committees.

A levy fee for Performance Horses such as the **Equestrian Federation of Australia, Pony Club Australia**, Camp Drafting, Quarter horse Racing, etc would create further **financial burden on families trying to participate in a sport and recreational activity of their choice.**

The average entry fee for horse trials is approximately \$70 per rider. Add to this the cost of keeping the horse, riding lessons (equates to coaching in other sports), memberships and registration, travel costs (most people travel on average approximately 100km minimum to get to events and it is not unusual for people to travel interstate), accommodation just to participate in their sport of choice. A number of non-professional EFA eventers that I have spoken with budget approximately \$1,000 per month minimum to cover expenses during competition season locally.

At its' grass roots level, equestrian sports is an expensive, self-funded sport that a lot of struggling families participate in as **they believe that they are teaching their children core values and responsibilities in caring for another living being and encouraging a healthy lifestyle.**

As one petitioner from Victoria states ***"I am a single mother with 2 registered pony club ponies, one of which has just had her first foal for my daughter to ride in the future. This levy would make the registrations impossible for me to pay. These ponies are our only form of recreation or pleasure and we already struggle with the drought affecting feed costs. We cannot afford a levy such as the one being proposed."*** (petitioner 4773)

As another petitioner states: ***"As a pleasure horse owner, I support a minimum of vet, farrier, hay supplier, feed shop, show associations, pony club, horse chiropractor, dentist, just to name a few. Did we or these people get much assistance – NO!"***(petitioner 5263)

Equestrian sports (unlike Tennis, cricket, swimming, football, etc) are virtually unrecognised in funding and government support. In order to grow through the ranks to elite level is a very costly and difficult process that will be further penalized through the implementation of a levy system if implemented in its current format. If the Government wishes to implement a levy system on equestrian sports, then they also have to implement a system to identify and promote rising talent and assist in the

promotion and development of the various sports to prevent people leaving due to rising costs.

This is no better highlighted than by petitioner 6731 (Rosalie Fahey of Mount Evelyn) who stated that ***“I am one of Australia’s top Dressage Para-Equestrian and a medalist at the Sydney Paralympics. The EI caused the cancellation of the Australian Qualifier for the Beijing Paralympic Games. I was unable to qualify. I have lost eight years of back breaking work, all my finances and my house training for this event and without sponsorship can no longer continue in my sport. My whole career has been destroyed by this virus. Will the government reimburse all that I have lost and help me continue?”***

**At a Pony Club level, entries have dropped dramatically this year at both zone and state levels due to rising petrol costs, EI impact on horse fitness and memberships have fallen.** Hardship impacts of drought on rural communities needs to be taken into consideration when these sectors will not be eligible for other forms of assistance like primary commercial industries are.

**Recommendation 5: Application and collection of the levies, does not place additional burdens on families, volunteers, disadvantaged groups and recreational sports people.**

# Principles of Cost Recovery

In addition the DAFF Levies Guidelines and Principles, the recovery of costs from commercial or government transactions are addressed in the following policy **"Australian Government Cost Recovery Guidelines July 2005 – Financial Management Guidance No. 4. (AGCRG)"**

**Definition of Cost Recovery in the AGCRG is described as -**

*"the purposes of this policy, 'cost recovery' broadly encompasses fees and charges related to the provision of government goods and services (including regulation) to the private and other non-government sectors of the economy."*

The AGCRG refers to the following principles when developing and applying cost recovery –

*The Australian Government's policy adopts the following key principles:*

- 2. Cost recovery should not be applied where it is not cost effective, where it is inconsistent with government policy objectives or where it would unduly stifle competition or industry innovation.**
- 3. Any charges should reflect the costs of providing the product or service and should generally be imposed on a fee-for-service basis or, where efficient, as a levy.**
- 6. Where possible, cost recovery should be undertaken on an activity (or activity group) basis rather than across the agency as a whole. Cost recovery targets on an agency-wide basis are to be discontinued.**
- 9. Cost recovery arrangements will be considered significant ('significant cost recovery arrangements') depending on both the amount of revenue and the impact on stakeholders. A 'significant cost recovery arrangement' is one where:**
  - a. an agency's total cost recovery receipts equal \$5 million or more per annum - in this case every cost recovery arrangement within the agency is considered, prima facie, to be significant, regardless of individual activity totals; or.....**
- 10. Agencies with significant cost recovery arrangements should ensure that they undertake appropriate stakeholder consultation, including with relevant departments.**
- 11. All agencies with significant cost recovery arrangements will need to prepare Cost Recovery Impact Statements (CRIS). A CRIS will not be required where a Regulation Impact Statement (RIS) that also addresses cost recovery arrangements against these guidelines have been prepared.**

It appears that there are quite a few principles that are relevant but not meet when applying the Government's cost recovery guidelines to the creation of this new levy. It appears that non-adherence to the DAFF guidelines and principals for the implementation of new levies has also contradicted the natural justice and public good implicit in the AGCRG.

Other considerations in the AGCRG under the reasons for **Why Have Cost Recovery?** Section include: -

*Used appropriately, cost recovery can provide an important means of improving the efficiency with which Australian Government products and services are produced and consumed. **Charges for goods and services can give an important message to users or their customers about the cost of resources involved. It may also improve equity by ensuring that those who use Australian Government products and services or who create the need for regulation bear the costs.***

It is inherent in the business model of the CHRI (in particular the thoroughbred industry) the higher risk profiles associated with their greater international movement. This includes importation of shuttle stallions, attendance at racing venues, movements of broodmares and yearlings, etc. The business risk that is created, needs to have an appropriate disease response to protect the CHRI business interests. It could be reasonably argued that the Australian Government will in fact be sending an inappropriate message to the CHRI by

- hiding the true cost of the services that the government supplies by spreading the costs onto recreational users.
- Not have the CHRI bear the costs of the need it creates for disease response and risk mitigations
- A partial free rider effect is created, as the CHRI is not bearing all their costs, if they were able to defer them onto other stakeholders
- This may have effects in other areas, where, if the CHRI is successful in lobbying the government to spread its costs onto recreational stakeholder, that other industries will lobby the government to do the same.

Commercial industries such as the ARB and Harness Racing Australia (HRA) run their sport as a business. They claim their costs, registrations, feed, travel, etc against their income. This levy is something that would then be absorbed by them as another cost. This is the principle of any cost recovery levy and should be applicable here. *The current EADRA Government and Livestock Industry Cost Sharing Deed states on Page 66 in Schedule 6, section 2.2 **“Where more than one Party represents a species, the manner of Cost Sharing between those Parties will be determined amongst them having regard to the GVP of Industry sectors.”***

The racing and harness industries already have recognized GVP's and the Australian Racing Board already have a cost sharing formula determined in section 2.3 of the same schedule (although, the way in which that contribution is assessed needs to be reviewed given the use of 'shuttle stallions' and heightened international travel).

The Australian Racing Industry has been suggested as the “fourth largest industry in Australia” (Mr Randall (Canning) Hansard, House of Representatives, Tuesday, 2nd September, 2008).

Member for Maribynong, Mr Shorten, stated on the 2nd September in Hansard that the economic activity generated by thoroughbred racing and breeding alone contributes more than \$5 billion to the national GDP. It accounts for a lucrative export trade (with 2,378 thoroughbreds exported from Australia on a temporary or permanent basis in 2006-7) and provides for the equivalent of 77,000 full time jobs. (Mr Shorten, Hansard 2.9.08)

The Thoroughbred Industry is the **ONLY Studbook to refuse to allow artificial insemination** (AI) and will not even allow a horse to be registered if it comes from a property where AI occurs, or frozen semen is stored. The HRA Forum on the 27<sup>th</sup> February, 2008, also agreed that ***if the Thoroughbred Industry had allowed frozen semen then this latest incursion would not have occurred.*** Given the industries international nature, it is clearly obvious that this is a business decision only to maximize income for owners of 'shuttle stallions' and big investors. As such, the risk taking behavior needs to be clearly identified in the levy and other sectors, whose studbooks allow AI, should not be expected to cross-subsidise them.

**There is no disputing that the CHRI is a significant industry within Australia**, which has been highlighted many times in Hansard of recent days. **The concern is that the Recreational horse owners should not be asked to accept the cost shifting of commercial enterprises and levies.** There is a need to reflect the varying economies of scale within the equine community. That the value of participating in a cost sharing arrangement is to protect commercial interests is again reflected in Hansard on the 2nd September when the member for Forde, Mr Raguse supported the proposed legislation because "The protection of a levy like this and the support that it can offer in providing vaccinations for the harness and racing industries is imperative."

It appears very clear what Minister Burke's intentions are, in creating a flat levy across all sectors of the equine community when he stated in Hansard on the 3rd of September, 2008 that "If those opposite think for a minute that we would get the harness racing and ARB to sign up to that (Meaning a differential levy for varying sectors) – when they put the argument quite forcefully that the cost of managing a disease outbreak is a cost per animal, not a cost related to the value of the animal."

**The Design and Implementation of Cost Recovery policy** is described in Stage 2 of the AGCRG where it states: -

### ***Stage 2: Design and Implementation***

*Charges can be collected in a variety of ways and based on different measures of costs. Agencies should choose the appropriate approach for a particular product/service by:*

- ***linking the charge or charges as closely as possible to the activity or product to be cost recovered;***
- ***designing a system that is cost effective to calculate, collect and enforce;***
- ***designing a system where the compliance costs of paying the charges are not excessive;***

It does not appear that these guidelines have been followed if it is intended to spread the costs of disease response from the CHRI to recreational stakeholders. As described earlier, a simple cost effective means of funding the disease response or recovering cost would be to place a charge on the Stallion service fees. While a fee of \$500.00 to \$1,000.00 per service by a Thoroughbred stallion may appear excessive at first glance, when you take into account the service fees charged can be as high as \$250,000.00 the **additional cost would only see a maximum increase of 0.4% in the service fee charges.** Redout's Choice (as per the TBA website) charged \$330,000 service fee for 2006 season. Even at the lower end of the scale of \$50,000.00 per shuttle stallion service, the additional cost would only be between 1% and 2 % of the service fee charges.

Taking into account the ease that this system of charging per service from Thoroughbred stallions could be administered and enforced, it is an ideal approach to recovering costs from those who cause the risk, and require the disease response in order to maintain their commercial investments. As there is a need for the owners of the shuttle and domestic Thoroughbred stallions to invoice for the services, as well as ensure that there are records for registration in the stud books, minimal additional administration and enforcement would be required. This is especially important when one views what the AGCRG contemplates in relation to **WHO** should pay cost recovery Charges: -

#### **Who should pay cost recovery charges?**

*Users of the Australian Government's information products being cost recovered or individuals/groups that have created the need for regulation should pay cost recovery charges.*

**Again, this points towards the commercial horse racing industry. They create risk and the need to respond. Once initiated, the CHRI are the primary beneficiaries of the response.**

**Levy design** is also contemplated in the AGCRG which states: -

*“Poorly designed levies can create the possibility of cross-subsidies between firms and/or industries. This possibility arises because a levy (whether a flat or proportional tax) applies to all members of a leviable group equally. If, within that group, some members utilise the resources of the regulator less than others, then they can end up subsidising those members that require more intensive regulation.*

*One solution to the risk of inefficient cross-subsidisation is to define narrow leviable bands, based on identified regulatory cost drivers, so those that make similar calls on the regulator's resources pay the same levy.*

**As recreational equine community does not make similar calls on the Australian Government then there is a need to ensure that it does not bear cost shifting by allowing cross-subsidies being shifted onto them. The CHRI are the primary cost drivers and beneficiaries of disease response.**

Other commercial primary industries (eg. Fisheries) pay a cost recovery fee on the services provided by governments. These are not generally cross subsidised with recreational users, while also maintaining a public good component. An example of these can be found in the Victorian Department of Primary Industries where a concise set of principles and implementation strategies were developed to assess the apportionment of costs. These principles appear in the **Department of Primary Industries Regulatory Impact Statement, Fisheries (Fees, Levies, and Royalties) Regulations 2004.**

The **1992 Intergovernmental agreement on the environment** and the **Victorian Environment Protection Act 1970**, (see attached) all have principles of polluter pays, and creating an environment where those who are responsible for causing the damage or need are the ones that Pay for the rectification.



**Recommendation 6:** That a simply administered and enforceable system of cost recovery is developed to fund equine disease responses.

**Recommendation 7:** That the funding system is aimed at those who create the risk and provide the need for the principles of cost recovery for the Equine Community.

**Recommendation 8:** That the annual importation of Shuttle stallions for the CHRI is included in this levy.

### **Suggested additional Principles**

As well as complying with the information from the **DAFF Levy Guidelines and Principles** for the application of any levy there is the additional need to apply the **Australian Government Cost Recovery Guidelines July 2005**. Furthermore it is suggested that the following basic principles are included. It is suggested that the basic principles for the recovery of disease response costs from the recreational equine community and the Commercial Horse Racing Industry is similar to the following.

*The cost of management and compliance services for disease outbreaks and the funding of compensations should be borne by those who directly benefit from them or those who drive the need for the provision of the responses and services.*

*There are five additional principles of cost recovery for the funding disease responses and the recovery of the associated costs. This includes who should be attributed with bearing the burden of costs. These are:*

- i. The community's interest as a whole (including intergenerational concerns) must be met. This is the responsibility of government. Being a Public Good, the costs associated with this responsibility should be fully funded from the tax base.*
- ii. Disease Response Management Services are best assessed on an activity basis with the apportionment of costs associated with these services based upon estimated costs and benefits to particular groups. Eg: Charging at the risk creation end of the practices, such as charging on the service fees for Thoroughbred stallions.*
- iii. Commercial Services are best calculated on a sector by sector basis, because of the unique nature of individual sectors of the equine community. Eg: within the CHRI the thoroughbreds create the most risk, while harness allow AI, this sort of risk mitigation should be taken into account.*
- iv. The general rule of attributing costs to a particular group rests on the question as to whether the non-existence of that group would eliminate the need for particular disease response and/or management service. i.e. avoidable costs.*

- v. *The method of allocating costs should be simple, cost effective, equitable and transparent. A particular user group, as far as practicable, should not bear the costs associated with another user group. However, there may be an overlap of management outcomes, which benefits different groups, in which case the costs would be appropriately apportioned.*

There is a need to develop the above recommendations to ensure that sectors of the equine community are not being held to ransom to benefit the commercial interests of an affluent minority. Harness and racing horses were vaccinated in Victoria when owners in NSW and Queensland were being told they were not eligible for the vaccines to ensure the Victorian Spring Racing Carnival could continue with minimum disruption.

Many owners in NSW and QLD were told that they were not eligible for compensation, had to pay their own vet bills, etc because they were hobby breeders or pleasure owners – not a commercial interest. **Although most horse owners may benefit from not having to live with an exotic disease, most horse owners (conversely and quite clearly) do not create heightened risk during the course of their ownership or are recipients of the benefits of a disease response.** They pay their vet bills, nurse their animals as best they can and dispose of them when it doesn't work – all without assistance from the Government whilst still maintaining a standstill and following good bio-security measures to ensure the effectiveness of the statewide/nationwide Government intervention.

The Callinan report has also identified the need to adopt better cost recovery strategies into quarantine issues and, although it is not part of this proposed legislation, it is an important reference point of who should be responsible for participation in an EADRA arrangement. As highlighted on Page 329 of the Callinan Report, **“Australian Government Cost Recovery Guidelines state that...those who use Australian Government products and services, or who create the need for regulation bear the cost.”** This is also relevant in regards to EADRA in that those who create the risk bear the cost. Shuttle Stallions were identified in the report as needing “to attract higher charges because ...of their international shuttling and mating, they are also exposed to exotic diseases.” (pg 330)

Eastern Creek receives up to 14 intakes of imported horses a year. In August 2007 each intake was required to spend no fewer than 14 days in PAQ, beginning after the arrival of the last horse in the intake. Two of the annual intakes, scheduled for July and August, usually exclude mares in order to facilitate importation of the shuttle stallions.

In 2007 the horses for the second of those intakes arrived at Eastern Creek between 3 and 8 August. Fifty-two horses arrived in six consignments—two consignments from the United States, two from the United Kingdom, one from Ireland, and one from Japan.

The consignment from Japan, which arrived on 8 August, consisted of nine horses that were offloaded in Melbourne and quarantined at Spotswood and four horses that were flown on from Melbourne to Sydney. Most of the 52 horses were shuttle stallions destined for the Coolmore or Darley Studs in the Hunter Valley of New South Wales. One was to stand at Arrowfield Stud, near Scone. **A number of the horses were extremely valuable, attracting in aggregate service fees that could exceed \$40 million a year.** (pg 6 Report into Equine Influenza)

This excerpt from the Callinan report indicates how lucrative the international Thoroughbred breeding program is, the risk it creates and the focus it should become in any EADRA Cost Sharing Deed. As stated above – **most of these 52 stallions were destined for only 2 studs in the Hunter Valley.** According to the Thoroughbred Breeders Australia website they produce the 2<sup>nd</sup> highest number of Thoroughbred foals in the world after the United States. The breeding season for the top 120 stallions as of the 1<sup>st</sup> June, 2007 (2006 breeding season) had a total income of \$443,889,850.00 (advertised rates: - Thoroughbred Breeders Association website).

House of Representative Hansards for the 1<sup>st</sup> -3<sup>rd</sup> September, 2008 inclusive, has commented frequently on how lucrative the Racing Industry is and how important it is to the Australian Economy. The Honorable Wilson Tuckey (Hansard, 3<sup>rd</sup> September, 2008) indicated that the total amount of levies raised last year from gambling on Australian Racing by the States and Territories was \$589.45 million. However, the Government would be unable to incorporate income derived from gambling into a Cost Sharing Deed because Animal Health Australia stipulates that the levy must be generated directly from income derived from the animal and not secondary activity (eg. Point of sale, registrations, etc not betting).

# Levy Structure Recommendations:

*Change to Levy guidelines to reflect the complex nature of levy points within the equine community.*

- ❖ That Animal Health Australia adjusts the regulations to fee collection in recognition of the complex nature of the equine livestock community and how those animals are utilized within it.

*Proposed Levy points to reflect identifiable commercial inputs, outputs or units of value of production*

- ❖ Only commercial industries should be involved in EADRA. This can be collected as 1% of GVP paid as per the formula outlined in the current EADRA cost sharing deed ( a registered thoroughbred is a horse registered with the Registrar of Racehorses and included on a stable return).
- ❖ That a similar formula is developed for the HRA.
- ❖ A 1% levy included in a service fee paid at the point of joining a mare to a registered Thoroughbred Stallion verified as per his stallion returns (my suggestion would be that the levy would be higher than the identified 1% of GVP for international Shuttle Stallions due to the heightened risk associated with these stallions; eg. 6% of GVP of one southern hemisphere breeding season or \$1,000.00 per mare booked for service). This was also identified in the Callinan report and is not reflected in this current proposed legislation (pg 330). The leader of the National Party, Minister Truss, stated in Hansard on the 1<sup>st</sup> September, 2008, that approximately 29,070 thoroughbred mares produced 17,854 foals in 2005-6, of which only 13,618 were registered. **Including the levy at the point of service ensures that the levy reflects the true nature of the commercial risk taking behavior rather than the net result of foals registered.**
- ❖ That a cost recovery fee (such as an insurance premium identified in the Callinan report) be applied to horses, other than Thoroughbreds, entering the country to cover associated risks.
- ❖ A 10 cent levy be included on all TAB bets placed during a period that an EADRA cost recovery program is in place. This could be continued outside of these cost recovery periods to assist in building a reserve for the industry and a basis for research. *(This was a popular suggestion by many people on the petition)*

- ❖ **By structuring the levy in the above format it avoids placing undue hardship on the smaller end of the commercial industries such as the backyard trainers who may only have one or two horses and places the brunt of responsibility on the more profitable and riskier end of the equine industry.**
  
- ❖ Transaction fee on all horses sold at market or through slaughter, similar to other livestock industries.

# Reclassification of all Category 4 Horse Diseases as Category 3.

Categorizing disease has an influence on the quantum of funding that needs to be recovered or accumulated in order to respond to disease outbreaks. To use the EI outbreak as an example, while the commercial horse industry may have lost income and now has a renewed focus on its activities, the rest of the equine community has suffered enormous socio-economic consequences. This was clearly highlighted by Member for Calare, Mr John Cobb, when he outlined the financial burden of the stand down and subsequent quarantine of Parkes Showground for a number of months. He states that the Parkes Show Society (a volunteer, not-for-profit organisation) has lost approximately \$80,000 in unrecoverable money as a result of EI. (Hansard, 3<sup>rd</sup> September, 2008) It does not take into consideration the expense and heartbreak experienced by people who were quarantined there with their livestock.

This latest incursion only occurred in 2 states but effectively shut down an entire nation. The commercial horse racing industry was assisted in working around the disease to keep it running, and offered assistance at many different levels. In comparison, the rest of the equine community was effectively shut down. The disease halted an entire show and breeding season nationwide and caused enormous financial hardship to secondary industries such as saddlerys, riding instructors, farriers, rug repairers, etc. It caused financial hardship for not-for-profit sporting and show societies who rely on annual shows to generate their meager budgets which are used to keep the social fabric of the community together.

The Callinan Report highlighted the Australian Bureau of Agriculture and Resource Economics (ABARE) modeling that was done on the post EI impacts. It estimated the cost of the EI outbreak "to have reached \$560,000 per day for disease control and \$3.35 million a day in forgone income in equine businesses" (pg 11) The report also indicated that equine export market ceased as of 6<sup>th</sup> September, 2007 and did not resume again until approximately March, 2008 (pg 11) showing a clear disruption to international trade. Add to this the emotional hardship of being separated from families or livestock for months on end and EI has shown that the AUSVET plan and EADRA classification of diseases has seriously underestimated the social and economic impact of any equine disease incursion.

**Recommendation 9:** Category 4 equine diseases re-categorised as (minimum) Category 3 diseases immediately for future incursions.

# Conclusion

In finalizing this document, I firmly believe that the guidelines and principles of applying the current levy have not been met. I find it highly unlikely that 50% of the equine community of Australia is in support of this levy and that presumed peak bodies need to conduct extensive consultation with their member base (potential levy payers) in order to ascertain support for any future levy.

Having said this, the ARB (as a Deed member to the EADR agreement) have already recognized the significant benefits and needs that it requires of disease management and response for its' commercial operations. The reality is that there needs to be further examination of the current cost sharing formula to include a more equitable levy across all aspects of this commercial enterprise. It would be expected that the application of the levy as described in Principle 6 would be economically and equitably applied to other sectors of the racing industry such as breeding and use of imported stallions.

It also has to be remembered that the reason for imposing a levy is to nullify the cause for regulation and should not be justified as a cost per unit. Not-for-profit groups and recreational horse owners should reap the benefits of the disease response as part of the public good provided by Government to protect them from the commercial risks created by other sectors.

By trying to pass this legislation and related bills, the Government is trying to fit a square peg into a round hole. It needs to address the boundaries imposed by the inadequacies of its levy guidelines and principles' which restrict the application of a more appropriate levy system. It should not ask recreational and performance sectors to cross subsidise commercial risk taking behavior (regardless of how powerful a lobby group they may be).

There has never been any Cost Recovery Impact Statement prepared on this proposed levy. However, anecdotal evidence has suggested that the impact on performance and breeding sectors will result in a stifling of competition and the demise of smaller, vulnerable studbooks and sporting groups and it is important for this to be acknowledged in developing a more equitable levy proposal.

Yours sincerely  
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## Acronyms -

AAHL	Australian Animal Health Laboratories (CSIRO Geelong)
ABARE	Australian Bureau of Agriculture and Resource Economics
AGCRG	Australian Governments Cost Recovery Guidelines July 2005 – Financial Management Guidance No.4.
AHA	Animal Health Australia
AHIC	Australian Horse Industry Council
ARB	Australian Racing Board
CHRI	Commercial Horse Racing Industry
CRIS	Cost Recovery Impact Statement
DAFF	Department of Forestry and Fisheries (Commonwealth)
DPI	Department of Primary Industries.
EAD	Emergency Animal Disease
EADRA	Emergency Animal Disease Response Agreement
EFA	Equestrian Federation of Australia
GVP	Gross value of Production
GDP	Gross Domestic Product
HRA	Harness Racing Australia
PCA	Pony Club Australia



# Definitions

**Avoidable Cost**      The general rule of attributing costs to a particular group rests on the question as to whether the non-existence of that group would eliminate the need for management services or cost recoverable service, i.e. avoidable costs

## Appendix 1 Environmental Principles

### Principles on the Intergovernmental Agreement to the Environment 1992

#### 3.5.1 precautionary principle -

*Where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation. In the application of the precautionary principle, public and private decisions should be guided by:*

- i. careful evaluation to avoid, wherever practicable, serious or irreversible damage to the environment; and*
- ii. an assessment of the risk-weighted consequences of various options.*

#### 3.5.2 intergenerational equity -

*the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.*

#### 3.5.3 conservation of biological diversity and ecological integrity -

*conservation of biological diversity and ecological integrity should be a fundamental consideration.*

#### 3.5.4 improved valuation, pricing and incentive mechanisms -

- environmental factors should be included in the valuation of assets and services.*
- polluter pays i.e. those who generate pollution and waste should bear the cost of containment, avoidance, or abatement*
- the users of goods and services should pay prices based on the full life cycle costs of providing goods and services, including the use of natural resources and assets and the ultimate disposal of any wastes*
- environmental goals, having been established, should be pursued in the most cost effective way, by establishing incentive structures, including market mechanisms, which enable those best placed to maximise benefits and/or minimise costs to develop their own solutions and responses to environmental problems.*

## **Principles in the Victorian Environment Protection Act 1970**

### ***1B Principle of integration of economic, social and environmental considerations***

- (1) Sound environmental practices and procedures should be adopted as a basis for ecologically sustainable development for the benefit of all human beings and the environment.*
- (2) This requires the effective integration of economic, social and environmental considerations in decision making processes with the need to improve community well-being and the benefit of future generations.*
- (3) The measures adopted should be cost-effective and in proportion to the significance of the environmental problems being addressed.*

### ***1C The precautionary principle***

- (1) If there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.*
- (2) Decision making should be guided by—*
  - (a) a careful evaluation to avoid serious or irreversible damage to the environment wherever practicable; and*
  - (b) an assessment of the risk-weighted consequences of various options.*

### ***1D Principle of intergenerational equity***

*The present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.*

### ***1E Principle of conservation of biological diversity and ecological integrity***

*The conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making.*

### ***1F Principle of improved valuation, pricing and incentive mechanisms***

- (1) Environmental factors should be included in the valuation of assets and services.*
- (2) Persons who generate pollution and waste should bear the cost of containment, avoidance and abatement.*
- (3) Users of goods and services should pay prices based on the full life cycle costs of providing the goods and services, including costs relating to the use of natural resources and the ultimate disposal of wastes.*
- (4) Established environmental goals should be pursued in the most cost effective way by establishing incentive structures, including market mechanisms, which enable persons best placed to maximise benefits or minimise costs to develop solutions and responses to environmental problems.*

### ***1G Principle of shared responsibility***

- (1) Protection of the environment is a responsibility shared by all levels of Government and industry, business, communities and the people of Victoria.*
- (2) Producers of goods and services should produce competitively priced goods and services that satisfy human needs and improve quality of life while progressively reducing ecological degradation and resource intensity throughout the full life cycle of the goods*

*and services to a level consistent with the sustainability of biodiversity and ecological systems.*

### **1H Principle of product stewardship**

*Producers and users of goods and services have a shared responsibility with Government to manage the environmental impacts throughout the life cycle of the goods and services, including the ultimate disposal of any wastes.*

### **1I Principle of wastes hierarchy**

*Wastes should be managed in accordance with the following order of preference—*

- (a) avoidance;*
- (b) re-use;*
- (c) re-cycling;*
- (d) recovery of energy;*
- (e) treatment;*
- (f) containment;*
- (g) disposal.*

### **1J Principle of integrated environmental management**

*If approaches to managing environmental impacts on one segment of the environment have potential impacts on another segment, the best practicable environmental outcome should be sought.*

### **1K Principle of enforcement**

*Enforcement of environmental requirements should be undertaken for the purpose of—*

- (a) better protecting the environment and its economic and social uses;*
- (b) ensuring that no commercial advantage is obtained by any person who fails to comply with environmental requirements;*
- (c) influencing the attitude and behaviour of persons whose actions may have adverse environmental impacts or who develop, invest in, purchase or use goods and services which may have adverse environmental impacts.*

### **1L Principle of accountability**

- (1) The aspirations of the people of Victoria for environmental quality should drive environmental improvement.*
- (2) Members of the public should therefore be given—*
  - (a) access to reliable and relevant information in appropriate forms to facilitate a good understanding of environmental issues;*
  - (b) opportunities to participate in policy and program development.*

The information sheet for the **Queensland National and State Initiatives in environmental impact assessment** expands further on these principles by stating;

The strategy defines ESD as "using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained, and the total quality of life, now and in the future, can be increased".

The guiding principles for ESD are:

- decision-making processes should effectively integrate both long and short-term economic, environmental, social and equity considerations;
- where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation (the precautionary principle);
- the global dimension of environmental impacts of actions and policies should be recognised and considered;
- the need to develop a strong, growing and diversified economy, which can enhance the capacity for environmental protection, should be recognised;
- the need to maintain and enhance international competitiveness including sound environmental management should be recognised;
- cost effective and flexible policy instruments should be adopted, such as improved valuation, pricing and incentive mechanisms; and decisions and actions should provide for broad community involvement on issues that affect them.

Similar principles and goals are listed in;

- **National Strategy for Conservation of Australian Bio Diversity**
- **National Strategy for Ecologically Sustainable Development**
- **Managing Access to Australia's Biological Resources: Developing a Nationally Consistent Approach**