# SENATE STANDING COMMITTEE ON RURAL & REGIONAL AFFAIRS & TRANSPORT

## Inquiry into the Australian Horse Industry and an Emergency Animal Disease Response Agreement

## SUBMISSIONS RECIEVED

| SUB NO. | SUBMITTER |
|---|---|
| 1 | Stock Feed Manufacturers' Council of Australia |
| 2 | Australian Racing Board Limited |
| 3 | Racing and Wagering Western Australia (RWWA) |
| 4 | Australian Veterinary Association |
| 5 | Australian Horse Industry Council |
| 6 | Horse Federation of SA Inc. (Horse SA) |
| 7 | O'Dwyer Horseshoe Sales Australia Pty Ltd |
| 8 | Western Australian Horse Council (WAHC) |
| 9 | Pepper Tree Farm |
| 10 | Harness Racing Australia Inc. (HRA) |
| 11 | Pony Club Australia |
| 12 | Animal Health Alliance (Australia) Ltd |
| 13 | Veterinary Manufacturers and Distributors Association Ltd |

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **1**

**SUBMITTER**

**Stock Feed Manufacturers' Council of Australia**

Stock Feed Manufacturers' Council of Australia

**8 July 2010**

**Committee Secretary**
**Senate Standing Committee on Rural and Regional Affairs and Transport**
**PO Box 6100**
**Parliament House**
**Canberra ACT 2600**

## SFMCA SUBMISSION – Inquiry into the Australian horse industry and an emergency animal disease response agreement

The Stock Feed Manufacturers' Council of Australia (SFMCA) is the peak industry body representing Australian feed manufacturers. SFMCA members manufacture over 5.2MMT of animal feeds annually. The members of our organisation manufacture a wide range of feeds including those supplied to the horse industry.

**Submission Summary**

**The EADRA levy scheme must be equitable across horse owners. The most equitable scheme is where collection is directly from owners with two options being most applicable these being:**
**1. Horse Organisation Registration and/or Membership – collected as part of either annual membership fees or on registration of horses.**
**2. Event Entry – collection in a fee when horses are entered in races, events, shows, pony club days and other horse activities.**

**The SFMCA believes that an indirect collection method through horse industry inputs is highly inequitable. We also believe it would be anticompetitive as it is only applied against manufactured feeds and not feed ingredients competing with manufactured feeds. The SFMCA would like it to be clearly recognised that our organisation and the individual manufacturers of horse feeds object to any move to collect EADRA levies from horse feeds.**

Discussion in the horse industry has been around applying the levy against manufactured feeds, whilst owners either not feeding their horses (relying on pasture grazing) or mixing their own feeds would pay no levy. Any move in this direction would disadvantage horse feed manufacturers and is inequitable across the industry. The SFMCA argues that horse feed is not a product of the horse industry and is unsuitable as a levy collection method.

This submission sets out the reasoning behind this objection and it is authorised by the Federal Council of the Stock Feed Manufacturers' Council of Australia.

**SFMCA Submission**

Our organisation supports the horse industry committing to an Emergency Animal Disease Response Agreement (EADRA). The SFMCA does not oppose the intent of the horse industry and Government in having a cost sharing agreement to respond to exotic horse disease incursion.

This submission addresses the Inquiries Terms of Reference point ***b) Options for equitable contributions by horse owners to a levy scheme to meet their obligations under EADRA in the event of an emergency animal disease outbreak in horses.***

We are aware that participants in the horse industry have been promoting various EADRA levy collection options. One of the options being promoted is the use of feed as a collection mechanism. Discussions our organisation has had with horse industry association contacts and Animal Health Australia has resulted in the SFMCA making this submission to ensure that the Senate Inquiry gains a full appreciation of the views of horse feed manufacturers.

The following points are raised against horse feed as a means of EADRA levy collection.

**1. Horse feed is not a product of the horse industry**

We believe that the implementation of a horse industry EADRA levy would be implemented under the *Primary Industries (Excise) Levies Act 1999*. Under this Act, the horse industry levy would apply to a product of the industry. Within this submission we also make reference to the Department of Agriculture, Fisheries and Forestry Levies Revenue Service document entitled *Levy Principles and Guidelines.*

We recognise that the horse industry does not produce a product such as meat, milk, eggs or wool as produced by other livestock industries. However we disagree with the use of feed as an indirect product for levy collection. Feed is a product of the stockfeed industry, it is not a product of the horse industry. Feed is a commercial product used by horse owners.

Within the *Primary Industries (Excise) Levies Act 1999,* definitions are provided for product, animal product and plant product, these being:

***product*** means an animal product or a plant product (whether or not any operations have been performed in relation to the animal product or plant product).

***animal product*** means:
(a) an animal; or
(b) any part of an animal; or
(c) anything produced by an animal; or
(d) anything wholly or principally produced from, or wholly or principally derived from, an animal.

***plant product*** means:
(a) a plant; or
(b) any part of a plant; or
(c) anything produced by a plant; or

(d) anything wholly or principally produced from, or wholly or principally derived from, a plant.

Under these definitions horse feed cannot be seen to meet the definition of a product of the horse industry. As the EADRA levy would apply to an animal industry in horses, the product should also meet the definition of an animal product. Horse feeds do not meet the animal product definition.

Horse feed is in fact a plant product, being derived from grains, grain co-products (bran, rice pollard, etc), vegetable protein meals, plant roughage (chaff, straw, hay) and additional vitamins and minerals. The SFMCA argues that applying a levy to horse feed is in fact applying a levy against plant industry products that have been manufactured into horse feeds.

The SFMCA argues that the horse industry <u>has two products</u>, these being:
1. Horses, bred for use by their owners. Apart from wild horses, all horses have been bred for a purpose, whether this is in commercial activity or pleasure and leisure pursuits.
2. Horse activities through racing, eventing, riding, competing, showing and breeding. Owners and horses participate in horse events and the product of the industry is participation in these equine pursuits.

It is the horses themselves and their participation in horse events that are the products that should be levied. A levy applying against breeding horses and event participation meets the EADRA Guidelines. We believe collection on horse feed does not comply with the Guidelines.

**2. Indirect Collection Method**

A levy on horse feed is an indirect method of collecting levies and will not be seen or recognised by the horse owner. We believe that levy collection must be transparent so the horse owners recognise the cost in levy payments. SFMCA does not support any indirect levy collection system; the collection must be directly from horse owners in registration or event participation levies.

We have seen the argument that the horticulture industry collects some levies via an indirect means, this being based upon applying the levy to the sale plastic pots to nurseries rather than to nursery plants. This has been done due to difficulties in collecting levies from every nursery grower in Australia. For nurseries, plastic pots are an input for the industry and the levy is being collected from the pot importers. This is seen as an industry input levy collection system and it is proposed that levy collection on horse feed would similarly be an industry input levy. This argument, however, breaks down because the plastic pot is sold with the nursery industries products, this being the potted plant. The levy on plastic pots is directly linked to the industries product – nursery plants.

Horse feed has no link with the horse industries product. Although manufactured horse feed is consumed by horses, it is not an essential input for the horse industry. There is no relationship between units of horse feed sold and units of horse product. The example of levy collection from pots in the nursery industry provides the perfect example of why the levy should not apply to horse feed.

The SFMCA does not agree with an indirect input levy collection system.

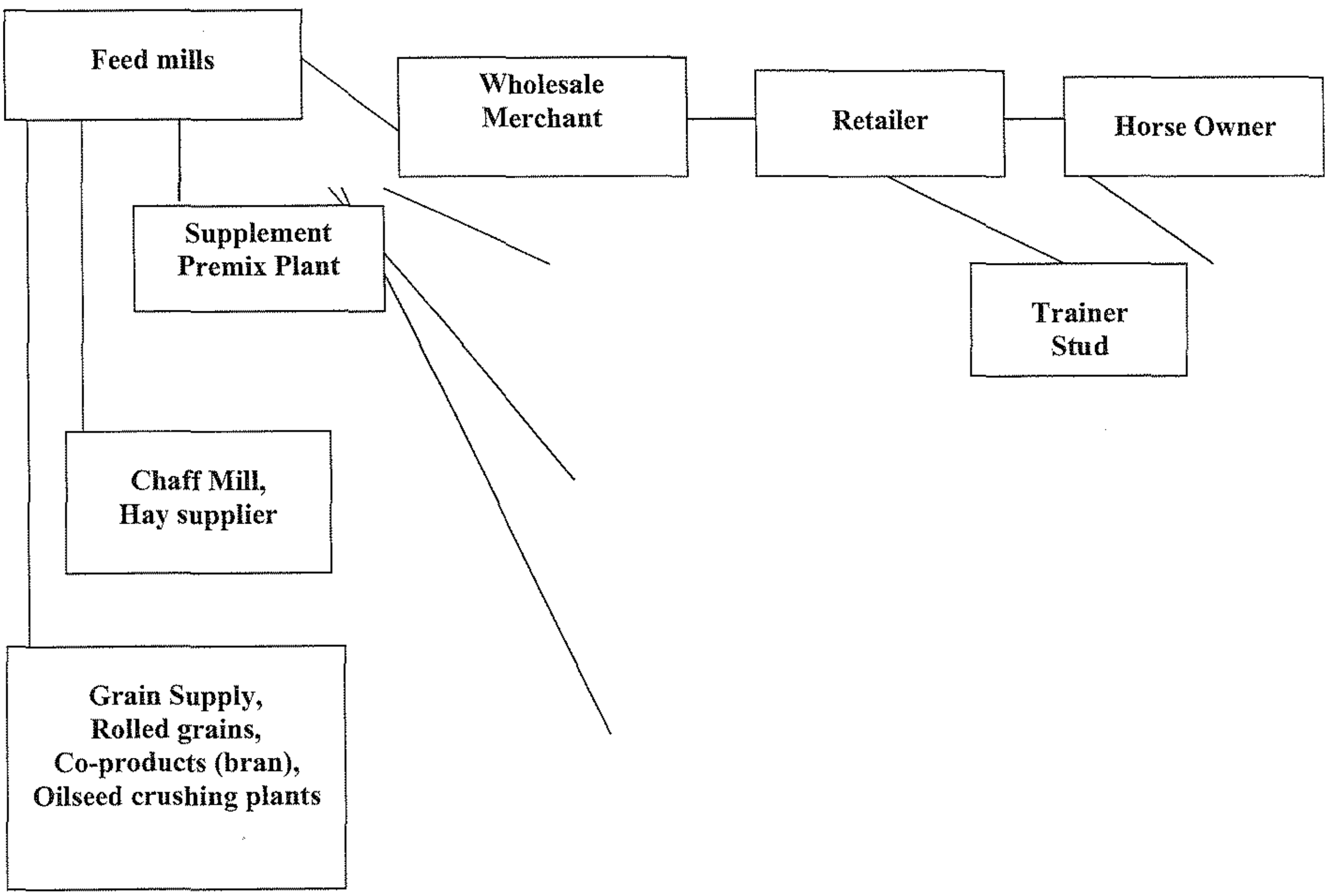
### 3. Point of levy collection removed from horse owners

It has been proposed that horse feed manufacturer's would collect the levy. This being applied through a levy amount added to the price of feed when sold by the manufacturer. The manufacturer is well removed from the horse owner, with feed supplied through feed wholesalers, distributors and retailers before being purchased by trainers, studs and individual horse owners. Diagram 1 is provided to illustrate the typical route of feed supply from manufacturer to horse owner.

The horse feed supply route is complex and many third parties can be involved including transport companies and warehouses who may or may not take ownership of the feed. We believe elements of the horse industry have either understated the complexity of the supply chain or have limited understanding of how the market works.

Applying a levy at point of manufacture does not result in the horse owner seeing this cost in their feed purchase. For horse owners paying training or breeding fees, the levy cost is lost within horse feed used by the trainer or stud.

## Diagram 1. Horse Feed Supply Chain



Under the *Primary Industries (Excise) Levies Act 1999* each industry has defined who is liable for payment of the levy. Within each industry this is the producer of the product, eg coarse grain levies are payable by the grain producer, dairy produce levies are payable by the producer of the milk. Under a proposed horse industry levy on horse feed, neither the horse owners nor any entity involved in the horse industry will be the levy payer. For manufactured horse feeds, the levy payer will become the next participant in the feed supply chain after the manufacturer. For the majority of feed this will either be a feed wholesaler or retailer.

The SFMCA believes levy collection on horse feed does not meet the requirement of the *Primary Industries (Excise) Levies Act 1999.*

**4. Administration burden**

It is our understanding that the EADRA levy must be identified separately in accounts and financial statements. This will place a considerable additional administration burden on feed manufacturers.

In addition we understand that the levy amount must not have any Goods and Services Tax applied. This adds a further level of administration complexity to the horse feed supply chain, with wholesalers and resellers being required to account for the Levy separately in their GST reporting.

We do not believe the horse feed industry supply chain should be faced with these administration compliance costs.

**5. Cost non recovery through the supply chain**

Levy collection by feed mills assumes that this cost is transferable through the supply chain. It is also assumed that each participant in the supply chain has the capacity to pass this cost through the chain. With the levy ultimately being paid by the horse owner in the price of feed or training, spelling and breeding fees charged.

Feed wholesalers and retailers are the feed mill customers, not horse owners. These entities can be purchasing large volumes of feed. The supply of horse feeds is very competitive, with distributors and retailers switching feed supply due to small price movements. The potential monetary value of the EADRA levy on horse feed will be large relative to the margins applying to horse feed. Feed supply is a high volume low margin business and any supplier that can gain a cost benefit will gain market advantage.

The SFMCA argues that the levy will be lost in supply chain competition and in reality the levy will become a "tax" applied to feed mills and then lost through the supply chain of distributors, retailers, transport operators, trainers and studs. The end result being horse owners will be contributing considerably less than collected from the manufacturers. Due to the supply chain distance from feed manufacturer to horse owner and lack of transparency in passing the levy through the supply chain, we can see why some horse industry participants are in favour of levy collection through horse feed.

The SFMCA believes that if the EADRA levy is applied to horse feeds, the majority of the levy will come from the supply chain in reduced margins, with horse owners paying a minimal additional cost. We believe this is inequitable and does not meet the objective of having levy payment from the horse industry. This outcome would be the result of trying to apply a levy to an input that is not a product of the horse industry.

### 6. Definition of Horse Feed

Information from AHA and horse industry associations makes reference to a potential levy applying to "hard feed". This term although used by some horse industry representatives, is not a term used by horse feed manufacturers. Based upon feedback we have received, we believe what advocates of levy collection through hard feed are actually referring to is levy collection from manufactured feeds as opposed to non manufactured or home-mixed feeds.

We believe arguments put regarding "hard feed" levy collection to be misleading, conveying the impression the levy would apply more broadly than that applying to manufactured feed. Our understanding is that a levy would not apply to straight raw materials such as whole grain, rolled or cracked grains, co-products such as bran and rice pollard, protein meals such as soybean meal, full fat soybean meal, canola meal and sunflower meal, whole sunflower seed and vegetable oils. All of these hard feed ingredients are sold through produce stores and compete with manufactured feeds. Why should an industry levy be applied based upon the manufacturing process the ingredients have been through? If sold as straight ingredients there is no levy, if blended together and sold as loose-mix or pelleted feed there would be a levy applied.

We are lead to believe that chaff and hay would also not be classed as hard feeds and so automatically exempt from levy collection. Many manufactured horse feeds are sold containing chaff. Why exempt chaff but require chaff based feeds to have a levy applied?

The horse feed market contains many supplementary feeding products; some of these are high protein supplements, containing protein meals, vitamins and minerals. These form part of the horses feeding ration that horse owners would class as hard feed. There is uncertainty where these types of manufactured feed products would be classed as hard feed. There is significant debate over where the definition of hard feed or manufactured feed would start and stop.

SFMCA questions the logic that has been applied to the argument for using "hard feed" for levy collection. If it is in effect a levy collection method on manufactured feed only, this should be clearly defined. The SFMCA vigorously objects to only manufactured feeds being included for levy collection.

Use of the alternate term "manufactured feed" also presents problems as manufactured should include all grains and chaff as machinery is used to harvest, process and bag the product. It can be seen that the definition applying to levy collection will present many problems as well as potential loop holes for levy avoidance. Those promoting levy collection on feed have a lack of understanding of the complexity of the feed market and have proposed an overly simplistic view of levy collection.

### 7. Non application to home-mixed feeds

We question why manufactured feed suppliers, feed distributors and horse owners using these feeds would be required to pay the EADRA levy, when a horse owner mixing their own feed would pay no levy?

This is a major impediment that will be placed on owners that use manufactured feeds. We see this as an inequitable position, with a portion of the horse industry being free from levy contribution.

The largest horse operations commonly mix their own feeds. This involves bulk grain storage as conducted by many racing stables and breeding farms. Some of the largest horse industry participants would consequently not pay any levy.

SFMCA believes that placing a levy on manufactured feeds, whilst feed raw materials sold directly to horse owners who mixed their own feed had no levy, would create a market imbalance. We argue that the Australian and State Governments should not introduce a levy system that disadvantages a manufacturing industry and it does not apply the levy to the industries major competitor, home-mixing.

**8. Inequitable application between horse owners – most horses are never provided with manufactured feed**

Many horses are never fed anything other than pasture and hay. Owners of these horses will never pay any levy.

For owners feeding their horses, they will only pay the levy if they purchase manufactured feeds.

The contribution each horse owner pays in levies will directly relate to the level of feed they use rather than the number of horses they own. The levy collection will be influenced by seasonal conditions, with owners in drought affected areas paying a higher levy. Wealthier horse owners, with more available land area, use less feed and will pay lower levies. This is an inequitable situation as an emergency animal disease will potentially affect all horses irrespective of how they are fed and who owns them.

- Horse owners with limited access to pasture grazing utilise more manufactured feed and will pay a higher levy.
- Horse owners that undertake higher levels of racing, eventing and endurance work will pay higher levies due to their horses' higher intake.
- Those owners based upon larger land area and lower stocking density, will be advantaged in using less manufactured feed and paying no or only a small levy.
- Country based horse owners have access to lower cost agistment, city based owners use more feed and so would pay more levies than country owners.
- When dry seasonal conditions occur, especially droughts, horse owners are forced to purchase more feed. Horse owners in these areas will be paying a higher levy amount than those outside drought affected regions.

The Australian Government guidelines for EADRA collection, calls for the collection method to be equitable. We believe levy collection on horse feeds to be highly unfair and inequitable for many horse owners.

**9. It is easy for horse owners to avoid paying the levy**

Any horse owner can simply avoid paying the levy by not using manufactured horse feed. Every produce store sells rolled oats, rolled barley, protein meals and vitamin/mineral supplements. This option is available to horse owners and is the major competitive force horse feed manufacturers compete against.

By avoiding paying the levy through mixing their own feeds, the horse owner is not entering into any risk taking activity. The use of home-mixed feeds is supported by many companies supplying horse supplements and feeding advice. It could be argued that companies promoting home-mixing would be actively promoting levy payment avoidance! We do not believe this would be a healthy outcome for either the feed or horse industries.

**10. Lack of Statistical data to base the levy on**

The SFMCA is aware of no reliable statistical data on feed use by the horse industry. We believe this is a major limitation in the proposal to collect levies on horse feed. Without adequate data there is only a vague concept of the potential levy that would be applied if funds are needed to be collected.

Data needs to be available identifying the actual number of horses that are fed; we believe that a significant number of horses are only fed pasture and hay.

Data also needs to be available identifying total horse feed use and this then split into the amount of feed the levy would be collected from. Based upon best estimates from our members we believe that manufactured feed will be below 60% of feed used by horse owners. When horses that are never fed are included, we believe a manufactured horse feed levy will be collected from less than 50% of horses in Australia. Based upon calculations using 165,000 tonnes of "hard feed" fed annually (data provided from AHIC) and there being a minimum 800,000 horses in Australia, this equates to only 200kg/horse or 550g/horse/day. This represents a very low feeding rate. Thus feed use outside manufactured feed must be much greater and our best estimate of 60% of feed use being manufactured feed is a gross overestimate. We believe the size of the market in terms of total feed use is far greater and that home-mixing of feed remains a significant market share.

The SFMCA argues that unless the levy is collected on all feeds, not just manufactured feeds, the levy collection will be highly inequitable and does not satisfy EADRA Guidelines of being broadly based.

**11. Levy collection leakage**

Some operators will seek to find ways of not paying the levy. We believe there will be areas where some manufacturers and horse owners will move to utilising non horse feed formulations as a means of avoiding paying the levy. This may be done through the purchase of other species feeds or alternately horse feeds may be labeled and invoiced in a manner that is less descriptive and not identified as a horse feed. Many horse feed suppliers manufacture feed for other livestock species and supply of horse feed under a non horse feed name or label is highly unlikely to be found through audits.

The concern of the larger horse feed manufacturers is that smaller manufacturers will be more likely to look at means of avoiding paying the levy. These sites are also much less likely to be audited.

**12. Collection from other animal species**

Advice received from our members is that horse feeds are commonly used in feeding other livestock. This occurs on small properties keeping horses, cattle and sheep.

We are also aware of horse feed being purchased and repacked by independent third parties for resale to other species such as rabbits. This practice is carried out independently of the horse feed manufacturer.

In these cases levies will be collected from non horse industry feeding.

Horse feeds are manufactured in Australia and exported to overseas markets. There should be no levy applied to export feeds.

It thus is seen that due to horse feed not being a product of the horse industry, imposing a levy on horse feed creates other unintended consequences.

**13. Feed, horse shoes and wormers**

SFMCA has seen proposals looking at applying the EADRA levy across a number of collection points such as feed, horse shoes and wormers. SFMCA argues that each of these are indirect methods of collection and we do not support this approach.

This would spread the administration costs across many more companies and creates more system audit problems.

We also argue that the horses that are not fed, consuming paddock based grazing and hay, are also those that are most unlikely to use wormers or have horse shoes fitted. Thus spreading the levy across a number of collection inputs may not greatly increase the spread of collection.

**14. Audit Limitations**

The SFMCA believes that the largest manufacturers will be subject to audit and as such would meet the requirements of collecting and paying levies if they applied to horse feeds. We however also believe that smaller manufacturers would be infrequently, if ever audited, and as such will be able to avoid applying the levy collection.

SFMCA questions how horse feed manufacturers will be identified and what mechanism will be applied to ensure all manufacturers are captured. We recognise that some produce stores mix their own blend of horse feed that is sold in competition with the larger manufacturers. We doubt that the collection and audit system would take account of all horse feeds, leaving the largest manufacturers to act as the collection service provider, while smaller manufacturers have a market price advantage.

**15. Industry Responsibility**

SFMCA argues that the horse industry should take responsibility for levy collection. The promotion of collection through a feed levy is a means of shifting responsibility from the horse industry associations to another industry group. The SFMCA objects to being seen as an easy means of getting someone else to do the work of levy collection. We believe a number of horse industry associations have difficulty is making a commitment through their organisation's to implement a direct levy collection mechanism. We argue that the Australian horse industry should function as a united body and take leadership in implementing a direct levy collection mechanism. Shifting responsibility to horse feed manufacturers for levy collection is seen as a weak industry position.

We note that EADRA levies apply across other livestock industries. None of these industries has resorted to trying to impose levy collection through feed supply. These industries are responsible for levy collection.

**16. Direct collection is proposed**

The SFMCA believes the best method of levy collection is that applying directly to the horse owners. We propose that collection should be through two routes:
1. Registration payments – either through horse b reeding association horse registration or industry membership. These organizations already collect registration and membership fees, with the EADRA levy being added to annual fee charges.
2. Event Entry – collection in a fee when horses are entered in races, events, shows, pony club activities. The EADRA levy can be added as an additional charge on participation.

Using these two collection methods the collection process applies to the products of the horse industry – the horses and horse activity.

Through the use of both collection areas, there will be a much broader collection base than that applying to horse feed. The payment will come directly from the horse owner and not indirectly from the supply chain. The levy is payable by the horse owner, not suppliers to the horse industry.

The horse industry through industry associations, racing clubs and horse breed societies would thus be responsible for levy collection.

**SUMMARY**

The SFMCA does not support the use of horse feeds as a means of collecting the EADRA levy. We see this as a significant threat to the manufacturers of horse feeds. Levy collection on horse feed would be highly unfair and inequitable and does not comply with the Australian Governments EADRA collection guidelines due to:

- Not being applied to a horse industry product.
- Will not apply to the majority of horses.
- Providing an advantage to owners mixing their own feeds as they would avoid levy payment.

- Results in higher levy payment from horses being fed higher amounts of feed.
- Does not provide any levy collection from owners with horse's utilising only pasture, hay and chaff.
- Allows owners with more land and lower stocking density pressure to pay lower levies.
- Encourages manufacturers and horse owners to avoid levy payment through alternate manufacturing arrangements.

Horse feed levy collection would be unfair and inequitable for both the horse owner and feed manufacturer. We argue that the point of collection must be close to the horse owner with direct payment from horse registrations and event participation. Use of an indirect collection method is open to exploitation and is in reality an attempt by the horse industry to have someone else being responsible for the collection process.

Yours sincerely

John Spragg
Executive Officer
SFMCA

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **2**

**SUBMITTER**

**Australian Racing Board Limited**

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# SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE

Inquiry into Australian horse industry and an emergency animal disease response agreement.

Submission of

**AUSTRALIAN RACING BOARD**

**&**

**THOROUGHBRED BREEDERS AUSTRALIA**

# INDEX

# i Introduction and approach

The following submission has been prepared by the Australian Racing Board Limited (**ARB**), a public company limited by guarantee, which is the national body formed by and representing the thoroughbred racing Controlling Bodies in each State and Territory of the Commonwealth (**Controlling Bodies**). The Controlling Bodies are all either established or recognised by State or Territory legislation, and each is responsible for doing all that is reasonably within its power to develop, encourage and manage the thoroughbred racing industry in its jurisdiction. This submission has also been endorsed by Thoroughbred Breeders Australia (TBA), which is the national peak industry body for breeders of thoroughbreds.

This submission addresses each of the Terms of Reference established by the Committee:

- The implications to the Australian horse industry of committing to an Emergency Animal Disease Response Agreements (EADRA);
- Options for equitable contributions by horse owners to a levy scheme to meet their obligations under EADRA in the event of an emergency animal disease outbreak in horses;
- Criteria by which the cost burden of a levy would be shared between Commonwealth, State and Territory governments, horse industry groups and owners; and
- Quarantine and biosecurity threats to Australia's horse industry.
- Any other matters

The ARB would welcome the opportunity to attend the Committee's public hearing and speak to this submission.

# 1. Background on thoroughbred racing industry and broader horse industry

## 1.1 General

The first observation that should be made about the horse industry is its scale and diversity.

**Number of Horses in Australia and NSW**

| Type | Estimated Numbers in Australia |
|---|---|
| Thoroughbred (racing) | 32,039 |
| Thoroughbred (breeding) | 68,199 |
| Standardbred (racing) | 13,954 |
| Standardbred (breeding) | 33,080 |
| Arabian horses | 42,101 |
| Arabian derivatives | 60,333 |
| Australian Stock Horse | 145,000 |
| Australian Quarter Horse | 87,000 |
| Warmblood | 10,000 |
| Appaloosa | 34,000 |
| Paint Horse | 6,000 |
| Australian Pony | 79,800 |
| Miniature Horse & Pony | 5,000 |
| Heavy Horse | Average 5000 per colour (4) 20,000 |
| Coloured Horse | Average 5000 per colour (4) 20,000 |
| Other breeds | Average 1000 per colour (8) 8,000 |
| **TOTAL** | **Approx. 664,506** |

Source the Horse Industry: Contributing to the Australian Economy CIE 2001

Other estimates have put the total herd at about 1.2 million horses across Australia including some 400,000 brumbies and 316,000 horses on agricultural properties.

What is sometimes referred to as "the recreational horse" sector includes show jumping and eventing, endurance riding, polo and polo-crosse, pony clubs, working horses, breed societies and camp drafting and rodeo interests.

An examination of the Australian thoroughbred sector (ATS) provides a useful indication of this scale and diversity.

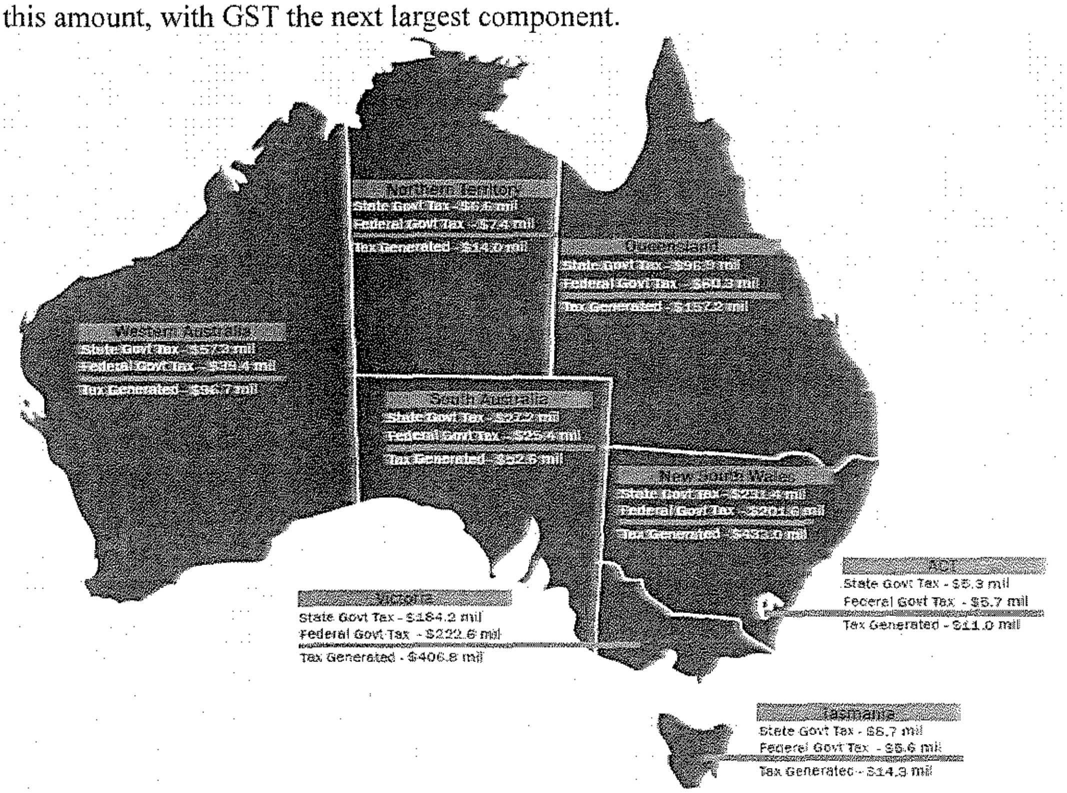
The impact of the ATS extends far beyond 'declaration of correct weight'. The ATS fills an integral place in the sporting life, cultural traditions and everyday economy of Australia. From the first official race meeting staged by Governor Macquarie at Hyde Park Sydney in 1810, Australian racing has grown to a scale that would have been difficult to imagine two centuries ago, and has few equals anywhere in the world. Today, Australian racing spans both the calendar and continent: over 17,000 thoroughbred races are held each year, staged in almost every part of Australia. On any given day there are between 40 and 300 races run, which as George Johnston observed *"is a pretty deafening thunder of hooves by any standard"*[*].

Today, about 2 million Australians attend a thoroughbred race meeting at least once per year, ranking it second only to AFL in terms of attendance[†]. While racing's best known event, the Melbourne Cup, is now an international spectacle viewed by 700 million people, at the same time racing continues largely unchanged in picnic meetings run throughout country Australia where almost every place big enough to be called a town – as well as in some that are not – has its own racetrack. For many rural communities, their Cup race day remains one of the social highlights of the year.

Racing also has a cultural significance that poker machines and casinos cannot begin to imitate, with our champions, such as Phar Lap and Bart Cummings, part of the national identity, and writers from Banjo Paterson, C J Denis and Breaker Morant through to Frank Hardy, George Johnston, Gerald Murnane, Peter Temple, Les Carlyon and David Williamson mining its rich lode of characters and stories or documenting its place in the national physce.

Indeed, it can be said that Australia has three truly national days: ANZAC Day; Australia Day; and Melbourne Cup Day.

A 2007 report prepared by the Melbourne-based economic research company IER found that the ATS generated nearly $1.2 billion in taxes each year. Taxes on wagering comprised almost half of this amount, with GST the next largest component.




There are 379 thoroughbred race clubs in Australia, which is more than any other country in the world.

[*] George Johnston, The Australians

[†] ABS Attendance of Sport.

On a per capita basis Australia has arguably the strongest racing industry in the world. Even in aggregate terms the ATS ranks in the top 3 racing industries in the world on all industry indicators notwithstanding its much smaller population and economy *vis a vis* competitors such as the US, Japan, Great Britain and France.

**Australian thoroughbred racing on a world stage**

| Rank | Starts | Black type races | Prize money | Foals born |
|---|---|---|---|---|
| 1 | USA | USA | USA | USA |
| 2 | Japan | Australia | Japan | Australia |
| 3 | Australia | Great Britain | Australia | Ireland |
| 4 | Great Britain | France | France | Japan |
| 5 | France | Argentina | Great Britain | Argentina |
| 6 | Chile | Japan | Korea | Great Britain |
| 7 | Argentina | South Africa | Turkey | France |
| 8 | Italy | Brazil | Hong Kong | New Zealand |
| 9 | South Africa | New Zealand | Ireland | Brazil |
| 10 | New Zealand | Ireland | Italy | Canada |

*Source: ARB Australian Racing Fact Book*

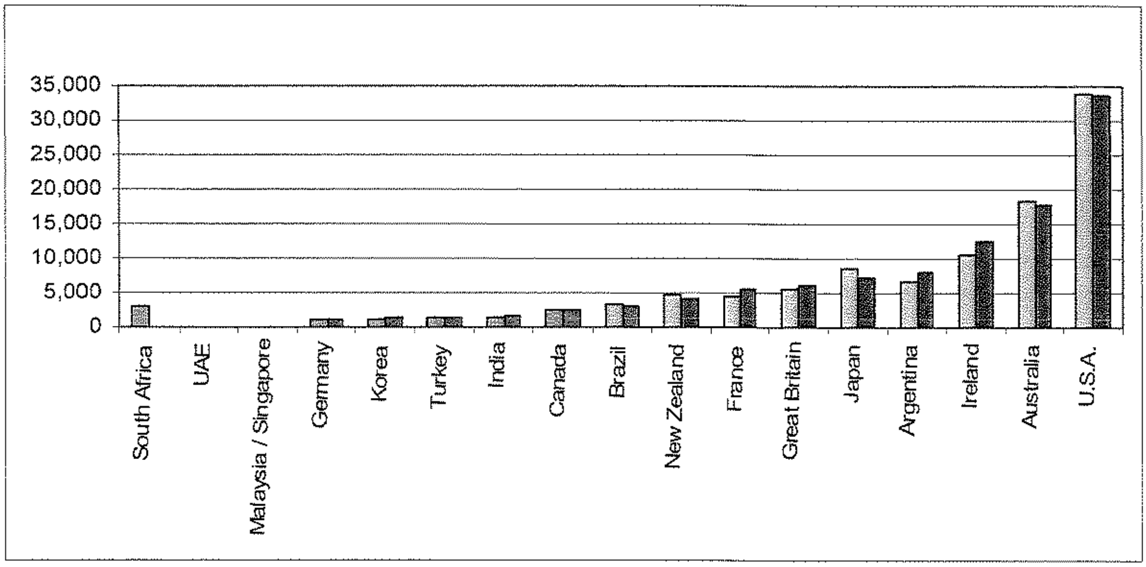
## 1.2 Wider economic impact of thoroughbred sector

### (a) International trade

The thoroughbred sector is the foremost element of Australia's trade in horses.

Australia's breeding sector is one of the largest and most successful breeding industries in the world. Australia currently makes the second largest contribution to the world's thoroughbred foal crop.

International Thoroughbred Foal Crops 2003 v. 2008

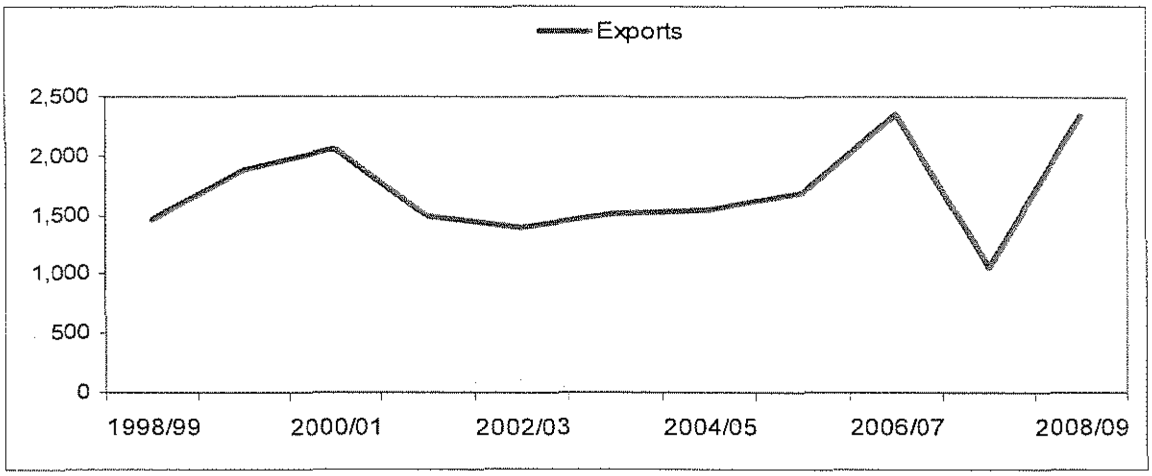



Source: Australian Racing Fact Book

Exports are an important and vibrant component of the Australian industry with Australian bloodstock highly regarded internationally.

There is also significant potential for future growth with Australia's world best practice improvements in reproduction technology and pasture management, and the recent international successes of Australian-bred horses all combining to substantially enhance the marketability of Australian bloodstock.

Number of Thoroughbred Horse Exported 1998/99-2008-09




Source: Australian Racing Factbook

The spread of export markets for Australian horses is wide and growing.

**Australian Thoroughbred Exports by Country 1999/00 - 2008/09**

| COUNTRY EXPORTED TO | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NEW ZEALAND | 438 | 497 | 512 | 507 | 475 | 557 | 575 | 1002 | 185 | 883 | 5,631 |
| SINGAPORE | 336 | 363 | 183 | 176 | 145 | 145 | 195 | 212 | 190 | 346 | 2,291 |
| KOREA | 151 | 127 | 39 | 5 | 54 | 115 | 184 | 198 | 94 | 107 | 1,074 |
| MALAYSIA | 296 | 298 | 214 | 257 | 194 | 148 | 152 | 178 | 7 | 243 | 1,987 |
| HONG KONG | 141 | 197 | 144 | 135 | 140 | 121 | 118 | 130 | 119 | 160 | 1,405 |
| MACAU | 113 | 150 | 171 | 117 | 141 | 155 | 102 | 86 | 56 | 68 | 1,159 |
| CHINA | 195 | 244 | 101 | 0 | 78 | 18 | 0 | 3 | 1 | 80 | 720 |
| THAILAND | 0 | 8 | 6 | 46 | 29 | 26 | 24 | 21 | 18 | 43 | 221 |
| SOUTH AFRICA | 87 | 19 | 5 | 34 | 59 | 60 | 104 | 190 | 85 | 107 | 750 |
| PHILIPPINES | 0 | 15 | 63 | 46 | 72 | 101 | 105 | 179 | 143 | 128 | 852 |
| USA | 17 | 30 | 23 | 35 | 42 | 33 | 37 | 33 | 37 | 37 | 324 |
| INDONESIA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 0 | 11 | 22 |
| JAPAN | 6 | 23 | 13 | 17 | 34 | 33 | 16 | 46 | 22 | 19 | 229 |
| IRELAND | 2 | 21 | 7 | 9 | 26 | 0 | 20 | 29 | 24 | 32 | 170 |
| UNITED ARAB | 1 | 25 | 10 | 3 | 7 | 6 | 16 | 23 | 1 | 13 | 105 |
| GREAT BRITAIN | 2 | 9 | 4 | 4 | 17 | 19 | 27 | 23 | 25 | 15 | 145 |
| INDIA | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 5 |
| SAUDI ARABIA | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| OTHER * | 97 | 29 | 0 | 10 | 0 | 11 | 20 | 17 | 53 | 42 | 279 |
| TOTAL | 1,882 | 2,057 | 1,495 | 1,401 | 1,517 | 1,548 | 1,695 | 2,362 | 1,061 | 2,334 | 17,352 |

Source: Australian Racing Fact Book

Moreover, the global equine market has been estimated to be greater than US$250 billion. Examples of opportunities, recent and future, to generate export revenues from R&D outcomes include:

- Development of race tracks in Vietnam, China, UAE, Mongolia
- Worldwide demand for enhanced safety gear for riders

**(b) Markets related to the thoroughbred sector**

There are a number of markets that are either wholly derivative from or significantly affected by the horse sector. These include:-

(i) Wagering

Horse racing was the first medium for organized gambling in Australia. In 2009 the Australian market for wagering on racing (3 codes) stood at approximately $19.3 billion.

(ii) Events

The thoroughbred sector is a major source of public entertainment. Racing by itself is the second most popular sport in Australia measured by attendance (ABS 2007). In addition horse shows, equestrian events, polocross, pony club are significant in the market for public events.

(iii)Trading in horses

Australia has a substantial market in the trading of horses.

**Australian Auction Sales Results 2008/09**

| CATEGORY | NO. SOLD | GROSS SALES | AVERAGE | MEDIAN |
|---|---|---|---|---|
| **Weanlings** | 981 | $14,643,750 | $14,927 | $6,000 |
| | | | | |
| **Yearlings** | 4,730 | $244,733,852 | $51,741 | $19,000 |
| | | | | |
| **2 Year Olds** | 530 | $12,508,800 | $23,602 | $12,000 |
| | | | | |
| **Broodmares** | 2,068 | $51,549,659 | $24,927 | $4,500 |
| | | | | |

Source: Australian Racing Fact Book

(iv) Service providers

So far as the market for services are concerned what should also be understood is the significance of ancillary activities which specialize in providing goods and services to the horse sector, including, most immediately, feed merchants, veterinary services, farriers and transport companies, but extending to an array of activities such as pharmaceutical companies, accountancy, air transport and others.

(v) Markets in other industries

The markets in fashion, food and beverage, and accommodation are also significantly linked with the horse sector. For example, the Victorian Spring Racing Carnival by itself generates an economic impact of approximately $600M annually (IER: 2006 Spring Racing Carnival Economic Benefit).

## 1.3 Profit and the thoroughbred sector

In past discussions about EADRA and levy arrangements to enable cost-sharing there has been a general lack of understanding about the economics of the thoroughbred sector.

It is important to note that:

- The Australian Racing Board and the Controlling Bodies for thoroughbred racing are not profit-making entities. Instead they all serve a regulatory/ supervisory/management function.
- Unlike some other countries, proprietary racing does not exist in Australia. All racing venues are operated by race clubs, which are not-for-profit entities that are prohibited from distributing any funds to their members. Many racecourses are situated on land which is shared with other sporting and community groups.
- Unpaid volunteers are the mainstay of all race clubs. All race club boards are made up of volunteer committee members. The majority of Australia's race clubs depend on volunteer labour to function and conduct race meetings.
- Race clubs are under increasing financial pressure. For example, during 2008/09 NSW thoroughbred race clubs sustained combined net losses of $13.9M.[‡]
- Self evidently, racing cannot be conducted without the participation of racehorse owners. In most cases ownership of racehorses is not a commercial undertaking: this is so in the eyes of Australia's tax system (the Australian Taxation Office presumes that all racehorse owners are hobbyists), and it is also so having regard to the basic economics involved. Taking NSW as an example, in 2009 racehorse owners as a group lost $137Million.

| Description | $M |
|---|---|
| Annual Training, Spelling, Vet, Racing Costs | 250 |
| Prizemoney return excluding trainer jockey commission | 113 |
| Deficient net by owners | -137* |

Source: RNSW Strategic Plan 2010

* These figures understate outlays by owners because they do **not** include initial costs of purchasing/breeding horses, rearing and education costs.

- The thoroughbred sector currently faces considerable uncertainty about its financial viability. Changes to the national wagering market have necessitated that legislation be introduced ensuring that all wagering operators that take bets on Australian races make an equitable contribution to meeting the costs of race clubs conducting race meetings.

[‡] Racing NSW Strategic Plan 2010 pg 6

- This state-based legislation has encountered strong legal challenge from a number of wagering service providers variously testing the manner in which State the controlling bodies have exercised their rights to charge a commercial fee for the use and publication of race fields. In some cases, challenges have questioned the Constitutional validity of the legislation arguing that there is cross-border trade discrimination due to the different mechanisms by which local racing industries derive revenue from intrastate and interstate wagering service providers. If these challenges succeed then they have potential to completely dismantle the industry's primary revenue base. The industry would be obliged to refund millions in race field fees with no ongoing capacity to impose a commercial fee on interstate wagering service providers. The implications of this level of financial shock would be profound in terms of a major reduction in returns to participants and capital investment into racecourse infrastructure. This loss of funding would in turn cause significant industry rationalization particularly throughout regional and rural Australia as well as adversely impact on the viability of major racing events.
- Even if the actions prove to be ultimately unsuccessful or are mitigated by remedial State law amendments, they will continue to cause widespread disruption and uncertainty for the racing industry for a period.
- The gravity of these issues has recently been recognised by the Productivity Commission in its recently released report on its inquiry into gambling. The Commission has recognized the valid objectives of the State race fields legislative frameworks and recommends the adoption of a national statutory scheme should the state-based frameworks prove legally unsustainable.

## 2. The implications to the Australian horse industry of committing to an Emergency Animal Disease Response Agreement

The Government and livestock industry cost sharing deed in respect of emergency animal disease responses (**EADRA**) was executed by State and Commonwealth Governments and Australia's national livestock industry organizations in 2002. All livestock industries bar the horse industry have signed the Agreement and set in place an agreed way to cover their potential funding liability (generally a levy or levy component set at $0 until activated). The Australian Racing Board is named as a party to EADRA but is not a signatory to the deed.

The development of EADRA was the work of the Animal Health Australia (**AHA**), a non-for-profit company established by the Commonwealth and State and Territory Governments, and Australia's major national livestock industry organizations.

EADRA was designed to replace the former cost-sharing arrangements for certain emergency animal diseases (**CSCSA**) that were first introduced in 1955. The CSCSA operated as an agreement between the Commonwealth and the State/Territory governments, whereas EADRA introduced industries as formal parties to cost-sharing.

While the CSCSA did not include any contribution from industry, during the late 1990s government policy was increasingly adopting the 'beneficiary pays' principle. Accordingly, EADRA was based on the proposition that the greater the degree of benefits of eradication to an industry relative to the public benefit, the greater the contribution that industry would be required to make to the costs of eradication.
The suggested *quid pro quo* of this move to impose cost-sharing on industries was that stakeholders who shared the cost of disease responses would be given a role in decision-making. Therefore, EADRA included provision for the industries affected by an emergency disease to be represented at both technical and policy levels in an outbreak of that disease (**CCEAD** being the technical level and **NMG** the policy level). This proved to be of critical importance to the horse industry during the 2007/08 equine influenza (EI) outbreak.

EADRA binds the 21 signatories to follow specified processes in managing responses to 68 diseases including detailed provisions on consultation and funding. Under EADRA the cost of a response to an EAD is shared between the affected industry, the Commonwealth and the States and Territories according to agreed formulae. Diseases are classified into 4 "categories" according to their relative importance to governments and industry with industry's proportion varying from 0% (Category 1) to 80% (Category 4). Eligible costs include salaries and wages, operating expenses, selected capital costs and compensation for animals and equipment necessarily destroyed to achieve eradication.

The following table sets out the funding split for each of the disease categories:

| Category of Disease | Government Funding | Industry Funding |
|---|---|---|
| Category 1 | 100% | 0% |
| Category 2 | 80% | 20% |
| Category 3 | 50% | 50% |
| Category 4 | 20% | 80% |

The Agreement applies to 21 equine diseases including 3 multi-species diseases that involve proportional sharing of the cost of response liability with other livestock industries. Two diseases involve organisms pathogenic to humans where the total cost would be covered by the collective Australian governments.

It should be noted that in our view there would be merit in reviewing the current categorisation of some of the equine diseases covered by EADRA. To put things beyond doubt, this should not be seen in any way as a reason against horse industry participation in EADRA. Indeed, active participation would open up to the industry the mechanisms for disease re-categorisation that EADRA provides.

The scheme of EADRA is that the Commonwealth is prepared to act as 'banker' for an industry's cost-sharing obligations but will only do this if a satisfactory means of repayment has previously been agreed on. The horse industry identifying its means of repayment has been identified by the Commonwealth Government as a precondition to this industry being permitted to sign the deed.

EADRA provides (schedule 7) that repayment by an Industry Party may be through industry statutory levy arrangements or voluntary means.

In all these circumstances the implications to the Australian horse industry of committing to an Emergency Animal Disease Response Agreement are these:

- **Philosophically**, EADRA and its cost-sharing principles represents the most rational public policy approach to dealing with incursions of animal diseases that has been developed anywhere in the world. All of Australia's other livestock industries have embraced this philosophy, and the horse industry must have the maturity to do so as well.
- **Morally**, any livestock industry that is truly concerned about the welfare of its animals must be a fully functioning participant in EADRA so as to ensure that the pain and distress of a disease incursion is avoided to the maximum possible extent.
- **Commercially**, the horse industry needs the certainty that there will be EADRA responses to disease incursions that may affect its financial health, and a voice in the decision-making on the nature of those responses.

Shortly stated, the Australian horse industry must commit to EADRA.

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

To this point the obstacle to achieving horse-industry participation in EADRA has been the difficulty in establishing to the requisite standard that there is sufficient industry support for levy arrangements capable of meeting EADRA's cost-sharing obligations.

Serial attempts have been made to identify a basis for the whole of the horse industry to become a party to EADRA and participate in cost-sharing. Prior to 2008/09 much of these efforts centred on the concept for a horse shoe levy (**HSL**), and it was the perception that the HSL had extremely limited prospects of ever being implemented that led to the ARB being encouraged to become a party to EADRA in its own right.

However, in February 2006 a new report "The Australian Horse Industry as a Signatory to the Emergency Animal Disease Response Agreement" by former AHA CEO, Dr Geoff Neumann, made the following recommendations (relevantly):

- That the Australian Horse Industry Council (AHIC) seek general industry support for a zero-based levy on foal registrations as a means of meeting cost-sharing under EADRA. (That is, a levy set at zero until a liability arose under EADRA and then applied for as long as necessary to discharge the debt to the Commonwealth.)
- That if the AHIC could achieve general industry support for this zero-based levy then the Commonwealth Government should introduce legislation establishing it.
- That the proposal to have the ARB as a signatory to EADRA should not proceed until all efforts to implement the foal registration levy had been exhausted.

Following the publication of that report:

- The AHIC conducted a communications campaign to promote the concept of a zero-based levy
- The AHIC subsequently obtained expressions of support sufficient to satisfy the Commonwealth Government's Levy Principles and Guidelines that are applied where a rural industry seeks a new levy.
- The Commonwealth Minister for Agriculture, Fisheries and Forestry, The Hon Tony Burke, introduced the Horse Disease Response Levy Bills (the Levy Bills) in March 2008.
- In February 2009 the Bills were voted down in the Senate

In our submission, a zero-based levy on foal registrations remains the most suitable basis for a disease levy. In particular, it satisfies two key considerations:

(i) The collection method should not unduly penalise current horse owners just because they have benefited from a recent control experience. Rather the intent is to obtain the required funds by a method(s) that ensures that the majority of industry participants bear at least some part of the cost. A foal or new foal registrations collected over a 10 year period would achieve this.

(ii) The aim of disease control, viz, eliminating an exotic pathogen from the Australian horse industry. Thus levy burdens relating to repaying a debt arising from the

EADRA should be based on horse health and in this all horses should be considered equal.

Additionally, any horse industry levy will have similar potential inequities to those used in other livestock industries. For example:

- There will always be some industry participants who do not contribute to a levy. The situation can be compared with the cattle industry where a slaughter levy is used but many industry participants (eg, especially small holders or hobby farmers - where risks are high) only rarely have an animal slaughtered and thus under contribute to the levy.

- Primary industry levies are often accepted as necessarily focussed on the "commercial" or larger scale participants that are accessible for levy purposes.

- Some industries have different outputs in terms of value but share the one levy (eg feedlot and grazing industry cattle).

**It is important to note that under a levy on registrations the racing sector would pay a level of levy that was out of proportion to its horse numbers:**

- According to the CIE study referred to in section 1 above, the racing and breeding stock of the thoroughbred and standard bred sectors constitute 22% of the total horse population of Australia (if the higher estimate of 800,000 is taken (i.e. including horses on agricultural properties but excluding brumbies) then the two racing sectors constitute only 18% of the Australian horse population).

- The evidence given to the Committee in its November 2009 Inquiry relating to the Horse Disease Response Levy Bill indicated that the number of horses registered in Australia each year is in the vicinity of 50,000-60,000 and that this level would decline if there was a levy on registrations. The combined number of registrations in thoroughbred and harness racing is approximately 21,000 and in these two sectors registration is compulsory for participation, meaning that there would be no levy leakage possible.

- Accordingly, under a levy on registrations the two racing sectors comprising 22% (or as low as 18%) of the Australian horse population would pay approximately 42% of the levy.

This is not advanced as an argument against a levy on registrations: the two racing sectors supported the registration levy proposed under the Horse Disease Response Levy Bills. However, what it does help illustrate is that the racing sectors of the horse industry have a genuine commitment to making a substantial contribution towards any cost-sharing obligations the horse industry will incur associated with EADRA.

In this context the information contained in section 1.3 on the economics of the racing sector is highly relevant:

- As a group racehorse owners outlay money on their horses: they do not profit at all from their participation.
- Racehorse owners should not be singled out any more than should cattle barons involved in camp drafting, merchant bankers' wives who keep horses at Moore Park in Sydney, or GPs' daughters who enjoy Pony Club at Brookfield in Brisbane.

Therefore, summing up:

(i) We agree with the 2006 Report prepared by Dr Geoff Neumann:
- That a single levy is the most cost-effective and feasible; and
- That a levy on registrations is the most equitable and the most administratively feasible levy mechanism

(ii) We would also be prepared to consider supporting some alternative levy arrangements that could be demonstrated to be feasible, cost-efficient and equitable. Differential rates of levy being applied to different sectors might also be supported, subject to the same conditions.

(iii) A consideration of alternatives to a levy on registrations should:
- Have regard to the research that has previously been done in this area, in particular the detailed report by Dr Neumann. Fresh discussion on the conclusions arrived at by Dr Neumann is highly desirable, but failing to have regard to his research runs a real risk of wasting time and effort pursuing lines of inquiry that have already been exhausted.
- Be geirmane with other livestock levies. Notions such as that of a tax on TAB bets[§] is a pointless distraction. For example, TABs already pay significant wagering taxes which go to consolidated revenue for government expenditure on general community purposes. The rates of these taxes form part of the licensing agreements entered into by State Governments at the time of TAB privatisations.

§ Evidence to Committee Inquiry November 2008

## 4. Criteria by which the cost burden of a levy would be shared between Commonwealth, State and Territory Governments; horse industry groups and owners

EADRA already determines these matters.

# 5. Quarantine and biosecurity threats to Australia's horse industry

It is important to note that, so far as the racing sectors are concerned. Most horses entering Australia for racing purposes come from New Zealand. New Zealand has the same health status as Australia.

So far as racing purposes are concerned the greatest number of horses that enter quarantine are those from Europe, the UAE, Asia or America that come here to race. The scale of this traffic is very small – 15 to 20 a year. All of the post arrival quarantine ("PAQ") takes place at the industry's own cost at an industry operated PAQ facility (previously Sandown and now Werribee). The racing sector's PAQ arrangements were fully endorsed by the Callinan Inquiry, which compared them very favourably with the AQIS – managed facility at Eastern Creek.

The only other racing horses that enter quarantine are those Australian horses returning from having competed in Asia, Europe, the UAE or America. The numbers involved are extremely low- in the order of 4-5 a year, less than the number that travel overseas from Australia for equestrian competition events. The racing horses that are involved here comply in all respects with all of the PEQ and PAQ requirements established by Callinan and Beale.

The racing industry also has an excellent record so far as biosecurity matters are concerned. An example of the comprehensive regulatory arrangements the racing sector has implemented to achieve its desired biosecurity outcomes is set out in Appendix B (AR64K)

## 6. Any other matters

One issue that is highly relevant to matters raised by this inquiry is the essential difficulty involved in classing Australia's multifarious horse-related pursuits as an "industry", with the homogenous nature that term implies.

The uncertain role and status of the Australian Horse Industry Council (AHIC) springs directly from that difficulty.

One thing that all of the various sectors of the horse industry share in common is that the horse itself is viewed as a special creature that is to be admired and enjoyed, rather than being a commodity. But it is essentially the only thing that all participants would accept as being a point of commonality.

Accordingly, it is very difficult to meaningfully use the term "horse industry" in the same manner in which we might talk about the wool, beef, or dairy industries.

For all of the reasons given above this is not a reason against horse industry commitment to EADRA. It is vital to the horse industry's future that it does commit to EADRA.

However, two things that do spring from this unusual nature of the horse industry are these:

### (i) AHIC

The AHIC is a company limited by guarantee that was established some 20 years ago to act as an umbrella body for the disparate sectors of the horse industry.

Its funding is practically non-existent: it depends almost entirely on the voluntary services of its officeholders. At times it has achieved quite remarkable results e.g. the insurance crisis in 2001 which saw the AHIC play a pivotal role in re-establishing the availability of public liability insurance for "recreational" parts of the horse industry such as riding school, pony clubs etc.

However, the reality is that the AHIC has an almost impossible task because the disparate nature of the activities that make up the horse industry make it very difficult to achieve a consensus on issues it confronts, and it has no real resources with which to attempt this.

Serious consideration should be given to means by which to either better support the role and status of the AHIC, or establish alternative arrangements.

### (ii) Avenues for whole of industry collaboration

Something that is frequently overlooked is that opportunities do exist for the whole of the horse industry to work together as opposed to retreating into a "them and us" mentality. A good example of this is in the area of research and Development R&D.

RIRDC is a statutory authority established by the Australian Government to work with industry to invest in research and development. RIRDC manages

R&D Programs for a range of industries, some of which have statutory levy based programs and others that do not.

The RIRDC Horse R&D Program was established in 1995 and is based on voluntary funds from industry that are matched by RIRDC.

The major component of the voluntary funding is a $20 fee incorporated into the cost of registration of a thoroughbred racehorse to race in Australia. The Australian Racing Board implemented this levy in 1995.

**It is important to note that the funds raised by the racing industry levy contribute to research that in most cases generates benefits for the entire horse industry.**

One example of the whole-of industry benefits that this racing industry funded R&D generates is in the area of lameness.

Estimates from Australia and overseas indicate that lameness and musculoskeletal injuries affect between 10-18% of horses each year. Costs attributable to musculoskeletal injuries can be split between direct costs of health care (veterinary fees, drugs and other treatments), mortalities and costs associated with lost use of the animal. The largest contributor to costs is the loss of use of the animal, accounting for 50-60% of total costs. It is estimated that musculoskeletal injuries cost the Australian horse industry as much as $100 million per year.

In the current 5-year plan (since 1 July 2006), the Horse Program has invested a total of ~$700,000 on research focused on musculoskeletal injuries which in turn has resulted in R&D with a total value of ~$4 million. RIRDC funded R&D has resulted in significant improvements in our understanding of factors causing these conditions, as well as detection, treatment and prevention.

Assuming that this R&D has resulted in a 10% reduction in total costs of musculoskeletal conditions, this represents a saving of ~$10 million per annum.

Other major conditions affecting horses include gastrointestinal disease (including colic, diarrhoea, dental disease and other conditions) that are estimated to affect 2 - 4% of horses, respiratory conditions (2 - 6%) and skin conditions (4%). Major contributors to ongoing preventive health costs include parasite control (most horses are wormed four times per year), foot care, teeth care and vaccination against infectious diseases (tetanus, strangles and equine herpes virus). Costs associated with these conditions are estimated to total $50-75 million plus per year.

The RIRDC Horse Program has invested in a range of different types of research areas. With respect to diseases of horses major R&D outputs from the RIRDC Program include:

- Improved understanding of factors causing respiratory disease (infectious conditions and inflammatory airway disease) in horses, and better management of conditions to ensure full and rapid recovery.

- Understanding of the epidemiology and pathogenesis of specific diseases including strangles and *Rhodococcus equi* infection (rattles) in foals, leading to improved methods of diagnosis and treatment for these important conditions.
- Identification of parasite resistance and improved strategies for managing parasite control.
- Improve understanding of the occurrence of gastric ulceration and factors causing ulceration.

It is to be hoped that the exercise of working together on establishing horse industry participation in EADRA could lead to greater collaboration between the various sectors of the industry on other matters of mutual interest.

## APPENDIX A.

**AR. 64K.** (1) The following animal diseases or conditions are declared to be notifiable, and must be notified and dealt with in accordance with subrules (2) to (8) of this rule:

African horse sickness
Borna disease
Contagious equine metritis
Dourine
Epizootic lymphangitis
Equine encephalomyelitis (Eastern and Western)
Equine encephalomyelitis (Venezuelan)
Equine encephalosis
Equine herpes-virus 1 (abortigenic and neurological strains)
Equine infectious anaemia
Equine influenza
Equine piroplasmosis (Babesiosis)
Equine viral arteritis
Getah virus
Glanders
Hendra virus
Japanese encephalitis
Potomac fever
Screw-worm fly - New World (Cochliomyia hominivorax)
Screw-worm fly - Old World (Chrysomyia bezziana)
Strangles
Surra (Trypanosoma evansi)
Trichinellosis
Warble fly myiasis
West Nile virus infection *[subrule replaced 1.9.09]*

(2) A person who owns or is in charge of, or has in his possession or control, a horse which the person suspects or should reasonably suspect is infected with a notifiable disease or condition, and who does not, as soon as possible after he should have suspected or became aware that the horse is infected, report the fact to the Principal Racing Authority in that State or Territory by the quickest means of communication available to the person is guilty of an offence.

(3) A person who owns or is in charge of, or has in his possession or control, a horse which the person suspects or shall reasonably suspect is infected with notifiable disease or condition must as far as practicable keep that horse separate from other horses or animals not so infected. A person who contravenes this subrule is guilty of an offence.

(4) If they reasonably suspect any premises, place or area to be contaminated with a notifiable disease or condition, the Stewards may by order in writing declare it to be an infected place. Such written notice of an order declaring any premises, place or area to be an infected place must be given to the owner or person in charge or in apparent control of the premises, place or area to which the order relates.

(5) If they reasonably suspect any vehicle to be contaminated with a notifiable disease or condition, the Stewards may by order in writing declare it to be an infected vehicle. Such written notice of an order declaring a vehicle to be an infected vehicle must be given to the owner or person in charge or in apparent control of the vehicle to which the order relates.

(6) Any person (other than a person expressly authorised to do so by the Stewards) who brings, moves, takes or allows any person to bring, move or take any animal, fodder or fitting into, within or out of any

such premises, place, area or vehicle, declared under subrules (4) or (5), or who causes, permits or assists any vehicle to enter or leave any such premises, place or area is guilty of an offence.

(7) Without limiting their powers, the Stewards may attach conditions to an authorisation referred to in subrule (6) including conditions that the animal, fodder, fitting or vehicle to which the authorisation relates -
must first be disinfected to the satisfaction of the Stewards and in a manner specified by the Stewards before leaving or being taken out of the infected place or infected vehicle; and
must not go or be brought to any other premises or place where any specified animals, fodder or fittings are located.

(8) The Stewards may give any direction or order with respect to bio-security precautions that shall be taken by any person on licensed premises, or any person handling or riding racehorses.
[*subrule added* 28.8.07][*amended & renumbered* 1.9.09]

(9) An order made under this Rule comes into effect on the day it is made.
[*rule added* 27.8.07][renumbered 1.9.09]

**AR.65.** The name of any horse disqualified by a Principal Racing Authority may be struck out of any engagements by the Secretary of any Club who has received any entry of such horse.

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER: 3**

**SUBMITTER**

**Racing and Wagering Western Australia (RWWA)**

RACING AND WAGERING WESTERN AUSTRALIA

Ref:
File Ref:
29 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

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

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

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

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

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

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

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

14 HASLER ROAD OSBORNE PARK WESTERN AUSTRALIA 6017
T| (08) 9445 5333 F| (08) 9244 5914 E| INFO@RWWA.COM.AU

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

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

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

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

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

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

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

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

RWWA supports the following principle for the Levy:

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

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[1] Venhaus F (2008), *"Equestrian Federation of Australia, Summary Submission to the Senate Review Committee for Rural and Regional Affairs and Transport – 22 September 2008,"* found at: http://www.aph.gov.au/Senate/committee/rrat_ctte/horse_disease/submissions/sublist.htm, Last Accessed, 25/6/2010, 14:20

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

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

The concerns that RWWA has with the Levy are:

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

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

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

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

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

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

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

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

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

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

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

RWWA DOES NOT support this proposal.

*Horse Shoes, Food and Wormers Sold*

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

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

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

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

*Registration*

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

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

*Event Levies*

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

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

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

*Conclusion for Levy Bases*

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

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

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

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

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

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

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

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

*disruptions involving two or more states and severe income production losses to affected industries, but have minimal or no affect on human health or the environment."*[4]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[5] Callinan I (2008), *"Equine Influenza – The August 2007, Equine Influenza Outbreak in Australia,"* Commonwealth of Australia, Canberra, Australia, Page xvii
[6] Callinan I (2008), *"Equine Influenza – The August 2007, Equine Influenza Outbreak in Australia,"* Commonwealth of Australia, Canberra, Australia, Page xviii
[7] Callinan I (2008), *"Equine Influenza – The August 2007, Equine Influenza Outbreak in Australia,"* Commonwealth of Australia, Canberra, Australia, Page 312

**Other matters**

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

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

**Conclusion**

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

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

Yours sincerely

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

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

SUBMISSION NUMBER: 4

SUBMITTER

**Australian Veterinary Association**

The Australian Veterinary Association Limited
ABN 63 008 522 852

Unit 40, 6 Herbert Street St Leonards NSW 2065
Telephone: 02 9431 5000 Facsimile: 02 9437 9068
Email: members@ava.com.au Website: www.ava.com.au

29 July 2010

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
**Canberra ACT 2600**

Dear Committee Secretary

**Re: Inquiry into the Australian horse industry and an emergency animal disease response agreement**

The Australian Veterinary Association (AVA) is the national organisation representing veterinarians in Australia. Its 6300 members come from all fields within the veterinary profession. Clinical practitioners work with companion animals, horses, farm animals, including cattle and sheep, and wildlife. Government veterinarians work with our animal health, public health and quarantine systems while other members work in industry for pharmaceutical and other commercial enterprises. We have members who work in research and teaching in a range of scientific disciplines. Veterinary students are also members of the Association.

Members of AVA and of Equine Veterinarians Australia (EVA), a Special Interest Group within the AVA corporate entity, are deeply conscious of the threat to Australian horses from emergency animal diseases (EADs). We are concerned to ensure that measures are in place to address the risks of introduction into Australia from overseas, of emergence in Australia and of potential delays in responding when they occur. Equine influenza demonstrated the value of early responses. The proposed levy is an important part of the measures needed to address EADs.

The attached submission addresses several of the terms of reference of the Inquiry.

I would be available with appropriate members to address the Committee in person if this would be of assistance.

Yours sincerely

Dr G Barry Smyth
**President**

Senate Standing Committee on Rural and Regional Affairs and Transport

**Inquiry into the Australian horse industry and an emergency animal disease response agreement**

Submission from the Australian Veterinary Association

The Australian Veterinary Association (AVA) is the national organisation representing veterinarians in Australia. Its 6300 members come from all fields within the veterinary profession. The AVA and Equine Veterinarians Australia, a Special Interest Group within the AVA corporate entity with over 900 members, offer this submission to the Inquiry.

The submission addresses several of the terms of reference of the inquiry:

a) *The implications to the Australian horse industry of committing to an Emergency Animal Disease Response Agreement (EADRA);*

The AVA **strongly** supports efforts to have the horse industry become a signatory of the Emergency Animal Disease Response Agreement (EADRA). A horse industry levy is necessary to for funding of eradication of horse Emergency Animal Diseases (EADs). Industry levies and membership of EADRA have provided the financial basis for successful emergency animal disease (EAD) eradication programs for the other farm animal industries. They complement the AUSVETPLAN, the pre-planning process for the handling of EADs. EADRA enables all sectors to meet their obligations and to provide assurance of the availability of funds.

AUSVETPLAN was employed in the eradication of equine influenza (EI) in 2007-8 but in the absence of a shared funding agreement the Commonwealth and the States met the eradication costs of more than $350m.

Governments have made it clear that they will not fund future eradication programs alone. This has led to calls for vaccination against EI to be allowed in advance of an outbreak as a means of protecting vulnerable industries. Vaccination for diseases that do not occur in Australia is not currently allowed, for good reasons.

AVA understands all inquiries that have examined issues related to vaccination against EI indicate that it is an expensive option and would forever change the way the Australian horse industry operates.

There is no scientific justification for vaccinating against a disease that does not exist in Australia. There is great concern about the economic impact of such a decision on horse owners. Estimates are that ongoing vaccination against EI would add several hundred dollars annually to the costs of keeping a horse. It would also have international trade implications for the horse industry and completely disrupt the trade advantages currently enjoyed by Australian horses because enhanced pre-export quarantine requirements and additional testing protocols would be imposed. Vaccination against EI would considerably complicate any attempts at eradication of any future incursion of EI into Australia. Importantly, the majority of horse owners in all sectors of the industry, except the thoroughbred industry, do not want to see EI vaccination introduced in the absence of any EI virus in Australia.

AVA notes that there has been considerable attention paid to enhanced quarantine procedures and protocols since 2007. These should reduce the risk of any future incursion of EI. AVA considers that enhanced quarantine can be supported by having on hand supplies of a suitable vaccine to be used on an emergency basis if there were to be another EI outbreak. AVA encourages the horse industry to work with vaccine manufacturers and the Australian Pesticides and Veterinary Medicines Authority (APVMA) to ensure that this process is completed promptly. It is now three years since EI escaped from quarantine and no emergency EI vaccine supplies are in place.

AVA makes the following points regarding vaccination:

1. EI entered Australia from Japan in August 2007 in stallions that were already vaccinated against EI.

2. EI vaccines induce an immune response in treated horses.

3. EI vaccines do not prevent vaccinated horses from becoming infected with EI virus.

4. EI vaccines do not prevent EI virus from replicating in vaccinated horses.

5. EI vaccines do not prevent vaccinated horses from shedding and spreading live EI virus.

6. EI virus is constantly changing its composition and there is no guarantee that a vaccine will be effective against field strains of EI.

7. Vaccines against EI induce immunity for a relatively short period and need to be given at least twice annually.

8. To be effective in suppressing spread of EI, at least 80% of the horse herd needs to have sufficiently high levels of immunity at all times. This is very difficult to achieve in practice.

9. To be certain of the EI status of a vaccinated horse herd, there needs to be a regular sampling program in place to test for presence of circulating EI virus and levels of immunity. This would be an expensive undertaking for horse owners.

10. Vaccination masks sub-clinical infection and would delay detection of an incursion and make control or eradication difficult.

11. Because EI has been successfully eradicated from Australia, there is no scientific basis for continued use of a vaccine against EI.

12. Evidence from countries where EI is endemic is very clear that vaccinating against EI would not prevent EI virus from infecting horses or preventing spread of EI virus among both vaccinated and unvaccinated horses. Race meetings in infected and vaccinating countries still experience difficulties with race meetings. While few meetings are cancelled many horses are unable to participate due to EI infection and illness.

13. The proposition that horses vaccinated against EI would be able to move without restriction in any future outbreak of EI is flawed. Given that such horses harbour and spread EI virus, it is highly unlikely that the remainder of the industry would allow such a situation to exist.

14. The presence of a partially vaccinated sector of the horse industry would considerably complicate any eradication attempts if there were another incursion of EI. The majority of horse industry participants have indicated that they are prepared to undergo another eradication campaign if there is a future outbreak of EI in Australia.

15. The vast majority of participants in the Australian horse industry are not in favour of allowing use of EI vaccine in the absence of disease. The exception is a small coterie of Thoroughbred sector interests.

16. AVA notes that there is no vaccination permitted in any other domestic animal populations in Australia in the absence of disease. Examples include Foot and Mouth Disease in our cloven hoofed animals and Rabies in our carnivores.

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

The AVA notes that various sectors of the horse industry are putting forward options for the levy. These include levies on horse shoes, solid feeds, transaction levies based on attendance at events and other mans of including all sectors of the horse industries. The AVA does not seek to comment on the form of the levy but does believe that any levy must be universal and equitable to all sectors.

The Ava believes that the Government must institute a process for settling of the levy matter. This could be a national summit or other mechanism. The AVA asks that such a process be inclusive and transparent.

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

This is a matter for those who will have to contribute funds.

*d) Quarantine and biosecurity threats to Australia's horse industry.*

There are many EADs that could threaten Australia. Equine influenza is but one of them. Some serious diseases are spread by fomites and others by insects. Some horse diseases have high mortality in horses, some affect other species and some, like West Nile virus and Japanese encephalitis, are zoonoses. Other diseases for which there are AUSVETPLAN chapters include:

African horse sickness
Rift Valley fever
Contagious equine metritis
Equine encephalitis (Eastern and Western)
Glanders
Equine influenza
Vesicular stomatitis

*e) Any other matters*

No comments

*The Australian Veterinary Association*
*July 2010*

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

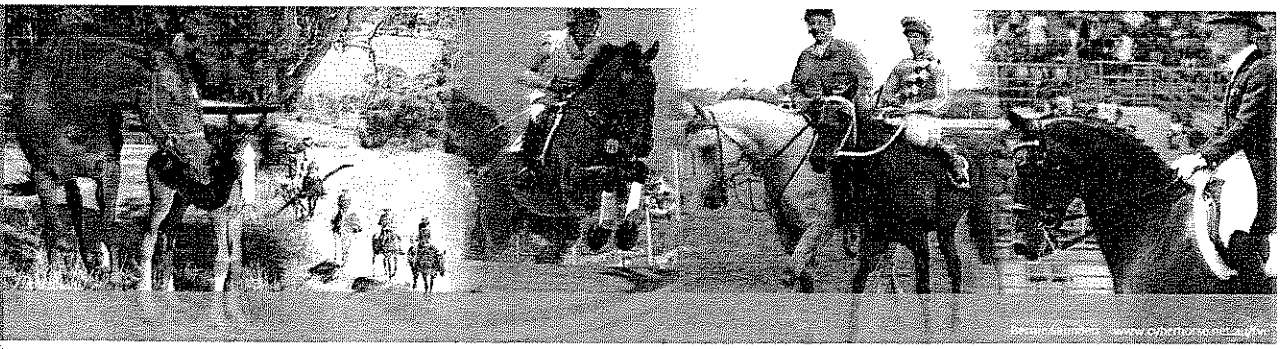
# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **5**

**SUBMITTER**

**Australian Horse Industry Council**



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.

www.horsecouncil.org.au

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

**ATTACHMENT 1**

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

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**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.

## 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 <u>may</u> 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.

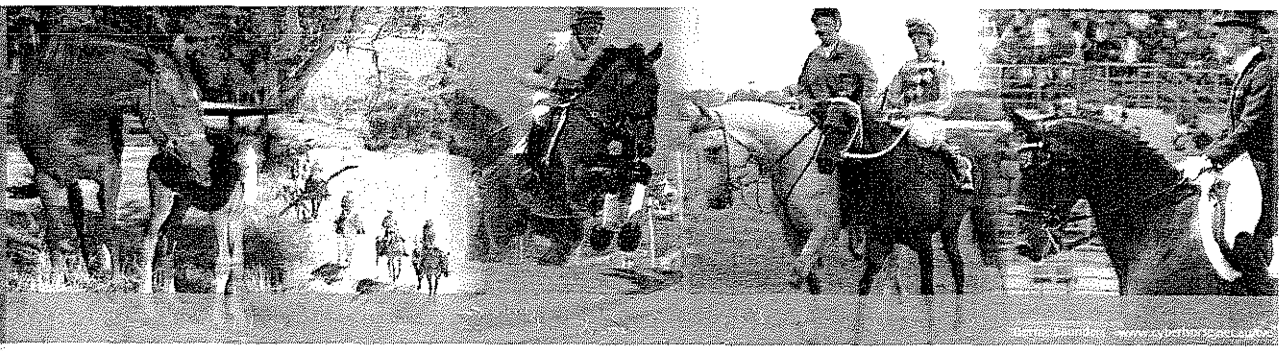
C. **Horse Shoe Levy**
This has the advantage of higher unit numbers which enables the levy cost per unit to be small. It is thought that between 700-800,000 sets of shoes are sold each year which would cover approximately 100,000 horses.

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 **[l 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.





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

***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 HRCAV 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 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

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER: 6**

**SUBMITTER**

**Horse Federation of SA Inc. (Horse SA)**

31.07.10
Horse Federation of SA Inc (Horse SA)
Committee SecretarySenate Standing Committee on Rural and Regional Affairs and TransportPO Box 6100Parliament HouseCanberra ACT 2600Australia
Submission for the Senate Inquiry:
Dear Secretary
Horse SA is a not-for-profit community based organisation which works in the key focus areas of horse health & welfare, horse keeping & the environment, road safety, community facilities, recreational trails, industry & workforce development.
The organisation has a membership base of over 260 clubs, businesses and individuals. Member types range from racing to pony club, from local coaches to businesses who regularly export.
An overview of the organisation can be found on
Addressing the Terms of Reference:
a) The implications to the Australian horse industry of committing to an Emergency Animal Disease Response Agreement (EADRA);

The implications to committing to EADRA are apparent on a number of levels. The obligations and responsibilities are outlined in the Deed which is available for public viewing on the Animal Health Australia website.

In addition, Horse SA would like to have the following noted:

Federal & State Governments will need to demonstrate ongoing collaboration, engagement and genuine partnership with signatory horse industry organisations.

Amongst a suite of initiatives, State Governments will need to include evidence of state-level models for industry engagement that is regular, transparent, consultative and responsive.

Horse SA is seeking that the Federal Government provides a funding investment into horse biosecurity research; to address aspects including point of entry best practices, increasing effectiveness of emergency disease rapid response, safety, practices, procedures & protection of workers & horse owners working with sick horses, vaccine development.

Horse SA is seeking evidence that each State and Territory Government can demonstrate a consultative process within their jurisdiction on issues and aspects around maintenance of the EADRA agreement.
Horse organisations will have an increased focus to facilitate development of industry wide biosecurity plans for events and farm gate enterprises and to meet other requirements of the EADRA agreement.

Horse owners themselves will require access to information and a knowledge bank on biosecurity practices, issues, research extension and collaborative networks in order to make informed decisions about how best to manage their own enterprise or community event. It is noted that there is currently no online "horse biosecurity clearinghouse" of information and resources, rather scattered sites and organisations providing their own guides.

Horse SA recommends the establishment of a clearing house of information or "one stop shop" approach to support horse owners and therefore organisations in meeting EADRA industry biosecurity plan obligations and that a special funds release can be arranged (or added to an existing program) in order that local communities can apply to conduct "how to" customised educational programs and capacity building programs by region or organisational type.

The public consultation process planned by Animal Health Australia will highlight aspects around the requirement of EADRA to identify in advance a suitable cost recovery mechanism and seek responses to this.

Should a levy mechanism be agreed on, the next endeavour is to draft a well-worded Bill to present to Parliament to support the cost recovery mechanism. It is requested public opportunity is well promoted for contribution to this process.

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

Animal Health Australia has released a Levy Paper and Horse SA is taking an active role in promoting industry education about the issues, discussion, debate and feedback.

At the time of writing, it is becoming clear that an increasing number of horse organisations are prepared to agree to a levy mechanism that is

$0
Broad based
Commercially collected

Direct references to two examples of these endorsements can be found on the Animal Health Australia horse owner page and Pony Club Australia homepage. The first example contains agreement by a significant number of national horse organisations.

Horse SA, in their Board meeting of 19 July, 2010 determined that following the consultation period of the Animal Health Australia Levy Options paper that Animal Health Australia & the Primary Industries Minister (SA) will be provided with a response from Horse SA. It is not appropriate to pre-empt the results of a consultative process.

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

Any changes or amendments to the criteria within the Cost Sharing Deed itself, is first of all a matter for the signatories of all species. It is noted that there needs to be regular reviews, including addition or deletion of diseases from the cost sharing table and potential adjustments to percentages paid by industry & government.

Horse SA advocates regular review of the EADRA agreement and related Bills, Acts and Regulations and will promote industry input opportunities. These reviews to be held at least every three years or by mutual agreement of all parties
The emerging criteria appears to be

$0
Commercially collected
Broad based
d) Quarantine and biosecurity threats to Australia's horse industry.

Known threats to Australia's biosecurity are well documented.

The Biosecurity Australia Horse Industry Consultative Committee has an important role to play in the exchange of information. It has been noted on the DAFF website that this committee convened last on 21 April, 2010.

Professor Shergold's final report on Quarantine improvements post EI was due on 30 June 2010. The report includes a summary of implementation of all of the recommendations of the Equine Influenza Inquiry recommendations completed by this date.

As always, it is the "unknown" threats or variations to known threats that are a cause for concern.

South Australia is rarely a point of import/ export from Australia and as such previous enquiries have found that no State Government specific data is kept. The Senate Inquiry may be aware of a mechanism to resolve this.

Horse SA would be keen to see further investment in
Border security (livestock and related fields)
Extension programs promoting good biosecurity practices from the farm gate to businesses and importers.
A methodology to capture & analyse data relating to importing & exporting horses originating from or having the destination of South Australia

Horse SA does not wish to appear before the Senate on this matter.

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** 7

**SUBMITTER**

**O'Dwyer Horseshoe Sales Australia Pty Ltd**

**Submission by: O'Dwyer Horseshoe Sales Australia Pty Ltd**

**To: Senate Rural and Regional Affairs and Transport References Committee**

**Inquiry into Australian Horse Industry and Emergency animal disease response Agreement.**

**27th July 2010**

## Horseshoe Levy

### Executive Summary / Conclusion

The Australian horseshoe industry covers less than 11% of the Australian horse population, therefore the number of horseshoes sold is simply too small to be a realistic collection point for a horse industry disease Levy. O'Dwyer Horseshoe Sales Australia Pty Ltd ("ODH") considers a horseshoe levy is problematic for the following reasons:

- Implementation of a horseshoe Levy does not satisfy the Levies Revenue Service – Levy Principles and Guidelines, released by the Department of Agriculture, Fisheries and Forestry. There are 12 principles outlined for the proposal of new Levies which must be met and not all are satisfied.

- Implementation of a horseshoe Levy will create a handmade product segment where farriers will make their own horseshoes from steel bars, that cannot be tracked and traced, ultimately avoiding paying any horseshoe Levy at all. As a member of the Mustad Hoofcare Global group, our experience from other Hoofcare markets suggest that handmade horseshoes are a significant part of many developed markets. The introduction of a horseshoe levy in Australia will no doubt have a large impact on the horseshoe market as handmade products will become cost competitive for farriers. The number of horseshoes being sold from Importers/Distributors will decrease by up to 30% to 50% of total annual volumes. This will have a major material affect on the total levy collections budget (based on 700,000 sets) by up to 30% to 50%.

- Implementation of a horseshoe Levy will also result in horseshoes and associated products no longer being as freely available in rural areas due to the complexities of selling horseshoes. Rural stores, that currently choose to stock Hoofcare products (including horseshoes) within Australia, currently turnover anywhere from $1,000 to $50,000 p.a. in sales revenue, of which horseshoes are a big part of that product mix. To stock Hoofcare products is a large commitment by rural retail stores as the product mix is significant. Introducing a Levy that cannot be passed on without a profit margin creates complexities with invoicing that will result in many resellers choosing to discontinue retailing Hoofcare products as the burden of administering a Levy will far outweigh the benefit. This will result in many farriers and horse owners being forced to purchase Hoofcare products from major capital cities, creating a supply disadvantage for rural customers, forcing horse owners to purchase horseshoes from farriers who will return to hand making their own horseshoes without incurring a Levy. Again this affect will contribute to the reduction of the collection base.

- Implementation of a horseshoe Levy will also create a competitive disadvantage on ODH in terms of re exporting to our Asia Pacific markets. ODH currently imports into Australia Hoofcare products from other Mustad Group companies located all over the world. ODH has a large distribution centre located in Kilmore, Victoria which it uses to fill orders and re export to our customers in the Asia Pacific region. A horseshoe Levy will make our exports to those countries uncompetitive and ODH will be forced to review its operations within Australia and, in all probability, ODH will move its distribution centre to Mustad New Zealand Ltd. ODH would then become a small retail operation servicing local customers on a needs only basis.

ODH is of the string opinion that other potential Levy collection points need to be evaluated thoroughly. There needs to be a clearly identified point where there is some compulsion on a horse owner to pay a Levy amount, and where there is as short a distance as possible between the Levy payer and the Levies Collection Service for auditing.

Based on ODH's expertise in the Hoofcare market there is no doubt that the introduction of a horseshoe Levy will reduce the collections base from 700,000 sets of horseshoes to between 350,000 to 490,000 sets per annum. This will make the collection base so small that it will:

1. Fail to achieve the desired Levy collection amount; and
2. It will bring a very small niche horseshoe supply industry to its knees, where it will no longer be commercially viable to invest in servicing the Australian Hoofcare market in any significant way.

ODH encourages the horse industry and Government to come to a viable and practical agreement to safeguard the health and welfare of Australia's horse population.

**Submission**

ODH is owned by the Mustad International Group of Companies that are predominantly involved in servicing the Equestrian Hoofcare Industry. Mustad International Group is the largest Global supplier of horseshoes, horseshoe nails and related farrier tools, and ODH is the largest supplier of Hoofcare products in the Australian horse industry.

There are no longer any Australian manufacturers of mass-produced horseshoes. The only horseshoes made in Australia today are those made by individual farriers for specific purposes in their own businesses.

ODH emphasises that it fully supports the proposal for a disease Levy of some description for the Australian horse industry. This provides horse owners with a degree of certainty that there will be Government assistance to respond to any exotic disease outbreak. ODH does not consider that a disease levy associated with horseshoes is a suitable collection mechanism for the horse industry.

ODH's opposition to such a Levy being introduced on horseshoes is that such a move will be devastating not only for suppliers like ODH, but also for our competitors and the professional and amateur farrier industry in Australia which run their respective businesses tending to the hoofcare needs of horses.

**The Market**

It is a widely accepted assumption, based on incomplete data, that the Australian domesticated horse population is about 1 million horses. According to ODH's extensive market knowledge there are 700,000 sets (1 set = 4 shoes so a total market of 2.8 million individual horseshoes) sold annually in Australia. Assuming 1 horse is shod (new shoes applied) every 8 weeks on average (6.5 times per year) that equates to 107,692 horses wearing shoes regularly or 10.8% of the total estimated domesticated Australian horse population. This clearly does not cover the majority of the horses in Australia; it is a very small percentage of the horse population.

Interestingly, in a recent survey in USA, only 12% of respondents indicated that they shoe horses on all feet on a regular basis. The vast majority of respondents (62%) never have shoes applied to their horses, as is the case in Australia.

ODH's experience over the past 15 years is that the number of horses being shod on a regular basis in Australia is consistently declining by about 2% annually. There are many reasons for this decline including increasing popularity of a philosophy of bare foot trimming and a deliberate choice not to use horseshoes; changed economic conditions; drought, and the continuing aftermath of the 2007 outbreak of equine influenza.

**Guideline Failure**

According to the January 2009 publication 'Levies Revenue Service – Levy Principles and Guidelines' released by the Department of Agriculture, Fisheries and Forestry there are 12 principles outlined for the proposal of new Levies which must be met. ODH will not go into detail on these Guidelines as it is sure the Senate Rural and Regional Affairs and Transport References Committee is fully aware that a horseshoe Levy does not meet the 12 principles outlined in these guidelines and, in particular:

1. A horseshoe cannot be claimed to be a product of the horse industry. metal, aluminium or plastics are products produced outside of the horse industry.
2. Horseshoes do not cover the whole/majority of the industry. ODH's market knowledge suggest that only 10.8% of horses wear horseshoes.

A horseshoe Levy clearly contravenes these guidelines.

**Price Sensitivity and Handmade Horseshoes**

There is real price sensitivity at the retail end of the horseshoe supply chain. ODH's current experience is that as little as a 40 cent increase per set of horseshoes (or 10 cents per shoe) can trigger negative feedback and a noticeable dip in sales, particularly in drought affected regions of Australia, (which has been most of the eastern seaboard in the last decade).

The current retail price (excluding GST) of a set of four steel horseshoes ranges from approximately $10 to $20 per set, or $2.50 to $5.00 per horseshoe. The clear majority of horseshoes sold are no more than $11 per set. To impose a Levy to make any significant impact on raising funds to payback the Federal Government for money spent on an outbreak like equine influenza is simply not feasible.

For example, after the recent outbreak of equine influenza in 2007, it would be conceivable that about $100 million of eligible costs was spent on assisting the horse industry. If a payback period of 10 years was required, this would mean that a Levy on horseshoes would come in at $11.43 per set of four horseshoes (assuming a payback of 80% of the eligible costs over 10 years and continued sales of 700,000 sets annually). This would result in a set of horseshoes costing $21.43 per set (based on a $10- set of shoes), effectively more than doubling the retail price of horseshoes.

Such a Levy amount would not only be inflationary, it would destroy the relatively small horseshoe supply industry as farriers would return to making their own shoes by hand. At a price of $21.43 per set, it will be feasible for farriers to buy the steel and make the horseshoes themselves and avoid paying a horseshoe Levy. This will result in a likely 30% to 50% reduction in the sale of horseshoes to somewhere between 350,000 to 490,000 sets per annum, further limiting the number of payers with a very narrow collection base, and ultimately not achieving the purpose the Levy originally was intended to fulfil.

The process of auditing Levy collections and remittances would rapidly become unrealistic and unworkable if farriers returned to making their own products from off the shelf steel bar which is impossible to track and trace.

**Less Availability**

A Levy must be passed on to the end user without a profit margin being added to the sale price of the product. This is a very complex situation that will force many resellers to abandon selling Hoofcare products due to the complex administrative nature of selling horseshoes.

The average turnover of Hoofcare products in a rural store within Australia is $1,000 to $50,000 p.a., of which horseshoes are a big part of that product mix. A major concern is the handling of the invoicing of such a Levy that will require such stores to charge their customers a sale price (inclusive of GST), plus a Levy for each set (or piece) of horseshoes they have purchased. Many of these stores will have to invest in amending their Enterprise Resource Planning ("ERP") systems to accommodate the invoicing of a horseshoe, plus GST, plus a Levy.

Many resellers will weigh up the investment required to accommodate the administration of this Levy against the overall profit contribution of Hoofcare products in their operations and realise that the cost to upgrade their ERP outweighs the benefit of stocking Hoofcare products.

Such a situation will result in many farriers and horse owners being forced to purchase Hoofcare products from major capital cities, creating a supply disadvantage for rural customers, forcing horse owners to purchase horseshoes from farriers who are hand making their own horseshoes without incurring a levy.

**Competitive Disadvantage**

ODH not only services the Hoofcare industry within Australia, but also redistributes Mustad Group Hoofcare products to its sister company in New Zealand, and to various customers in Thailand, Indonesia, Malaysia, Singapore, Philippines, Hong Kong, Macau, China, Korea and Japan.

The financial impact on ODH paying a Levy on the import of horseshoes into Australia will be

1. Cashflow – there will be a devastating cashflow hole created at ODH as it remits GST and the Levy imposed on the importation of horseshoes that are to be re-exported to the abovementioned countries.
2. Competitive Disadvantage – a Levy imposed on horseshoes imported into Australia and then re-exported will make ODH uncompetitive with its competitors in the Asia Pacific region effectively killing ODH's export distribution business.

Both financial impacts will result in ODH having to move its regional headquarters in Australia to Mustad New Zealand Ltd, where there is no such financial impact on the importation of horseshoes.

This will result in further job losses at ODH and ODH will become a small retail operation servicing local customers on a needs only basis.

**Other Products**

The proposal of introducing a horseshoe Levy on steel and aluminium horseshoes is also discriminatory and very narrow minded. The proposal does not take into account new forms of hoof protection which includes, plastics, urethanes, hoof boots and any new technology that may be an alternative to a steel or aluminium horseshoes. Although, ODH admits it is almost impossible to catch such products, they will no doubt have the affect of further reducing the total number of horseshoes sold within the industry and therefore materially reducing the Levy collection base and ultimately not achieving the purpose for which such a Levy was intended.

Many proponents in favour of a horseshoe Levy within the horse industry already do not use horseshoes. ODH finds it alarming that many participants and organisations within the horse industry are the loudest proponents of a horseshoe Levy when they are, in fact, not using horseshoes or are using alternatives to horseshoes where a horseshoe Levy does not apply.

ODH does not support the introduction of a horseshoe Levy.

Dan O'Dwyer

Digitally signed by Dan O'Dwyer
DN: cn=Dan O'Dwyer, o, ou, email=dan@odwyers.com.au, c=AU
Date: 2010.07.28 10:20:02 +10'00'

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER: 8**

**SUBMITTER**

**Western Australian Horse Council (WAHC)**

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Western Australian Horse Council

LESMURDIE WA 6076
24th 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

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

The Western Australian Horse Council is a member of the Australian Horse Industry Council and during the 2007 Equine Influenza outbreak represented the non-racing sector of the equine industry in the Western Australian response to the outbreak.

As an organisation representing the broad interests of all horse owners, including those involved in the racing industry, the Council appreciates the opportunity to contribute to the debate on the Australian Horse Industry and an Animal Emergency Response Agreement.

The WAHC supports the need for the all sectors of the Australian equine industry to be signatories with government to an Emergency Animal Disease Response Agreement (EADRA).

Western Australia was extremely fortunate that the 2007 outbreak of EI did not breach the state's border security due to the excellent work of the local Department of Agriculture. The outbreak did however highlight the potential traumatic impact of such an event as horror stories fed through from the Eastern States.

The WAHC not only supports the signing by all sectors of the Australian equine industry of an EADRA for the industry but also supports a levy mechanism which equitably shares the cost burden across all sectors of the industry both recreational and racing.

While making this point, the Council is aware that there are sectors of the equine industry which are of a view that the Australian Government would again fund the costs should there be a future outbreak to that which occurred in 2007.

This view ignores the fact that had the industry would have been financially ruined, particularly in the states of New South Wales and Queensland, without the Federal Government's response.

This positive response may have been due to the outbreak occurring because of failures at the AQIS run quarantine station at Eastern Creek and a sense of Federal responsibility for causing the problem.

It is imperative that the Federal Government ensures that its agencies which are responsible for animal (including equine) quarantine maintain the highest possible standards to prevent a repetition of the disasters of 2007.

All horse breeds need to import animals to maintain diversity in bloodlines, develop new breeds and improve competition levels so the country's borders need to remain open for imports, however there also needs to be high levels of bio-security control in place at all our quarantine centres.

Some years ago there were national discussions within the equine industry over a proposal for a levy on the equine industry. The proposal of a national levy on horseshoes withered in the face of an emotive attack on the concept from pony clubs.

At that time the existence of an EADRA seemed to be only some fanciful government proposal. The 2007 EI outbreak has, if nothing else, made a disease outbreak in the horse industry a reality and changed the dynamics of an EADRA.

The WAHC supports the broadest possible levy arrangement whether that be imposed upon horseshoes, horse feed, horse medication or a combination of these items.

The Council also supports a zero based levy arrangement whereby no money would be collected until an emergency actually occurs. Part of the horseshoe levy discussion related to what would happen to the levy monies while waiting for an outbreak to occur.

The WAHC believes that the Federal Government has the resources to cover the equine industry's share of the costs, under the EADRA, and to then impose a levy over whatever period is deemed appropriate to recover the equine industry's contribution to the outbreak.

It is the WA Horse Council's view that an equine industry EADRA should be a Category 3 agreement which provides for a 50/50 sharing of costs between Government and the equine industry.

While there will be costs involved in the equine industry committing to an EADRA it is our view that the benefits far outweigh these costs.

Such an agreement would provide guarantees of the Federal Government underwriting the costs of an outbreak to enable an immediate response while providing an insurance policy for the equine industry which would also be committed to meeting its share of the costs involved.

Like the WAHC itself the vast majority of participants in the horse industry, both recreational and racing, are involved on a hobby basis. There are a number of professionals involved across the spectrum of the industry but these individuals are a small minority.

Because of the hobbyist nature of equine pursuits any levy should be broad based and while ideally only one form of levy would be preferred the complex and wide-spread nature of the industry may well mean more than one form of levy would prove more equitable.

Furthermore any levy ought to be as administratively simple as possible. Collection of a levy at the manufacturer or retailer level would be preferred as there seems little point in a levy being eaten up in administrative costs.

A horse shoe levy may not be popular among some sectors of the broader equine industry, particularly those which change shoes regularly, however all competition horse wear shoes and such a levy would be broader based than any other equine levy.

Such a levy would not apply to horses being used for breeding or non-competition pleasure riding however it is difficult to envisage any single levy that would apply equally across all sectors of the equine industry.

It is somewhat like a fuel tax that impacts more on some vehicle users than others and has minimal impact on an individual who does not own a motor vehicle.

Similarly a levy on horse feed, wormers or the like may not impact on all horse owners equally however it would apply to a large percentage and that appears to be the best that can be expected by the industry.

Horse registration does not appear to be a viable option for a levy in that while the racing industries and breed societies do register their animals there are far greater numbers of unregistered horses spread across every state in Australia.

Short of the introduction of a compulsory registration process by local government councils, including penalties for non-registration, along the lines of dog registration, a horse registration levy is a long way off reality.

One advantage of mandatory registration of horses would be the ability to create a database of horses, and their locations, which would be of assistance in the event of a disease outbreak.

As an industry horse owners need an EADRA as an insurance policy and like all insurance policies we all hope and pray that it is never needed.

The WA Horse Council fully endorses both an EADRA for the equine industry and the introduction of an equitable levy mechanism which would come into play to recover the industry's contribution to any future outbreak.

Yours sincerely

Diane Bennit
Chairperson

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **9**

**SUBMITTER**

**Pepper Tree Farm**

PEPPER TREE FARM
We know your horse

HAMERHAWK PTY LTD
Directors: Rob and Julie Vandyke
Canowindra Rd Cowra NSW 2794
Ph: 02 63 414010 or 0428 414010
Fax: 02 63 414150
Email: peppertreefarm@bigpond.com
Website: www.peppertreefarm.org

28 July 2010

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

SUBMISSION TO THE INQUIRY INTO THE AUSTRALIAN HORSE INDUSTRY AND AN EMERGENCY DISEASE RESPONSE AGREEMENT

To the committee

We ( my husband, Rob and myself) own and operate one of the largest standardbred studs in Australia and have a vital business and personal interest in your current inquiry.

**We are firmly opposed to permitting random EI vaccination for some horses in Australia when Australia is EI free.**
**We are firmly in favour of the signing of EADRA so that a co-ordinated response can be launched and funded for any future equine disease outbreaks.**

The response to the EI outbreak in 2007 was, we believe, very well managed by the various government authorities and deserve thanks and congratulations.
We believe the consequences of the horse industry failing to commit to EADRA would be disastrous and that the options currently under investigation for contributions by the horse industry and individual owners seem practical and equitable.

While much of the discussion regarding this matter has centred on EI, it is important that the larger picture of quarantine and disease prevention should not be ignored. Australia should never take it's relative disease free status( in the equine population) lightly or for granted.
Let's not risk even one of those disease free status (Equine Influenza) by giving in to the lobbying of one small, but powerful group in the horse industry – who, I believe, would later regret that decision because of the dire adverse consequences it would bring.
We believe that the proposal to allow use of EI vaccination in Australia as a mitigation measure is scientifically flawed; of no benefit from an economically and would have serious adverse implications in a variety of areas.
One of the main adverse impacts for the standardbred industry would be the impact on current unrestricted movement of horses between Australia and New Zealand for racing, breeding, yearling purchases etc. This would effectively be virtually wiped out with a huge impact on all concerned.
Another impact would be the cost (in time and money) involved in passport/ surveillance procedures and we believe strongly that such vaccinations would eventually mask an outbreak and lead to EI becoming endemic in Australia.
The majority of research confirms the view that the most cost effective method for all those involved with horses throughout Australia, whether for business or pleasure, is the effective maintenance of quarantine arrangements and the signing of EADRA to provide adequate provisions for any future outbreaks.
Thank you for your consideration of our views.
Julie Vandyke

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **10**

**SUBMITTER**

**Harness Racing Australia Inc. (HRA)**

# SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE

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

SUBMISSION OF
HARNESS RACING AUSTRALIA
28 JULY 2010

Andrew Kelly
Chief Executive

HARNESS RACING AUSTRALIA

**Executive Summary**

This submission to the Senate Standing Committee on Rural and Regional Affairs and Transport has been prepared by Harness Racing Australia (HRA). It addresses each of the following Terms of Reference (TOR) established for the inquiry into the Australian horse industry and an emergency animal disease response agreement.

***TOR a)*** *The implications to the Australian horse industry of committing to the Emergency Animal Disease Response Agreement (EADRA);*

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

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

***TOR d)*** *Quarantine and biosecurity threats to Australia's horse industry;*

***TOR e)*** *Any other matters.*

HRA would welcome to the opportunity to speak to this submission at a public hearing if invited to give evidence by the Committee.

**Summary response to the Terms of Reference**

**TOR a)** HRA foresees no negative implications for the Australian horse industry from commitment to signature of the EADRA and reaffirms its previous commitment to signature of the EADRA, independently of other horse industry sectors if necessary.

**TOR b)** HRA's preferred levy mechanism is a levy on registrations.

However, HRA has no desire to stifle the implementation or momentum of any alternate levy mechanism/s, as long as it is equitable, cost efficient and reasonable.

**TOR c)** HRA requests that the EADRA categorisation of HeV and EI be reviewed but accepts that this cannot occur until the horse industry becomes an EADRA signatory.

HRA recommends that a detailed census of horse numbers by State/Territory and by breed/activity is an urgent priority to underpin future equitable cost sharing by all Parties to the EADRA.

HRA recommends that horse industry signatories of the EADRA urgently resolve the basis on which eligible response cost obligations will be equitably shared between horse industry sectors, both for EADRA scheduled diseases which affect horses only and, for those where costs are shared with other species (Borna disease, vesicular stomatitis, surra).

Consideration needs to be given to whether the use of GVP to apportion shares of eligible costs is appropriate for the horse industry.

**TOR d)** HRA is resolute in its long-held policy that Australia's first line of defence from exotic diseases must continue to be a strong national quarantine barrier.

HRA believes that the import of live horses poses the highest risk of introduction of an exotic disease of horses to Australia and that rigorous quarantine standards must be maintained by the Commonwealth government.

HRA holds no pre-conceived position about a preferred outcome of the current Commonwealth government review of arrangements for post entry quarantine but expects that all existing biosecurity safeguards and standards will remain in place and that post entry facilities for imported live horses (be they private or public) will be regularly, consistently and rigorously audited by AQIS.

HRA recognises that, while border controls can be readily applied to the import of live horses and semen, emerging diseases are a potential biosecurity threat and are covered by the EADRA.

HRA notes with concern that many emerging infectious disease are zoonoses.

**TOR e)** Criticism of perceived "special treatment" of the racing industry by the non-racing sector during the 2007 EI outbreak is ill founded and should not be cited as a reason why EADRA signature will not benefit the non-racing sector. Critics fail to acknowledge the well established regulatory and organisational aspects of Australian racing that supported earlier and safe resumption of business activity in the racing sector.

HRA welcomes national agreement that Property Identification Codes should be compulsory in Australia.

**Background - Harness Racing in Australia**

As the peak national body for the harness racing code of racing in Australia, this submission is made on behalf of HRA Members, consisting of harness racing Control Bodies and Principal Clubs in the States of New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia; each of whom operate within the various *Racing Acts* of their respective States to regulate, nurture, foster and promote harness racing at all levels within the industry.

Harness racing in Australia enjoys not only a rich heritage, but continues to provide significant cultural and economic contributions to the community on a daily basis. This is evidenced in the 2006/07 racing season where the harness racing industry's 114 Clubs conducted 1,921 race meetings and 15,588 races for 15,027 individual horses competing on behalf of 40,000 owners, 4,484 trainers and 3,173 drivers in search of $90,252,834 in prizemoney.

The resultant economic contribution of the harness racing industry is further illustrated with a contribution of $310,317,379 in State taxes during the same period, generated from $1,950,218,567 of TAB wagering activity - the equivalent to 16% of the Australian racing wagering market.

This level of wagering activity also provided the harness racing industry with $136,625,321 in product fees from TABs, accounting for 88% of Control Body revenue, highlighting the traditional dependence of Control Bodies on TABs as the financial cornerstone of the industry.

**TOR a) The implications to the Australian horse industry of committing to the Emergency Animal Disease Response Agreement (EADRA)**

HRA foresees no negative implications for the Australian horse industry from commitment to signature of the Emergency Animal Disease Response Agreement (EADRA).

HRA congratulates all government and industry Parties who have worked so hard to develop the EADRA to this point, an agreement that is a world first. We consider it imperative that the horse industry signs the Deed and shoulders the consequent responsibilities and obligations.

HRA is committed to and has been actively engaged in negotiations to sign the EADRA since 2002. HRA is an AHA Industry Member. HRA has participated in AHA emergency disease preparedness activities including the training of 12 Industry Liaison Officers as recently as January 2010 as evidence of its continued commitment to future signature.

Negative implications for HRA will only arise if the Australian horse industry does not become an EADRA signatory. HRA potentially faces serious horse health risks and significant economic disruption if the Australian horse industry does not sign the EADRA because of lack of consensus about a levy mechanism/s.

Equine influenza wreaked havoc in the harness racing industry in 2007. HRA stakeholders suffered first hand and are still recovering. HRA is gravely concerned that, without the certainty of early detection and a rapid and effective response, standardbred owners could once again face crippling financial exposure should there be another equine disease outbreak.

From a business risk management perspective, HRA is willing to sign the EADRA to guarantee the standardbred industry stakeholders of certainty of a guaranteed coordinated response to an emergency animal disease (EAD) outbreak.

HRA expects that signature of EADRA will provide certainty that:-

- Government/s will mount a rapid and nationally coordinated response to an outbreak of significant disease of horses without delay
- who does what and who pays for it will be agreed in advance;
- HRA will have a voice in technical and policy discussions and decisions at national, state and local level
- HRA will be able to monitor eligible response costs

HRA acknowledges that signature of the EADRA offers excellent "insurance" value for the horse industry. Signature of the EADRA puts into effect an "insurance" policy that guarantees an immediate and nationally co-ordinated response to an equine associated EAD incident underwritten by the Commonwealth government, with the "premium" being paid after that incident has been resolved.

HRA understands that the horse industry signature of the EADRA will be welcomed by other major livestock commodity groups. All major livestock industries except the horse industry have signed the EADRA and put in place an agreed mechanism to cover their potential cost sharing liability. HRA recognises that failure of the horse industry to join the other major livestock industries and governments as a signatory jeopardises the integrity of national response arrangements and potentially undermines the government/industry partnership arrangements which are the very foundations of the EADRA.

**HRA reaffirms its previous commitment to signature of the EADRA, independently of other horse industry sectors if necessary.**

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

As the peak body of harness racing in Australia, HRA believes it has a moral and commercial responsibility to protect Australian harness racing participants and horses if an outbreak of an EAD occurs in the future. Every Australian horse owner has a role to play and they should not shy away from their obligations.

If it ever becomes necessary, HRA will contribute to any levy scheme that is equitable, covers the potential liability of most of the Australian horse industry and is accepted by the Commonwealth government. HRA acknowledges that levies at multiple points may be required and that, due to the diverse nature of the Australian horse industry, not all horse owners will be "captured" by a levy mechanism/s.

However, "equitable" does not necessarily the mean "the same". Industry participants that create greater risk of introduction and spread of a disease and that derive greater benefit from a successful emergency disease response should pay more.

HRA acknowledges that, within Australia, standardbred racehorses potentially contribute to the risk of spread of highly contagious diseases because of their widespread movement and, because of the size and frequency of racing meetings where horses from different origins are commingled. Having said that, nearly every sporting or other activity which involves horses of any breed also involves commingling and movement to and from a home property.

HRA believes that the import of live horses poses the highest risk of introduction of an exotic disease to Australia. Information from commercial sources suggests that between

2006 and 2008, standardbred horses comprised only 9% of horses imported to Australia from approved countries other than New Zealand. Thoroughbred horses accounted for 52% of imports and 39% were horses of other breeds.

Artificial insemination is permitted by international standardbred breeding authorities. Unlike thoroughbreds, the Australian standardbred industry does not rely on the import of live horses to introduce new genetic material and hence HRA submits that Australian standardbred breeding practices pose a lesser threat to the integrity of Australia's border security.

HRA notes that zero-rated levies on products such as manufactured horse feed, horse wormers and horseshoes have been suggested by some horse industry organisations. At this time HRA does not have sufficient or reliable information to assess the breadth of horse industry coverage of these suggested levy mechanisms and their collection costs per unit. HRA is concerned that levy "leakage" will potentially occur if these mechanisms are adopted.

HRA's preferred levy mechanism would be a registration levy as it would:-

- be administratively feasible and cost efficient to collect;
- provide an equitable coverage of stakeholders as registration is mandatory for participation;
- be potentially differentially costed to capture higher risk registrations e.g. imported horses.

**HRA's preferred levy mechanism is a levy on registrations.**

However, while HRA prefers a registration levy, HRA has no desire to stifle the implementation or momentum of any alternate levy mechanism/s, as long as it is equitable, cost efficient and reasonable.

Discussions to date by AHA and others have emphasised that any potential levy mechanism would be zero-rated until an incident occurs. HRA prefers a levy on registrations as such a levy could be activated by HRA now to build a "war chest". A "war chest" approach would buffer the economic impact of any cost sharing obligation incurred in the future, provide more certainty that HRA would able to pay its share in a timely manner and ensure a smooth transition to an EAD response levy.

An HRA "war chest" could also be used to support EAD preparedness activities such as stakeholder awareness programs, a national census, mapping of the standardbred population to enhance traceability and for planning activities to support business continuity e.g. development of nationally pre-agreed plans for the operation of Special Purpose Compartments that could rapidly activated if ever needed.

The time frame for sectorally inclusive horse industry agreement about a preferred levy mechanism is short and must be reached by 1 December 2010. The threat that the Federal government will permit "voluntary" EI vaccination if horse industry consensus about a preferred levy is not achieved by this date intensifies the urgency of the situation. There is a substantial risk that a suboptimal "solution" may be adopted.

HRA submits that any decision about levy mechanisms adopted to meet this tight deadline will not preclude later consideration of alternative options if circumstances change or if the agreed levy mechanisms subsequently prove to be unfeasible, impractical or unable to generate sufficient funds to meet a cost sharing obligation.

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

HRA would enthusiastically welcome any contribution by any Government - Commonwealth, state or territory - to sharing "the cost burden of a levy". A dollar for dollar matching contribution by Government/s would be a good starting point.

Regarding the split of eligible response costs after a response to an incident has concluded, HRA makes the following observations.

**Government/industry cost sharing**

HRA endorses the existing EADRA philosophy that the "beneficiary pays" principle should underpin categorisation of EADRA scheduled diseases (EADRA Schedule 3. Clause 8) and agrees that only EADRA scheduled diseases which pose a significant public health risk should be 100% government funded.

However HRA questions the current categorisation of Hendra virus and EI in the EADRA Schedules.

***Hendra virus***

Hendra virus (HeV) is a disease that predominantly poses significant public health risks.

HRA submits that it be re-categorised as a Category 1 disease.

***Equine influenza virus***

After HRA's firsthand and distressing national experience of the socio-economic impact of the 2007 EI outbreak on the standardbred industry, HRA questions whether the term "national socio-economic consequences" is adequately defined in the EADRA and, also questions the objective basis upon which socio-economic impact is determined to be "major" or "significant (but generally "moderate") as it relates to categorisation of EADRA scheduled diseases.

HRA submits that EI be a Category 3 disease as the 2007 EI outbreak had national socioeconomic consequences and resulted in:-

- severe market disruption and losses in the two EI affected States with flow on consequences to unaffected States
- severe horse industry production losses including wagering tax losses to State governments
- human health impacts and psychological distress in affected jurisdictions as demonstrated by papers published by Melanie Taylor (Taylor M, Agho K, Griffin E (2008a) *Human impacts of equine influenza.* University of Western Sydney, Sydney. Taylor M, Agho K, Stevens G, Raphael B (2008b) Factors influencing psychological distress during a disease epidemic: data from Australia's first outbreak of equine influenza. *BMC Public Health* 8: 1-13.)
- demonstrated international trade losses
- a large scale and protracted national response which indicated a significant level of national concern
- a successful EI eradication campaign that promoted the international reputation of Australian animal health authorities and Australia's disease control and eradication programs

**HRA requests that the EADRA categorisation of HeV and EI be reviewed but accepts that this cannot occur until the horse industry becomes an EADRA signatory.**

**Deficient information about horse numbers and horse industry GVP**

HRA is concerned that that lack of reliable and consistent data relating to horse numbers in the non-racing sector and deficient information about Gross Value of Production (GVP) of horse industry sectors will create difficulties and inequity in the determination of proportional shares of eligible response costs for governments, horse industry Parties and, for a few EADs, other livestock Industry Parties.

The EADRA currently proposes that State/Territory shares be based on horse numbers per State/Territory as a % of the national total using ABS source data or, if no ABS data is available, on a best estimate from other sources.

No reliable and accurate estimates of total horse numbers by states and territories are available. The only reliable statistics are those kept by the thoroughbred and standardbred sectors. Estimates made by Gordon (2001) overstate the numbers of horses in the standardbred sector and probably underestimate the number in the non-racing sector.

**HRA recommends that a detailed census of horse numbers by State/Territory and by breed/activity is an urgent priority to underpin future equitable cost sharing by all Parties to the EADRA.**

The EADRA uses GVP to determine the contribution of industry sectors to cost sharing. For example, Schedule 6 – Cost Sharing (Clause 10) Section 2.2 of the current EADRA states "Where more than one Party represents a species, the manner of Cost Sharing between those Parties will be determined between them having regard to the GVP of Industry sectors. Where they have not advised Animal Health Australia of their manner of apportionment for Cost Sharing, they will be equally responsible for meeting the costs for which their industry is liable under this Deed".

**HRA recommends that horse industry signatories of the EADRA urgently resolve the basis on which eligible response cost obligations will be equitably shared between horse industry sectors, both for EADRA scheduled diseases which affect horses only and, for those where costs are shared with other species (Borna disease, vesicular stomatitis, surra).**

**Consideration needs to be given to whether the use of GVP to apportion shares of eligible costs is applicable to the horse industry.**

**TOR d) Quarantine and biosecurity threats to Australia's horse industry**

HRA is resolute in its long-held policy that Australia's first line of defence from exotic diseases must continue to be a strong national quarantine barrier. Horse industry signature of the EADRA must not lead to any reduction of Australia's quarantine standards.

The recent reports of the Callinan Inquiry and the Beale "One Biosecurity" Review both stressed the need for constant vigilance at Australia's borders and effective quarantine measures. HRA shares the view expressed in the report of the Callinan Inquiry (page 64) that horses should be considered "high risk imports". HRA expects that the Federal Government will continue to maintain stringent border security as any reduction of standards could cause irreparable damage to all equine industries. Care must be taken that complacency and poor practices do not erode the integrity of border security as the years role on and the impact of the 2007 EI outbreak fades from corporate memory.

For over 80 years, Australia's animal quarantine stations for imported horses have been government controlled and operated, the only current exception being the facility established and operated by Racing Victoria for temporarily imported racehorses. HRA notes that post entry quarantine arrangements are currently under review by the Federal Government and that a full range of options will be considered and costed including the option of privatisation as an alternative to government-run stations. HRA holds no pre-conceived position about a preferred outcome of this review but expects that, regardless of the outcome, all existing biosecurity safeguards and standards will remain in place and that post entry facilities for imported horses (be they private or public) will be regularly, consistently and rigorously audited by AQIS.

HRA recognises that, while border controls can be readily applied to the import of live horses and semen, a significant biosecurity threat could also potentially emerge from nowhere (like Hendra Virus in 1994 and Contagious Equine Metritis in 1977), or drift into Australia from the north on the wind or with a mosquito, migrating bird or bat.

HRA notes with concern that, according to a recent report from the Australian Biosecurity Cooperative Research Centre, *"in the past two decades, 75% of emerging infectious diseases have been zoonoses (infections transmitted from animals to humans) and most have originated from wildlife"* and that *"Australia is not removed from these global threats with respect to animal and human health, and associated economic impacts. More zoonotic viruses have been identified in Australia since 1994 than in any previous equivalent period"*.

Who knows from where the next threat will come from and when it will occur? Fortunately the EADRA covers emerging disease incidents.

HRA acknowledges that biosecurity is a shared responsibility and a continuum of which border quarantine is only one part. The complex structure and mobility of Australia's horse industry heightens its vulnerability with the very real possibility of widespread dissemination of disease. Hence the critical importance of biosecurity - routine use of best health practices.

Widespread complacency and ignorance pose a great threat to the biosecurity off the Australian horse industry. As part of its obligations as an EADRA signatory and an AHA Industry Member, HRA will continue to foster a second line of defence, an alert and prepared harness racing industry which adopts best health practice, considers the possibility of an emergency disease when something unexpected and unusual happens and develops contingency plans for the future. Establishment of a "war chest" approach would aid these efforts.

**TOR e) Any other matters**

**"Favourable" treatment of the racing industry**

HRA is aware that significant residual antipathy remains about perceived "favourable treatment" afforded to the racing sector during the 2007 EI outbreak, including early resumption of racehorse movement and racing. This has led to distrust by some of government policy and concern that even if EADRA is signed, governments will only heed the voice of the racing industry during any future disease incursion. Such criticism is ill founded in that it fails to take into account the regulatory and organisational aspects of Australian racing that enabled an earlier resumption of business activity.

Critics fail to appreciate that the Australian Rules of Harness Racing (ARHR) and HRA's long established policies and procedures provide a sound framework for regulation of biosecurity standards, during both "war" and peace time.

The ARHR are legally enforceable and actively enforced by the Stewards. Key industry participants and premises are licensed and subject to the provisions of the ARHR. All standardbred horses are registered and uniquely identified by a visible freeze brand, racehorse movements are documented, accessible, controlled and supervised, and the licensed premises on which a standardbred racehorse is located can be readily ascertained from stable returns. Official racing veterinarians oversee the health and welfare of horses at race meetings and trials.

The ARHR, and in particular Rule 104A, impose obligations on industry participants relating to notification of significant infectious or contagious diseases of horses and augment and support the provisions of State based disease control legislation. The ARHR also confer powers to Stewards to regulate control of declared diseases and penalise persons for biosecurity breaches. These rules were enforced during the 2007 EI outbreak and supported the efforts of State animal health authorities.

A unique feature of the Australian standardbred industry is that racing and breeding activities are covered by the ARHR and relevant information about horses and owners is integrated in a nationally accessible database.

ARHR rules relating to artificial insemination (AI) were originally formulated to ensure pedigree integrity but *de facto* also ensure that diseases are not spread by AI.

When other organisations are able to demonstrate to government that they have in place the appropriate rules and powers and adequate resources to enact, monitor and enforce relevant biosecurity measures, there is no reason why they should be treated the same way as the racing industry was treated in 2007.

**Property Identification Codes**

HRA welcomes national agreement that Property Identification Codes should be compulsory in Australia.

Individual horses are mobile but immediate access to details of properties where horses are kept within any Declared Area would be of great benefit to a response to any future disease incursion.

**SUBMISSION ENDS**

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **11**

**SUBMITTER**

**Pony Club Australia**

# PONY CLUB AUSTRALIA Inc.

Affiliated with The Pony Club
Web: w w w. ponyclubaustralia.com.au
Email: info@ponyclubaustralia.com.au
ABN 95 090 080 265

P.O. Box 32
Goodwood Road,
Goodwood. SA. 5034
Tel: 08 8212 3883
Fax: 08 8212 0583
**National President:**
Mr. Greg Bailey
Ph: 0417 844 540

**Patron:**
Her Excellency Ms Quentin Bryce AC
Governor-General of the Commonwealth of Australia

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**Pony Club Australia**

**Inquiry into the Australian horse industry and an emergency animal disease response agreement**

Please accept our submission based on the Terms of Reference as outlined.

Terms of Reference

a) **The implications to the Australian horse industry of committing to an Emergency Animal Disease Response Agreement (EADRA);**

Pony Club Australia supports the signing of the Emergency Animal Disease Response Agreement.

The implications of signing the agreement are understood. Implications on individual horse owners can be broadly described as

- Promotion of biosecurity good practice at the farm gate
- Agreement to share in cost recovery after a disease event through a pre-agreed levy mechanism, knowing that Pony Club Australia has been involved directly in decision making about the disease response and level of overall expenditure
- Expectation that the Australian Government will have in place best quarantine and border security practices

It has not been yet determined if Pony Club Australia will be a signatory in their own right, as part of a collaborative body or as a member of one of the four organisations (Australian Racing Board, Harness Racing Australia, Equestrian Australia, Australian Horse Industry Council)

It is an expectation that Pony Club Australia, as a leading national horse organisation, will contribute to consultative processes in collaboration with other national horse organisations, share the roles and responsibilities and seek to protect our member's interest within these forums whilst holding the overarching view of keeping Australia disease free.

**b) Options for equitable contributions by horse owners to a levy scheme to meet their obligations under EADRA in the event of an emergency animal disease outbreak in horses;**
At a recent Pony Club Australia Council meeting (made up of all state delegates) this issue of the Emergency Animal Disease Response Agreement (EADRA) and requirement to work with other horse organisations to agree on a cost recovery levy mechanism was discussed.
It was resolved unanimously that Pony Club Australia is supportive of signing the EADRA and that the following principles should apply to the negotiations around a suitable levy mechanism:

a. Zero based levy (That no levy is collected until after an emergency disease response has been concluded)
b. Commercially collected (Pony Club is opposed to having volunteers responsible for the collection of a levy and thus being exposed to possible penalties for failure to comply with regulations)
c. Broad based (meaning that a levy should apply to as many horse owners as possible. More than one levy mechanism may be required to achieve this.)

PCA is communicating regularly with Animal Health Australia and will participate in the broader national consultation centred on the Levy Options Paper.
Equity is an issue for our members, as was clearly outlined in the previous Senate Inquiry into the Horse Disease Response Levy Bill submission.

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

**d) Quarantine and biosecurity threats to Australia's horse industry.**
Pony Club Australia has no comment on this?

**e) Any other matters**

Yours in Pony Club,

Greg Bailey
President
28/7/2010

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **12**

**SUBMITTER**

**Animal Health Alliance (Australia) Ltd**

Animal Health Alliance
SOLUTIONS FOR THE FUTURE

Animal Health Alliance (Australia) Ltd
ABN: 76 116 948 344
Address: Level 2 AMP Building
1 Hobart Place
Canberra ACT 2601
Locked Bag 916
Phone: 02 6257 9022 Fax: 02 6257 9055
www.animalhealthalliance.org.au

5 August 2010

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

rrat.sen@aph.gov.au

Dear Sir/Madam

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely

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

# SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

## REFERENCES COMMITTEE

# Inquiry into the Australian horse industry and an emergency animal disease response agreement

# SUBMISSION

**SUBMISSION NUMBER:** **13**

**SUBMITTER**

**Veterinary Manufacturers and Distributors Association Ltd (VMDA)**

**VMDA**
The Veterinary Manufacturers and Distributors Association Ltd
ABN 28 810 231 380
PO Box 6157 Kenmore East Qld 4069
Telephone 07 3374 0311 Facsimile: 07 3374 0411
Email: vmda@vmda.com.au Website www.vmda.com.au

6 August 2010

Secretary
Senate Rural and Regional Affairs
&Transport Committee
Parliament House
Canberra ACT 2600

Attention: Ms Lauren McDougall

**Submission on the Proposal for Horse Industry Levy**

Thank you for extending the due date for submission. On behalf of the Veterinary Manufacturers and Distributors Association Ltd (VMDA) the following is provided for consideration by the Committee on a proposal to impose a levy on the Horse Industry to contribute towards Emergency Animal Disease Responses (EADRA).

By way of background VMDA represents members which combined constitute a significant percentage of the Australian Animal Health market. Its membership encompasses the total product cycle from product development and manufacture, through distribution, to retail within Australia. Many are APVMA licensed manufacturers which manufacture to Good Manufacturing Practice (GMP) standards and have built an appreciable export business for Australian manufactured veterinary products.

VMDA is a member-driven association, and members are encouraged to contribute to the successful future of the Animal Health industry by sharing their concerns and expertise with colleagues. The structure of the VMDA is such that a diversity of issues is being addressed and presented to regulatory authorities and Government. VMDA is able to provide a majority or balanced industry position in its submissions and to organisations with which it interfaces.

As we understand it, the levy would be for emergency animal disease and would be zero rated until there is a disease incursion.

The options being considered are:

A. Registration Levy,
B. Event Registration Levy,
C. Horse Shoe Levy and
D. Wormer Levy

The above options have been the subject of proposals from a variety of other sections of the equine industry and among these it is option "D Wormer Levy" that would specifically impact on Animal Health product manufacturers, a many of whom are represented by VMDA.

Adoption of such a levy on wormers would provide coverage of some sectors of the horse industry as worming programs enjoy a widespread use by them. However, an imposition of a levy on each dose is likely to result in decreased treatment of the animals with consequential decreases not only in animal health but may also possibly impact on human health (particularly of those humans involved in the handling of horses).

Wormers are very price sensitive i.e. an increase in price is likely to decrease demand for the product. The extent to which this occurs would depend on the value of the levy.

We have made some estimates of the impact that an imposition of a levy on wormers may have:

- There are approximately 600,000 horses in Australia and, on average, there are 2.5 treatments per horse per year or 1.5 million treatments administered. Of these approximately 80% are administered by single dose syringes (that is, 1.2 million) worming treatments retail for between $15 and $23 each.

- It is conservatively estimated that an emergency equine influenza (EI) outbreak may cost about $100 million and if this cost is to be *fully* recovered from industry over, say, a 10 year period then the levy per dose would need to be in the order of $8. This would increase the price per dose to $23 and $31 or by an average of 45%. If the levy were to be applied to liquid drenches the additional cost per container would also translate into similar increases in proportion.

Given that wormers are very price sensitive, the impact of an imposition of a levy of that magnitude will potentially reduce demand of wormers with consequential decreases not only in animal health but also, as mentioned earlier, in human health. In this way the imposition of the levy on wormers has the potential of decreasing horses' health in the event of levy being imposed as a result of a new emergency animal disease outbreak which in any event may well be, like the recent EI outbreak, the result of inadequate border/quarantine protection.

Even though option A. "Registration Levy" appears to be complex, it would seem more appropriate and equitable to base a levy on a registration system for all horses, similar to that employed by local councils for dogs. Introduction of a levy based on a registration arrangement, which could be accompanied by micro chipping, would be equitable as it would give cover to the greatest extent of horse ownership. Registration would also have assisted with identification of horses during the recent EI outbreak and would have aided in restricting horse movements. Similar benefits would occur in the event of a future emergency outbreak.

Yours faithfully

Bob Schufft
Executive Director