

## Chapter 2

### Industry negotiations regarding the EADRA

#### Government response to emergency animal disease

2.1 As outlined in the previous chapter, as a result of the specific circumstances surrounding the 2007 Equine Influenza (EI) outbreak, the Commonwealth government met the horse industry's share of the costs associated with responding to the disease emergency.<sup>1</sup>

2.2 In April 2010, a meeting of the Primary Industries Ministerial Council (PIMC) agreed that there was a need for the Australian horse industry to commit to a national levy mechanism and to become a signatory to the EADRA. The Council set a deadline of 1 December 2010 for this to occur.

2.3 At the same time, the Council announced that, in the absence of any funding agreement, there would be no further national cost-sharing response to any exotic disease incursion and that steps would be taken to allow voluntary vaccination of horses against EI (from 1 December 2010) as a risk mitigation strategy.<sup>2</sup>

#### Emergency Animal Disease Response Agreement

2.4 The current EADRA is between Animal Health Australia (AHA), the Commonwealth government, all state and territory governments, and (currently) ten livestock industries. The current livestock signatories are:

- Australian Chicken Meat Federation Inc;
- Australian Egg Corporation Limited;
- Australian Dairy Farmers' Limited;
- Cattle Council of Australia Inc;
- Australian Pork Limited;
- Sheepmeat Council of Australia Inc;
- Woolproducers Australia;
- Australian Lot Feeders' Association Inc;
- Goat Industry Council of Australia; and
- Australian Honey Bee Industry Council Inc.

---

1 The Hon. I. Callinan, AC, *Equine Influenza: the August 2007 outbreak in Australia*, April, 2008, pp 8-12.

2 Animal Health Australia, *Submission 18*, p. 2.

- 2.5 Under the terms of the EADRA, signatories are required to commit to:
- minimising the risk of emergency animal disease (EAD) incursions by developing and implementing biosecurity plans for their jurisdictions or industries;
  - maintaining capacity to respond to an EAD by having available adequate numbers of trained personnel to fill roles specified in AUSVETPLAN;
  - participating in decision making relating to EAD responses, through representation on the Consultative Committee on Emergency Animal Diseases (CCEAD) and a National Management Group (NMG); and
  - sharing the eligible response costs of EAD incursions.<sup>3</sup>

2.6 Australia's EADRA, which is a world first, establishes basic operating principles and guidelines and outlines the roles and responsibilities of all parties. The agreement also includes provisions for formal consultation and dispute resolution between government and industry on resource allocation, funding, training and risk management and ongoing biosecurity arrangements.

### ***Animal Health Australia***

2.7 AHA is the agency responsible for managing the EADRA.<sup>4</sup> If the EADRA is activated in response to an EAD, AHA maintains records of funds receivable and payable by the signatories to the agreement. AHA determines when an EAD response is completed, and when there is 'proof of freedom from the disease' (or that there has been a decision by the National Management Group that eradication or containment of the disease is not possible). AHA also determines the total cost of the outbreak, including all costs that are to be shared (or not shared) between the signatories.

2.8 Parties to the EADRA have each agreed to a mechanism for sharing the cost of a response. The proportions depend on the disease category. There are four disease categories which determine the proportions paid by government and industry (see Table 1 below).

2.9 A list of disease categories (including those that affect horses) and their definitions is provided in Appendix 3.

---

3 Animal Health Australia, *Animal Health in Australia 2009, 2010*, p. 68.

4 Animal Health Australia, EADRA Questions and Answers webpage, <http://www.animalhealthaustralia.com.au/horse-owners-and-the-eadra/eadra-questions>, accessed 28 October 2010.

**Table 1 - EADRA – Disease Categories<sup>5</sup>**

<b>Category of Disease</b>	<b>Government Funding</b>	<b>Industry Funding</b>
Category 1	100%	0%
Category 2	80%	20%
Category 3	50%	50%
Category 4	20%	80%

### ***Cost of Disease Response***

2.10 The cost to industries of a disease response is determined in relation to their GVP<sup>6</sup>. The government costs for a response is shared – 50% by the Commonwealth - and the remainder shared between the state and territory governments.

### ***Cost Sharing Obligations***

2.11 As previously noted, under the terms of the EADRA, signatories must have in place plans to meet costs should a disease response become necessary (see Appendix 4 for a list of levy arrangements chosen by each of the current signatories). While the Commonwealth may initially meet an industry's cost-sharing obligations, the industry must then repay the Commonwealth within a reasonable period (generally expected to be no longer than ten years). Each signatory to the EADRA can establish an EAD Response Levy to meet their financial liabilities for a response. The EAD response levy is usually set at zero and only activated when an EAD incident occurs.

### ***National Management Group***

2.12 The National Management Group (NMG) is the decision making body that determines whether to respond to an animal disease, and the direction of that response. The NMG has two primary functions:

- to consider EAD response issues; and
- to consider general issues around the EADRA (including regular reviews of the agreement).<sup>7</sup>

---

5 *Government and Livestock Industry Cost Sharing Deed in Respect of Emergency Animal Disease Responses*, Variation No. 10/1-08/07/10, p. 19.

6 Gross Value of Production.

7 *Guidelines for Accounting and Cost Sharing under the EAD Response Agreement*, February 2010, p. 14.

2.13 In the event of an EAD response, the NMG will be made up of a representative of each of the affected parties:

- the Secretary of the Department of Agriculture, Fisheries and Forestry (who chairs the NMG)
- the Chief Executive Officers of the state and territory government parties;
- the President (or analogous officer) of each of the relevant industry parties; and
- AHA as an observer.

2.14 The NMG is responsible for:

- approving the EAD response plan (including an indicative budget);
- reviewing the EAD response plan when it believes the cost may exceed the agreed limit (1% of the GVP of the affected industry(s) – 2% for FMD); and
- determining whether a party has acted appropriately in the matter of reporting an EAD in the first place.

### *Consultative Committee on Emergency Animal Diseases*

2.15 The Consultative Committee on Emergency Animal Diseases (CCEAD) is the key technical coordinating body for animal health emergencies.<sup>8</sup>

2.16 The CCEAD provides the link between the Commonwealth, states and territories, industry and AHA. The members of CCEAD are:

- the Australian Chief Veterinary Officer (who chairs the CCEAD);
- all state and territory Chief Veterinary Officers (or their nominees);
- one representative nominated by CSIRO Animal Health;
- one representative of AQIS nominated by the Australian Chief Veterinary Officer;
- one representative nominated by Biosecurity Australia;
- one representative of AHA as an observer; and
- members of the relevant industry parties (generally including one member representing a non-affected industry).

2.17 Under the EADRA, CCEAD has the following responsibilities:

---

8 *Guidelines for Accounting and Cost Sharing under the EAD Response Agreement*, February 2010, p. 15.

- assessment of EAD Response Plans submitted by affected jurisdictions (in order to advise the NMG whether they should be approved);
- provision of advice regarding whether an EAD can be eradicated or contained;
- monitoring of progress in relation to the response and provision of regular updates to affected parties and the NMG;
- determining when a disease has been contained or eradicated under an EAD Response Plan; and
- recommending when 'proof of freedom' has been achieved.

### **Negotiations with the Australian horse industry**

2.18 Following the announcement by the PIMC, AHA convened a meeting of its horse industry members, which include the Australian Racing Board, Harness Racing Australia, Equestrian Australia and the Australian Horse Industry Council. The group met, together with representatives from three major recreational organisations: Pony Club Australia, the National Campdraft Council of Australia and the National Stock Horse Society. The meeting canvassed a number of levy options and agreed to an ongoing action plan.<sup>9</sup>

2.19 As a result of this initial meeting, a consultation process (coordinated and facilitated by AHA) has continued to work towards the 1 December 2010 deadline set by the PIMC. A number of horse industry organisations have subsequently agreed to contribute to the costs of the consultation exercise and Commonwealth and state/territory primary industries agencies have provided resources. Industry and Investment NSW, for example, provided the services of two senior veterinary officers "to assist in coordinating communications and compilation of the final industry submission".<sup>10</sup>

2.20 The consultation exercise conducted over recent months has involved:

- AHA setting up a website to provide horse owner organisations and individuals with a central reference point for authoritative information about the EADRA, possible levy collection options, and progress towards the 1 December deadline;
- NSW Industry and Investment setting up a dedicated email account to handle direct inquiries regarding the EADRA, cost recovery arrangements and related issues;
- NSW Industry and Investment preparing and publishing a series of electronic newsletters – circulated to 400 organisations and individuals and published on the website; and

---

9 Animal Health Australia, *Submission 18*, p. 2.

10 Animal Health Australia, *Submission 18*, p. 2.

- the preparation and publication (by government agencies and industry organisations) of articles for relevant newsletters, magazines, websites social networking internet sites etc, in addition to media releases and interviews provided to the electronic and print media.<sup>11</sup>

### ***Levy options***

2.21 Over the past decade, various levy proposals have been considered by the horse industry. However, no one particular proposal has gained sufficient support across all sectors to proceed to implementation. As noted by the AHA in its submission:

The latest attempt in 2008 proceeded to the stage of enabling legislation (*Horse Disease Levy Bills 2008*) for a levy based on registration of horses; this legislation was defeated in the Senate.<sup>12</sup>

2.22 During the consultation process, a range of levy options were suggested by the horse-owning community in communications with both the Australian Horse Industry Council and AHA. Suggestions and comments were received from approximately 400 associations and individuals.

2.23 In April 2010, a Horse Levy Working Group was nominated to consider the various levy options and recommend a preferred solution. The main options considered were:

- manufactured or compounded ('hard') feed;
- treatments against worms – products that include pastes, pellets, liquid formulations and other products defined and registered by the Australian Pesticides and Veterinary Medicines Authority to treat internal parasites in horses;
- horseshoes;
- registration of horses or owners;
- a levy placed on event fees;
- transit Import Levy (applied to all imported horses);
- foal registration;
- slaughter levy (horses consigned for human consumption to domestic or export markets);
- levy on purchase of equipment (saddles, harness, floats, etc)
- microchips (electronic devices implanted subcutaneously, used to identify the ownership of a horse with the information stored in a database); and

---

11 Animal Health Australia, *Submission 18*, pp 2-3.

12 Animal Health Australia, *Submission 18*, p. 3.

- 
- wagering revenue.<sup>13</sup>

2.24 The Horse Levy Working Group evaluated each of the suggested options against the following criteria:

- The legality of the option as a levy – compliance with the Australian Government's *Levy Principles and Guidelines*.
- The definition for the levy option. (The horse-owning community, the 'supplier/provider' of the option and the Government all must have a good understanding about the definition and scope of the levy option).
- Equitable application of a levy across the whole horse-owning community – keeping in mind the reality, that it is not possible to achieve 100% coverage. Any levy or combination of levies should be fair and reasonable for a large proportion of the horse industry.
- Number of units on which a levy could be imposed. (The greater the number of units, the smaller will be the actual additional cost per unit, if the levy is required).
- Number of potential 'levy collection points'. A levy collection point is the point in the market chain where the levy is collected to be remitted to the Australian Government. The cost of collection is as important as the number of units. (The aim is to have a levy option which minimises 'red tape' and is relatively inexpensive to collect – too many collection points would increase the cost of collection. The cost of collection will also be met by the industry sector).
- Uncertain or indeterminate aspects of a levy option. (Some levy options had strong support by some sectors and very negative responses from others. While this wasn't treated as a critical or absolute criterion, it was a significant consideration in working towards a consensus position).<sup>14</sup>

### ***Preferred levy options***

2.25 Following the consultation process with national and state horse organisations and the Working Group's consideration of each option against the criteria listed above, two preferred options were agreed – 'manufactured feed' and 'treatment against worms'. The relative advantages and disadvantages of these two options are set out in Table 2 below.<sup>15</sup>

---

13 Animal Health Australia, *Submission 18*, pp 4-5.

14 Animal Health Australia, *Submission 18*, pp 3-4.

15 Animal Health Australia, *Submission 18*, p. 5.

**Table 2 – Advantages and disadvantages of preferred levy options**

<b>Option</b>	<b>Advantages</b>	<b>Disadvantages</b>
Manufactured feed	<p>Reliable production figures, but only have estimates on usage by horse sectors.</p> <p>Relatively wide coverage; increasing usage of manufactured feed by some horse sectors.</p> <p>Moderate collection costs (&lt;180 collection points, with majority of collection points identifiable).</p> <p>Cost per unit is relatively low.</p> <p>Ease and low cost of auditing.</p>	<p>Need for a satisfactory definition of 'hard feed'.</p> <p>Some levy 'leakage'</p>
Treatments against worms	<p>Relatively wide coverage.</p> <p>Minimal collection costs (~25 collection points, all readily identified).</p> <p>Cost per unit is relatively low.</p> <p>Reliable figures available on the number of units sold.</p> <p>Ease of auditing, very low cost products have to be registered.</p>	<p>Some horses are not treated for worms; there will be some levy 'leakage'.</p>

2.26 It is intended that all or any proposed levies would be 'zero-based', and no money would be collected until an emergency disease response occurred. In the event of a disease emergency affecting horses, both levies would be triggered simultaneously. The process for calculating and imposing the levies is set out in the EADRA, however a summary of the process can be found at Appendix 5.

#### ***Cost of levy for horse owners***

2.27 The AHA has made a number of preliminary calculations in order to estimate how much horse owners will be charged should the cost recovery mechanisms be activated. The AHA's calculations are based around the four disease categories, and a

total disease response cost of \$50 million. Table 3 below contains these indicative figures.<sup>16</sup>

**Table 3 – Cost to horse owners based on total response cost of \$50 million**

<b>EADRA disease category</b>	<b>Total industry share of response costs (pa)</b>	<b>Levy on manufactured feed</b>	<b>Levy on worm treatments</b>	<b>Amount generated per year (for 10 years)</b>
<b>1</b>	\$0	Nil	Nil	Nil
<b>2</b>	\$1M	0.6 cents/kg	35 cents/dose	\$1.091M
<b>3</b>	\$2.5M	1.8 cents/kg	60 cents/dose	\$2.7M
<b>4</b>	\$4M	3 cents/kg	80 cents/dose	\$4.27M

### *Limits to parties' cost sharing obligations*

2.28 Under the current EADRA, there are limits to an industry's cost sharing obligations in respect of an Emergency Animal Disease Response Plan (EADRP). Section 10.5 of the EADRA states that:

- (a) Unless it has otherwise agreed in writing, a Party will not be required to contribute an amount to Cost Sharing in respect of an EADRP which exceeds that Party's Proportional Share (as determined in accordance with **Part 4 of Schedule 6**) of 1% of the GVP of the Industry(s) affected by the EAD and in the case of foot and mouth disease 2% of the GVP of Affected Industries, or such other amount as may be agreed in writing by the Affected Parties (the "**Agreed Limit**").
- (b) Where the NMG has reason to believe that the cost of an EADRP will exceed the Agreed Limit, it must promptly determine whether:
  - (i) the agreed Limit should be increased;
  - (ii) the EADRP should be continued;
  - (iii) the Proportional Shares of the Affected Parties should be altered; or
  - (iv) any other appropriate alterations should be made to the EADRP.<sup>17</sup>

<sup>16</sup> Animal Health Australia, *Submission 18*, Appendix 3, p. 18.

<sup>17</sup> *Government and Livestock Industry Cost Sharing Deed in Respect of Emergency Animal Disease Responses*, Variation No. 10/1-08/07/10, p. 20.

## **Implications to horse industry of committing to EADRA**

2.29 As the agency responsible for the administration of the EADRA, AHA outlined the benefits to industry (of being a signatory to the Agreement) in the following way:

- A rapid response to an emergency disease incident to maximise the chance of eradication or containment and minimise adverse effects on an industry, human health and the environment.
- The potential cost to a signatory and the funding mechanisms to cover this cost are agreed to in advance.
- Costs are minimal to all signatories.
- Accountability and transparency are provided to all signatories.
- The affected industries (signatories) are directly involved in the decision making for starting and managing an emergency animal disease response from the outset.
- A consistent and agreed national approach for managing emergency animal diseases (EADs). This approach is underpinned by a series of technical response plans – AUSVETPLAN.
- Affected persons, whose industry representative body is a signatory to the EADRA, may receive compensation for certain authorised and direct costs associated with an approved EAD. This will help remove some barriers to reporting a suspected disease.
- The Australian government agreement to initially pay the share of costs for an industry, which is a signatory to the agreement, where that industry is unable to do so and to allow repayment of this funding over time.
- Commitment to risk mitigation by all signatories through development and implementation of biosecurity strategies and plans.
- All states and territory governments, which are signatories to the EADRA are required to define a base level of resources for managing EAD responses. This will include a reserve of training personnel and technical expertise.<sup>18</sup>

2.30 In evidence, Dr Michael Bond, Chief Executive Officer of AHA, further emphasised the significance of the EADRA and told the committee that:

---

18 Animal Health Australia, EADRA Questions and Answers webpage, <http://www.animalhealthaustralia.com.au/horse-owners-and-the-eadra/eadra-questions>, accessed 28 October 2010.

---

... it is in everyone's interests that we are able to respond effectively and quickly to any animal disease emergency that is affecting horses.<sup>19</sup>

2.31 In evidence, the Department of Agriculture, Fisheries and Forestry clarified the preferred option of the PIMC in relation to the horse industry becoming a signatory to the EADRA:

**Senator BACK** – Just to finalise: the position, as you explained, is that the preferred option of the Primary Industries Ministerial Council is that the industry does sign up to the Emergency Animal Disease Response Agreement for the horse industry.

**Ms Mellor** – I think that is a policy issue across all industry sectors. What we have here is an industry that so far has not signed nor demonstrated its ability to fund a levy. As with all industries, our preference is that they do sign up to the deeds.

**Senator BACK** – That is the point I want to establish. The committee understands the combined views of federal, state and territory ministers.

**Ms Mellor** – Yes, the preference is that there is preparation made by that industry or sector to enable itself to both manage the response in the event that that occurs and to also participate actively in the working of the deed.<sup>20</sup>

2.32 The majority of submissions to the committee's inquiry emphasised the positive implications for the horse industry of committing to an EADRA.<sup>21</sup>

2.33 The committee's inquiry also revealed strong support, across all sectors of the Australian horse industry for the industry becoming a signatory to the EADRA. Racing and Wagering Western Australia (RWVA) argued that the benefits to the industry of signing an EADRA will far outweigh the costs.<sup>22</sup> Both the Australian Racing Board (ARB) and Thoroughbred Breeders Australia (TBA) argued that the industry must commit to an EADRA.<sup>23</sup> Harness Racing Australia (HRA) signalled its strong support for an EADRA, and argued that the failure of the horse industry to sign will jeopardise national response arrangements and partnership agreements. HRA also went as far as indicating that they will sign the EADRA independently if necessary.<sup>24</sup>

---

19 Dr Michael Bond, Animal Health Australia, *Committee Hansard*, 19 November 2010, p. 54.

20 Ms Rona Mellor, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 19 November 2010, p. 67.

21 See, for example, Australian Racing Board Limited, *Submission 2*; Australian Veterinary Association, *Submission 4*; Australian Horse Industry Council, *Submission 5A*; Western Australian Horse Industry Council, *Submission 8*; Pepper Tree Farm, *Submission 9*; Harness Racing Australia Inc, *Submission 10*; Pony Club Australia Inc, *Submission 11* and Australian Carriage Driving Society Inc, *Submission 17*.

22 See Racing and Wagering Western Australia, *Submission 3*, p. 2.

23 Australian Racing Board Limited, *Submission 2*, p. 12.

24 Harness Racing Australia, *Submission 10*, p. 2.

2.34 The Australian Horse Industry Council (AHIC) told the committee that they, along with the three other industry members of AHA (the ARB, HRA and Equestrian Australia) are in the process of writing to AHA requesting to sign the EADRA on behalf of the horse industry and noted that "this is a reflection of the broad agreement amongst the Horse Industry to become signatories of the EADRA and to meet PIMC's requirements".<sup>25</sup>

2.35 Pony Club Australia (PCA) also indicated its support for the signing of the EADRA. Mr Stephen Coffey, Treasurer of PCA told the committee:

Pony Club Australia is the largest recreational equestrian association in Australia, with a total membership in excess of 50,000. Pony Club Australia supports the establishment of an EADRA for the horse industry.<sup>26</sup>

2.36 PCA's submission also pointed to the positive implications of an EADRA for individual horse owners, and summarised them as follows:

- 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; and
- expectation that the Australian Government will have in place best quarantine and border security practices.<sup>27</sup>

2.37 Mr John Spragg, Executive Officer of the Stock Feed Manufacturers' Council of Australia (SFMCA), also indicated that, whilst his organisation had some concerns about the method of levy collection, it was supportive of the EADRA. Mr Spragg told the committee:

Yes. In our submission we support the signing of the EADRA levy. We believe it is something the horse industry should do for the long-term viability of the industry. So we have no problem with that, it is the method of levy collection that we have issues with.<sup>28</sup>

### ***Committee view***

2.38 The committee notes the extensive consultation exercise undertaken by AHA in order to inform, educate and ultimately gain agreement from all sectors of the Australian horse industry to become signatories to the EADRA. It is clear that there has been considerable discussion, across all sectors of the industry, which has

---

25 Australian Horse Industry Council, *Submission 5A*, p. 2.

26 Mr Stephen Coffee, Pony Club Australia, *Committee Hansard*, 19 November 2010, p. 47.

27 Pony Club Australia Inc, *Submission 11*, p. 1.

28 Mr John Spragg, Stock Feed Manufacturers' Council of Australia, *Committee Hansard*, 19 November 2010, p. 4.

included an examination of both the positive and negative implications of committing to EADRA. The committee has been pleased to observe that the industry has a clear understanding of the benefits of becoming a signatory to the EADRA, and that there is an unprecedented level of support for the Agreement across all sectors of the Australian horse industry.

### **Options for equitable contributions by horse owners**

2.39 As previously discussed, over the years numerous proposals and levy options have been considered by the horse industry, with no one particular proposal gaining sufficient support across all sectors of the industry. Over recent months, however, following extensive discussion, a preferred option has been agreed – a zero-based levy placed on 'manufactured feed' and 'treatment against worms'.

2.40 Several organisations indicated their initial preference was for a levy on horse registrations.<sup>29</sup> However, these organisations also indicated that their main priority was to reach agreement across all sectors of the industry. Mr Andrew Kelly, Chief Executive of Harness Racing Australia told the committee:

Our preference is registration. But we have set that to one side in order to find commonality amongst the entire horse industry, which for 10 years or more has been unable to find traction. We have found traction since April on the assessment of some 10-12 levies – there were slaughter levies, horseshoe levies, feed and wormers obviously, activity levies. All of these different levies have been debated and discussed and tossed around by the entire horse industry, and to land on those two, being wormers and hard feed, and for those very small amounts of levy collected to over a ten-year period more than be able to repay the Commonwealth, we have set registration aside for the benefit of the entire industry.<sup>30</sup>

2.41 The ARB also told the committee that, whilst it subscribes to the idea of a levy on registration, the Board's primary objective was to reach agreement on a levy mechanism which allows the industry to become a signatory to EADRA.<sup>31</sup>

2.42 Mr Grant Baldock, Chief Executive Officer, Equestrian Australia (EA), told the committee that his organisation had consulted widely with its members and that there was strong support for both the signing of the EADRA, and a zero-based levy on hard feed and wormers. Mr Baldock also told the committee that EA members would pay an appropriate proportion of the levy:

---

29 Australian Racing Board Limited, *Submission 2*, p. 13 and Harness Racing Australia, *Submission 10*, p. 2.

30 Mr Andrew Kelly, Harness Racing Australia, *Committee Hansard*, 19 November 2010, pp 19-20.

31 Mr Andrew Harding, Australian Racing Board, *Committee Hansard*, 19 November 2010, pp 24-25.

On the estimates of our membership and the 45,000 horses that are registered, we have anecdotal evidence that approximately 90 per cent of them do use hard feed, so the majority of our horses use hard feed and we would have to say that the majority of our horses are wormed as well.<sup>32</sup>

2.43 Similar support for a zero-based levy on hard feed and wormers was expressed by other members of the recreational and hobbyist section of the industry.<sup>33</sup>

2.44 The committee was also made aware of concerns regarding what were perceived as inequities in the proposed levy collection system. Specifically, these concerns were raised by the feed manufacturing industry, the animal pharmaceutical industry and TBA.

2.45 The concerns expressed by Australian feed manufacturers and the animal pharmaceutical industry related primarily to the method of collection of the levy. The SFMCA argued that the most equitable scheme is where the levy is collected directly from owners – either in the form of a registration levy, event entry or 'activity' payments.<sup>34</sup>

2.46 The Veterinary Manufacturers and Distributors Association raised similar concerns but also argued that the imposition of a levy on each dose of wormers would result in decreased treatment of animals "with consequential decreases not only in animal health but also possibly impact on human health (particularly of those humans involved in the handling of horses)".<sup>35</sup>

2.47 In evidence, Mr John Spragg, Executive Officer, SFMCA, outlined the industries concerns as follows:

- the levy cannot be described as broad-based – because only about 30% of horses consume manufactured horse feed;
- the extra cost of 60c per 20-kilo bag will alter owners' buying habits and horse owners will go back to mixing their own feed;
- owners can simply stop buying manufactured feed, thereby avoiding the levy;
- there is a lack of clarity in relation to the labelling and description of horse feeds – feeds can simply be re-labelled as 'general purpose pellets' and would be outside the levy collection process;

---

32 Mr Grant Baldock, Equestrian Australia, *Committee Hansard*, 19 November 2010, p. 36.

33 Australian Horse Industry Council, *Submission 5A*, Australian Carriage Driving Society Inc, *Submission 17*, Pony Club Australia, *Committee Hansard*, 19 November 2010, p. 51, and Australian Campdraft Association, *Committee Hansard*, 19 November 2010, p. 51.

34 Stock Feed Manufacturers' Council of Australia, *Submission 1*, p. 10.

35 Veterinary Manufacturers and Distributors Association Ltd, *Submission 13*, p. 2.

- horse owners should be able to see recognition of the paid levy – on an invoice – this will not happen under the proposed system; and
- the responsibility for the levy system and the payment of levies should reside with the horse industry – not the feed manufacturers.<sup>36</sup>

2.48 The concerns expressed by TBA related more specifically to the possibility of the thoroughbred sector being required to pay proportionally more than other sectors of the industry. In expressing these concerns, Mr Peter McGauran, Chief Executive Officer, TBA, said:

I would wish to place on the record that our organisation, representing 2,700 members, is deeply concerned about the lack of clarity about the burden of payment of the levy, should it – God forbid – ever be invoked, falling on the thoroughbred sector.

Animal Health Australia tells us that thoroughbreds are 11 per cent of the non-feral horse population and, by their own estimates, could be paying 55 per cent of the levy. In agreement with Mr Harding, we will accept that if it means that EADRA is finally signed. We are prepared to pay more than what might be fair to more objective observers. However, we are not convinced that the uppermost proportion of the levy would be 55 per cent. There is nothing before us that would give us confidence that our proportion of the levy would stop at 55 per cent.<sup>37</sup>

2.49 A number of sectors of the horse industry also expressed support for a review of the levy mechanism, with several suggesting a five year review period.<sup>38</sup> The AHIC told the committee it supports the horse industry view that the levy mechanism should be reviewed after five years as there "could be changes on feeding and worming practices and other levy options might be available".<sup>39</sup>

2.50 In evidence, Dr Michael Bond, AHA, acknowledged the concerns expressed by the stock feed manufacturers and the manufacturers of anthelmintics (worm treatments) and indicated that he understood the basis of those concerns. Dr Bond then went on to say that while it is in everyone's interest to be able to respond quickly to any animal disease emergency, he would be:

.... seeking the acquiescence and agreement of all parties to these sorts of arrangements. We have checked with DAFF and it will be possible, I understand, to include in any legislation provision for a five-yearly review of the levy collection arrangements, which would mean that we would not

---

36 Mr John Spragg, Stock Feed Manufacturers' Council of Australia, *Committee Hansard*, 19 November 2010, pp 2-3.

37 Mr Peter McGauran, Thoroughbred Breeders Australia, *Committee Hansard*, 19 November 2010, p. 26.

38 See, for example, Queensland Horse Council Inc. *Submission 14*.

39 Australian Horse Industry Council, *Submission 5A*, p. 1.

necessarily be locked in for ever and a day to these particular cost recovery options.<sup>40</sup>

2.51 This advice was confirmed by a representative of the Department of Agriculture, Fisheries and Forestry, who told the committee that:

We have received legal advice indicating that it would be possible to have a review included as part of the legislation that would be brought forward to support the levy options. But it is also important to note that in the Commonwealth's levy principles and guidelines there is actually a principle about whether the industry has a plan to review the levy against levy principles and guidelines, and have that subject to a period of review. So there would be both an informal mechanism, through regular review against the levy principles and guidelines. And it could also be something that we could consider including in the legislation at such time as the submission is brought forward.<sup>41</sup>

### ***Committee view***

2.52 The committee notes that there is overwhelming support for the Australian horse industry to sign up to a zero-based levy. It is also clear to the committee that the horse industry has confidence in the advice provided by AHA that the most cost effective mechanism for collection of the levy is one placed on manufactured feeds and wormers.

2.53 The committee also notes the complementary comments expressed toward AHA and its role in facilitating industry agreement. The industry is obviously appreciative of the role played by AHA – both in relation to industry's agreement to the signing of the EADRA and in negotiating an outcome on an appropriate levy mechanism.

2.54 The committee acknowledges the evidence provided by the stock feed manufacturers and the animal pharmaceutical industry regarding the impact of a levy on hard feed and wormers on the sales and use of such products. The committee considers that provision for periodic review of the levy will provide a means of monitoring such impacts and addressing them where necessary. The committee endorses a periodic review of the levy being specifically provided for in the legislation and agrees that five years is a reasonable review period.

### **Criteria for sharing of levy**

2.55 As discussed previously, parties to the EADRA each agree to a mechanism for sharing the cost of an emergency disease response. The proportions paid are dependent on the 'category' allocated to the specific disease. There are four disease

---

40 Dr Michael Bond, Animal Health Australia, *Committee Hansard*, 19 November 2010, p. 54.

41 Ms Nicola Hinder, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 19 November 2010, pp 65-66.

categories which determine the proportions paid by government and industry. (See Table 1).

2.56 In responding to the question of criteria for sharing the levy between all parties – Commonwealth, state and territory governments, horse industry groups and owners, the majority of submissions focused on the issue of disease categorisation.

2.57 A number of submitters expressed concern about the current categorisation of some of the diseases listed in the EADRA, particularly Hendra and EI and the balance of government and industry responsibility with regard to the costs of responding to an incursion.<sup>42</sup>

2.58 Racing and Wagering Western Australia (RWVA) and Western Australian Horse Council (WAHC)<sup>43</sup> both argued, for example, that EAD's affecting horses should be categorised as a minimum Category 3 disease. Category 3 diseases provide for a 50/50 split in costs between the government and the industry. RWVA also suggest the Category 3 description be amended to read:

These are EAD's that have the potential to cause significant (but generally moderate) national socio-economic consequences through international trade losses, and/or market disruptions involving two or more states and severe income production losses to affected industries, but have minimal or no affect on human health or the environment.<sup>44</sup>

2.59 In evidence, TBA, also suggested that EI should be re-categorised to a Category 3 disease.<sup>45</sup> Mr Andrew Harding, Chief Executive of ARB agreed with this suggestion, however he also acknowledged that:

The categorisation of this disease can only be changed by the agreement of those parties by the process that is set out within EADRA. A very good first step for us to get a recategorisation would be for us to be a signatory.<sup>46</sup>

2.60 HRA has indicated that it is also keen to see both these diseases re-categorised. The organisation also accepts, however, that this cannot occur until the horse industry becomes a signatory to the EADRA.<sup>47</sup>

2.61 In its submission to the inquiry, HRA endorse the existing EADRA philosophy that the 'beneficiary pays' principle should underpin categorisation of

---

42 Equestrian Australia, *Committee Hansard*, 19 November 2010, p. 36 and Australian Racing Board and Thoroughbred Breeders Australia, *Committee Hansard*, 19 November 2010, p. 27.

43 Western Australian Horse Council, *Submission 8*, p. 2.

44 Racing and Wagering Western Australia, *Submission 3*, pp 5-6.

45 Mr Peter McGauran, Thoroughbred Breeders Australia, *Committee Hansard*, 19 November 2010, p. 26.

46 Mr Andrew Harding, Australian Racing Board, *Committee Hansard*, 19 November 2010, p. 27.

47 Harness Racing Australia, *Submission 10*, p. 2.

EADRA scheduled diseases. HRA also agree that only EADRA scheduled diseases that pose a significant public health risk should be 100 per cent government funded. However, HRA questions the current categorisation of Hendra Virus and EI in the EADRA schedules and submit that Hendra should be re-categorised as a Category 1 disease and EI be re-categorised as a Category 3 disease.<sup>48</sup>

2.62 The committee notes that re-categorisation of the diseases currently listed in the EADRA can only be initiated by signatories to the agreement.<sup>49</sup> Dr Bond told the committee that there is a well-defined process provided under the EADRA to have diseases re-categorised. Dr Bond said:

It is considered by the Animal Health Committee, a categorisation panel is established and so on. It is a well-defined process, and there is no reason why, as I say, diseases like Hendra, EI and perhaps others could not be considered for recategorisation. But the initiative rests with the signatories to the deed.<sup>50</sup>

### ***Committee view***

2.63 The committee notes concerns raised during the inquiry regarding the need for the re-categorisation of certain horse diseases on the EADRA schedule. The committee is also aware, however, that once the industry has become a signatory to the EADRA, there is a formal process that can be initiated to review the categorisation of these diseases.

### **Quarantine and biosecurity threats**

2.64 A clear message throughout this inquiry is that the benefits to the Australian horse industry of signing the EADRA extend beyond the emergency response to a disease outbreak. Dr Bruce Christie, Principal Director Biosecurity, Industry and Investment NSW, told the committee that in signing the EADRA, the horse industry, together with government, is committing to the development and implementation of biosecurity plans that will reduce the likelihood of an incursion. He said:

The EADRA gives formal recognition to industry as a key partner with governments in owning and taking responsibility for all aspects and management of emergency animal pests and diseases, including prevention, preparedness, response and recovery.<sup>51</sup>

---

48 Harness Racing Australia, *Submission 10*, pp 8-9.

49 Dr Michael Bond, Chief Executive Officer, Animal Health Australia, Committee Hansard, 19 November 2010, p. 54.

50 Dr Michael Bond, Chief Executive Officer, Animal Health Australia, Committee Hansard, 19 November 2010, p. 57.

51 Dr Bruce Christie, Principal Director Biosecurity, Industry and Investment NSW, *Committee Hansard*, 19 November 2010, p. 60.

2.65 While much of the evidence received in relation to biosecurity and quarantine had a particular emphasis on the 2007 EI outbreak, the committee notes that a number of submitters were at pains to emphasise the broader question of effective management of quarantine and biosecurity risks to Australia's horse industry.<sup>52</sup>

2.66 AHA told the committee that one-third of the 65 exotic diseases presently listed in the EADRA can affect horses.<sup>53</sup> HRA stressed that a number of the exotic diseases in this list presented far worse consequences to the Australian Horse Industry than EI.<sup>54</sup> The Australian Veterinary Association (AVA) told the committee that some serious diseases are spread by fomites and flying insects.<sup>55</sup> Dr Roger Lavelle, President of AHIC, told the committee that diseases like African horse sickness were of far more concern than EI, which he said 'should be a non-event'.<sup>56</sup>

2.67 Mr Geoffrey Want, Chairman, HRA, told the committee that the 2007 outbreak had been a terrible wake-up call and had resulted in a greater sense of awareness of the potential disasters that could befall the industry.<sup>57</sup> He said:

The outbreak of EI in 2007 was a costly reminder of the need for strong quarantine and biosecurity measures. Subsequent 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.<sup>58</sup>

2.68 The committee notes that submitters are generally pleased with the management of the government response to the equine influenza outbreak and with the changes to biosecurity practices that have been made following the Callinan and Beale inquiries. For example, the AVA notes that there has been considerable attention paid to enhanced quarantine procedures and protocols since 2007 and that this should reduce the risk of any future incursion of EI.<sup>59</sup> AHIC expressed full support for pre-embarkation testing and audit processes for overseas quarantine and for post-arrival testing. AHIC also told the committee that the industry welcomed the recent Import Risk Analysis of diseases of horses and that this also provided an excellent reminder to the industry of the need to maintain appropriate standards to minimise the risk of a new disease incursion.<sup>60</sup>

---

52 See for example, Pepper Tree Farm, *Submission 9*, p. 1;

53 Animal Health Australia, *Submission 18*, p. 2.

54 Mr Geoffrey Want, Chairman, Harness Racing Australia, *Committee Hansard*, 19 November 2010, p. 14.

55 Australian Veterinary Association, *Submission 4*, p.4.

56 *Committee Hansard*, 19 November 2010, p. 40.

57 *Committee Hansard*, 19 November 2010, p. 17.

58 *Committee Hansard*, 19 November 2010, p. 14.

59 Australian Veterinary Association, *Submission 4*, p. 2.

60 Australian Horse Industry Council, *Submission 5*, p. 3.

2.69 Some submitters emphasised the need for additional funding to ensure that agencies are equipped to prevent and respond to future incursions and also to support research and development into horse biosecurity.<sup>61</sup>

### ***Committee view***

2.70 The committee notes the obvious support for the recommendations of both the Beale and Callinan inquiries. This inquiry has also highlighted the support for the responses to the recommendations of these two inquiries by the Department of Agriculture, Fisheries and Forestry and Biosecurity Australia to date. It is also clear that one positive consequence of the EI outbreak is that the industry is now better equipped to recognise, identify and move to control such a disease outbreak.

### **Other matters**

#### ***Vaccination***

2.71 In setting the 1 December 2010 deadline for industry to sign the EADRA, the PIMC also reserved for itself the option of moving to voluntary vaccination after that date. The committee received evidence from individuals and organisations who argued that voluntary vaccination is an option that is neither viable, nor preferred.<sup>62</sup>

2.72 RWWA, for example noted in its submission that "the argument to vaccinate at this time in a non EI infected state such as WA is not compelling".<sup>63</sup> The organisation also indicated that it would reconsider this position should the EADRA not be signed.

2.73 The AVA expressed its strong opposition to vaccination, and noted that vaccination for diseases that do not occur in Australia is currently not allowed – for good reasons. The AVA's submission stated that vaccination was an expensive option that "would forever change the way the Australian horse industry operates"<sup>64</sup> and went on to argue that:

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 would add several hundred dollars 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

---

61 See for example, Horse Federation of SA Inc, *Submission 6*, p. 1 and Western Australian Horse Council, *Submission 8*, p. 2.

62 See, for example, Pepper Tree Farm, *Submission 9*, p. 1 and Harness Breeders NSW, *Submission 16*, p.1.

63 Racing and Wagering Western Australia, *Submission 3*, p. 8.

64 Australian Veterinary Association Limited, *Submission 4*, p. 2.

testing protocols would be imposed. Vaccination against EI would considerably complicate any attempts at eradication of any future incursion of EI into Australia.<sup>65</sup>

2.74 Similar arguments were put forward by representatives of the harness racing industry. Mr Geoff Want, Chairman of HRA, told the committee that HRA has undertaken studies which showed that the cost of vaccination would work out to be \$2,100 per horse, per year. Mr Want also went on to tell the committee that:

The problem we also have – and there is a great deal of scientific evidence, and I know other people will argue against this – that vaccination does not cure equine influenza; it simply masks the effects of it. The horse can still be a carrier of the disease, and for that very reason, if we allow voluntary vaccination in Australia, the New Zealand authorities will no longer allow free movement of horses between Australia and New Zealand. That is very important for us in harness racing, particularly in Western Australia.<sup>66</sup>

2.75 The committee sought clarification from government representatives regarding voluntary vaccination. When asked whether moving to a voluntary EI vaccination program would mean that eradication was still possible, officers responded by saying:

**Dr Carroll** – Probably the short answer is yes, you could in the end, because you can stop vaccination as well as start it. It would also depend on how much vaccination had been taken up. If the vaccine became available and the uptake was very, very slight then it would not take long to get to a situation where again eradication was more readily achieved. If vaccination were for any reason taken up in a very widespread way that would make it more complicated and it would take longer.

**Dr Christie** – Senator, for vaccination, as I mentioned earlier, the response needs to happen quickly. The uptake of widespread vaccination would probably mean it would be more difficult to find the disease, which would make it more difficult to eradicate and therefore difficult to meet the policy of eradication.<sup>67</sup>

### ***Data on horse numbers***

2.76 Throughout its inquiry, the committee received evidence regarding the lack of accurate information on horse numbers and their distribution across Australia.<sup>68</sup> In particular, the Australian Horse Industry Council argued that the lack of accurate data

---

65 Australian Veterinary Association Limited, *Submission 4*, p. 2.

66 Mr Geoffrey Want, Harness Racing Australia, *Committee Hansard*, 19 November 2010, p. 16.

67 Dr Andrew Carroll, Chief Veterinary Officer, Department of Agriculture, Fisheries and Forestry and Dr Bruce Christie, Principal Director, Biosecurity, Industry and Investment, NSW, *Committee Hansard*, 19 November 2010, p. 59.

68 See, for example, Western Australian Horse Council, *Submission 8* and Veterinary Manufacturers and Distributors Association Ltd, *Submission 13*.

on horse numbers had been an ongoing problem for the horse industry. The Council noted that while racing authorities have excellent data as part of their licensing arrangements, there were problems in other sectors of the industry. The Council argued that:

- some organisations register horses, but these registers are frequently out of date;
- some events (but not all) require tracing information on their entry forms;
- the 2007 EI incursion and the 2009 Black Saturday Bushfires highlighted the paucity of detailed information on the whereabouts and ownership of horses; and
- the lack of detailed information has provided some difficulty in modelling some of the levy options.<sup>69</sup>

2.77 The Council also noted that:

- a mandatory requirement for properties that have horses on them to be identified through Property Identification Codes (PIC's) is being implemented throughout Australia;
- there are a slowly increasing number of horse organisations which require horses to be micro-chipped; and
- Victoria has regulations in place for the voluntary micro-chipping of horses.<sup>70</sup>

2.78 AHIC told the committee that all these ideas have its full support. HRA also argue that, currently, the only reliable statistics on horse numbers are those kept by the thoroughbred and standardbred sectors. HRA told the committee it was keen to see national agreement to PIC's should becoming compulsory across Australia and recommended 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.<sup>71</sup>

2.79 The committee sought AHA's views regarding the need to gain a better understanding, of both the size and distribution of the non-feral horse population, across the various sectors of the industry. Dr Bond responded by saying that:

When equine influenza hit in 2007 it is one of the reasons we were slower to respond than we might have been. One of our first jobs was to find out just where horses were and the numbers. We had no idea. I suppose you

---

69 Australian Horse Industry Council, *Submission 5*, p. 3.

70 Australian Horse Industry Council, *Submission 5*, p. 3.

71 Harness Racing Australia, *Submission 10*, p. 10.

---

asked my personal view and I will give it. I believe the moves to introduce mandatory property identification codes in some jurisdictions is a move in the right direction. I say that because in responding to any disease emergency, whether it is foot-and-mouth disease or equine influenza, it is so important to be able to be able to act quickly and decisively and to know where the susceptible animals are. It is just common sense.<sup>72</sup>

### *Committee view*

2.80 The committee notes the concerns raised regarding voluntary vaccination, particularly in relation to EI. The committee also notes the response from government officers, who indicated that a large, or widespread take-up of voluntary vaccination would make it more complicated, and require a longer amount of time to eradicate an emergency animal disease.

2.81 The committee concurs with the view of witnesses who suggested that the industry would be best served over time by having a more accurate understanding of the size and scope of the non-feral horse population.

### **Conclusion**

2.82 The committee notes the PIMC's preferred position that all sectors of the Australian horse industry sign the EADRA, and that they demonstrate that they can manage an emergency animal disease response and recover the costs of such a response.

2.83 After exhaustive inquiry, the committee found no evidence of opposition to the Australian horse industry signing the EADRA. The committee is pleased to see, that through the efforts of AHA, the cooperation of all sectors of the horse industry, and a willingness on the part of all sectors of the industry to compromise, agreement has been reached. The committee notes and supports those organisations who are members of the consultative body as a fair representation of all sectors of the horse industry.

2.84 The committee notes that there is overwhelming support for the Australian horse industry to sign up to a zero-based levy. There is clear evidence that the horse industry has complete confidence in the advice provided by AHA: that the most cost effective mechanism for collection of the levy is a levy on manufactured feed and wormers.

### **Recommendation 1**

**2.85 The committee recommends that, consistent with the outcome of the consultation process, the horse industry should sign the EADRA based on the establishment of the levy at a zero dollar amount.**

---

72 Dr Michael Bond, Animal Health Australia, *Committee Hansard*, 19 November 2010, p. 55.

2.86 At the same time, the committee also acknowledges the evidence provided by both the stock feed manufacturers and the animal pharmaceutical industry, particularly the industries' concerns regarding the impact of a levy on the sales of hard feed and wormers. The committee considers that making provision in the legislation for periodic review of the levy will provide a means of monitoring such impacts, and addressing them where necessary. The committee suggests that collection of more detailed information by the manufacturers of stock feed and worming products (around their sale and use by various sectors of the horse industry) would greatly assist in such a review.

### **Recommendation 2**

**2.87 The committee recommends that, notwithstanding the informal review mechanism provided for in the *Levy Principles and Guidelines*, specific legislative provision be made for periodic review of the implementation of the levy.**

2.88 The committee notes the concerns of some sectors of the industry about the need to have certain diseases on the EADRA schedule re-categorised. The committee is also aware the industry's best chance to be able to achieve these changes will be once the industry has become a signatory to the EADRA. At that time, industry will be able to initiate a formal process to review the status of these diseases.

2.89 The committee notes the widespread support across all sectors of the horse industry for the recommendations contained in the Beale and Callinan inquiries. There is obvious support for the responses already made to the recommendations of these two inquiries – by both the Department of Agriculture, Fisheries and Forestry and Biosecurity Australia. It is also clear that a positive consequence of the EI outbreak is the industry is now better equipped to recognise, identify and move to control any future disease outbreak.

2.90 The committee agrees with those sectors of the industry that suggested that the industry would be best served into the future by having a more accurate understanding of the size and scope of the Australian horse population. The committee recognises that it would be particularly useful to have some idea of the size and geographical spread of each of the sectors of the industry, and that such data would greatly assist in timely responses to future emergency disease incursions.

### **Recommendation 3**

**2.91 The committee recommends that the industry aspires to the compilation of more complete data on the size and scope of the Australian horse population.**

### **Recommendation 4**

**2.92 The committee recommends that the introduction of property identification codes be further explored by states and territories.**

**Senator the Hon. Bill Heffernan**  
**Chair**

