



Australian Racing Board Limited

HORSE INDUSTRY JOINING THE EADRA

The Emergency Animal Disease Response Agreement (EADRA) is an agreement between Animal Health Australia, the Australian Government, all State and Territory governments and (currently) ten livestock industry signatories (or 'Parties') on how to manage the cost and responsibility for an emergency response to an animal disease outbreak.

The Australian Racing Board, having been involved in all of the discussions that have taken place over the past decade about the horse industry becoming a party to the EADRA, has given its support to a levy proposal that has been developed this year under the supervision of Animal Health Australia. Shortly stated, joining EADRA is very important to safeguarding the racing industry's interests in the event that there is a future outbreak of an emergency animal disease, and the current levy proposal is the best opportunity to achieve this that has arisen in all the time that EADRA has existed.

It is essential to note that the scheme of the EADRA is that the Australian Government underwrites the immediate costs of a response and the industry is able to pay back its share over time and in small increments. The horse response levy mechanisms which have been selected under the current levy proposal are a small levy on manufactured horse feed and wormers for a limited period **AFTER** a disease response has concluded.

The response levy has no effect before a disease event – except that it provides assurance through the EADRA that the Australian governments will coordinate a response if the need arises.

Below you will find some further information about the response levy and how it would work.

1. Why do we need a response levy?

If the horse-owning community does not sign the Emergency Animal Disease Response Agreement (EADRA) and no response levy mechanism is in place, the Australian Governments has said it will not support any future response to a horse emergency disease.

An agreed response levy mechanism must be in place before the horse-owning community can sign the EADRA. In the case of an emergency animal disease, parties to the EADRA who are affected by the particular disease (industry and government) are involved in the decision making processes about the response strategy, including about financial matters.

There is a set limit to the cost of combating the disease. This is 1% of the gross value of production (GVP) for an animal sector. The most recent estimations of the GVP value for the horse sector is \$3 billion dollars, so 1% is \$30 million. For each disease in the EADRA, the Commonwealth and State Governments contribute to the response costs, so that the maximum liability of the industry is 80% of the costs. There are pre-agreed formulae according to the categorisation of the disease in the EADRA.

Because no one knows how much the total cost will be to combat a disease until the campaign is over, and the disease is eradicated or controlled, the Australian Government underwrites the response for the animal sector – it puts the money up front. The Government does this because it knows, because of the EADRA, that the animal sector has already decided how it would repay its share of the debt.

The response levy is a debt repayment arrangement recognising that almost all animal sectors do not have the money to repay the debt immediately. The response levy is only collected after the share of the animal sector's debt is determined by Animal Health Australia. All the costs of a disease campaign have to be justified before they are included in the debt amount calculation. Depending upon what

resources were required to eradicate or control the disease, the debt may be any amount up to the maximum amount determined at the beginning of the campaign, up to the 1% of 'industry' GVP cap.

The maximum response levy collection period is 10 years. It may take less than this period to pay off the debt.

2. Who proposed this response levy?

The horse-owning community has collaborated to determine appropriate response levy mechanisms.

A Horse Levy Working Group has developed the response levy proposal. The NSW Department of Primary Industries has provided one of its staff members, Dr Dianne Ryan, to act as the hub of the Horse Levy Working Group, and the Australian Racing Board has contributed to the funding of her involvement.

3. What about other response levy options?

A range of response levy options was considered against detailed criteria and two were selected as the most suitable, in line with the Government's Levy Collection Guidelines.

A range of response levy options was suggested by the horse-owning community: via email to the Australian Horse Industry Council, through web-based forums, as decisions at formal meetings of horse sector associations and by direct email contact to the working group. Approximately 400 associations and individuals made contact.

Every option suggested was evaluated by the Horse Levy Working Group against the following guidelines:

- *The legality of the option as a response levy* (does it comply with the Australian Government requirements?).
- *The definition for the levy option.* The horse-owning community, the 'supplier' of the option and the government all need to be very clear about what the response levy option is.
- *How equitable the response levy option is across the horse-owning community.* With an animal sector as diverse as the horse-owning community, consideration had to be taken of what horse owners felt was fair for a large proportion of the horse industry.
- *The number of units on which a response levy can be placed* (the greater the number of units, the less the actual levy is per unit when it is required).
- *The number of 'levy collection points' available.* A levy collection point is the place where the levy money is collected to be remitted to the Government. The aim is to have a response levy option that minimises 'red tape' and is relatively low cost to collect. If there are too many collection points, then this increases the cost of collection. The cost of collection will also be met by the industry sector.
- *The number of unknowns about the response levy options.* In some cases information was not available to determine or even estimate the number of units or collection points for some options.
- *Horse-owning community attitude to the response levy options.* Some response levy options had strong support by some sectors and very negative responses from others.

4. Two response levy options selected

Response levies based on manufactured horse feed and wormers have been selected.

Following detailed consideration of the various possible mechanisms for recovering the industry's share of the costs of an emergency response, the two preferred options are for response levies based on manufactured horse feed and anthelmintics (worm treatments).

These two response levy mechanisms have been supported by all major national horse bodies (Australian Racing Board, Harness Racing Australia, Equestrian Australia and recreational sectors), and endorsed unanimously by the Horse Levy Working Group.

5. Why impose a response levy on feed and wormers?

It is recognised that no levy or combination of levies can fully cover the horse industry, but the two proposed options are agreed to be the most appropriate as they best meet the criteria for selection.

Many response levy options were considered. One of the challenges faced was finding a collection method that would be fair across the largest possible proportion of the horse owners, and one that has many units on which a levy can be placed – the greater the number of units, the less the actual levy is per unit when it is required.

Manufactured horse feed and wormers are two commodities that are used by the largest proportion of horse owners and meet the criteria for selection.

6. How would it work for the manufacturers of these commodities?

If a response levy became necessary, manufacturers would simply add the small response levy amount to their prices.

The levies are zero-based, and will only be triggered if and when an emergency response is agreed. No money would be collected until an actual emergency was over, and the levies would stop when the industry share was repaid.

Levy activation

When the costs of an emergency response are calculated, the amounts of the levies would be determined, and small amounts added to the wholesale costs – to be passed along the marketing chain. The accounting procedures are very simple and should involve minimal cost; however, the companies that collect the levies will be able to retain those funds for up to 12 months and keep the interest earned to offset any additional administrative costs incurred. The small increases in cost will be spread out over a period of up to 10 years to minimise the impact to horse owners and allied industries.

7. Won't it stop people from feeding their horses hard feed or worming them?

The increase to costs will only be small and most horse owners are likely to continue to properly care for their horses.

The comparatively small unit costs of the levy are unlikely to lead to change in nutrition or worming regimes. At worst there may be a short term change in horse owner behaviour.

8. How much would the response levy be?

The response levy will only add a small amount to each unit price, and for a limited period of time. The actual amount is calculated after a response.

After an emergency response is finished, the EADRA provides for industry repayment over 10 years if necessary, but the levy would cease as soon as the industry share has been repaid.

9. When will the response levy collection start?

No response levy occurs unless a response to a disease incident is required and it commences after the response has concluded.

The decision by the horse-owning community is that the response levy will be an 'Emergency Disease' levy and 'zero rated'. This means the legislation to allow the collection of the response levy is put into place (how to collect the response levy when needed) but no response levy is collected until the process described above occurs – there is an emergency animal disease outbreak, EADRA is activated, there is a campaign to remove or control the disease and a debt is generated that the horse-owning community is required to repay.

The response levy will only become operational if the debt is to pay for a disease campaign to combat a disease that affects horses. There are 22 diseases listed in EADRA that can affect horses. For some of these diseases, the Government will pay all of the costs, in others either the horse-owning community pays the industry share alone or it pays a share together with other animal sectors (for example, where the disease also affects cattle).

10. What about people who try to get around the system and avoid paying the levy?

No system is perfect but most horse owners are likely to do the right thing.

It is considered that over the full repayment period there will be adequate opportunity to reach a majority of horse owners.

11. Can changes be made to the legislation once it is passed?

Provisions for a review of the legislation will be incorporated into the process.

The proposed levy legislation will include provision for a five-year review of collection arrangements. This means that as the marketing environment changes and/or there are new products available, technological developments etc., alternative collection mechanisms could be considered, and the legislation amended accordingly.

12. Is there an alternative to signing the EADRA?

No. Unless the horse-owning is a signatory to the EADRA the Australian governments have said they will not support a future coordinated response. Outside the EADRA, there is no obligation on governments to consult with the horse-owning community during a response.

States and territory governments have the power through their respective legislation to undertake any methods they choose to stamp out an incursion without any consultation with horse owners – this could mean extremely strict movement controls for long periods and, depending on the disease, destruction of animals. Governments could also decide not to respond at all, possibly leading to ongoing health issues for horses or costly prevention measures.

It is in everyone's interests that the horse-owning community sign the EADRA and have preparations in place for a response levy should it become necessary.

Further information about the Emergency Animal Disease Response Agreement can be found at:

<http://www.animalhealthaustralia.com.au/programs/eadp/eadra.cfm>
