



Australian Government
**Department of Agriculture
and Water Resources**

Horse Disease Response Levy Review

Consultation Report

November 2016



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Horse Disease Response Levy Review – Consultation Report is available at www.agriculture.gov.au/review-horse-disease-response-levy

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Executive Summary

The Horse Disease Response Levy Review is a requirement under the *Horse Disease Response Levy Collection Act 2011*. It requires the Minister for Agriculture and Water Resources to ensure that, at least once every five years, there is a review of whether a levy on manufactured feed and worm treatments is the most appropriate way of raising money to meet the cost of an emergency response to a disease affecting horses.

The review process included targeted consultation with key stakeholders and a four-week public consultation period where written submissions were sought. The key feedback received included:

1. support for the current collection points, on the basis that extensive consultation has previously been undertaken and the current collection points remain the most appropriate
2. concern that the levy collection points do not align with the Australian Government's *Levy Principles and Guidelines*
3. concern about the appropriateness of the levy collection points and the impact the levy would have upon business and industries if it is activated
4. concern about the wording in the *Horse Disease Response Levy Act 2011* (Commonwealth) and the *Horse Disease Response Levy Collection Act 2011* (Commonwealth).

Stakeholders opposed to the levy were asked to propose alternative levy collection points. Suggestions included at the point of registration in a national scheme, local council registration of horses, electronic identification of horses, individual horses on property identification codes, event registration and horse breeding registration.

Feedback received during the review was analysed and used to reach five findings:

1. The horse industry supports the current levy collection points of manufactured feed and horse wormers. The horse industry view is that this is currently the most equitable option available that provides the broadest coverage.
2. There is strong opposition to the current collection points from stakeholders responsible for collecting the levy. These stakeholders believe that the current levy collection points do not satisfy all of the Australian Government *Levy Principles and Guidelines*, however, the department does not support this view.
3. Concerns from stakeholders opposed to the current collection points that potential inequities preventing even coverage of the levy and potential levy leakage are valid. However, there is insufficient data about horse population and feeding and worming practices to quantify this.
4. While a number of alternative collection points were proposed, further data about horse population and feeding and worming practices is required to test the proposed

alternatives. This will allow a more conclusive analysis of current and alternative collection points.

5. Stakeholders opposing the levy also raised concerns that the *Horse Disease Response Levy Act 2011* (Commonwealth) might inhibit levy costs being passed on to the end user of manufactured feed or horse wormers. Substantiation of this issue requires further investigation.

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Introduction

In Australia, responses to significant animal disease emergencies are coordinated nationally by governments and affected industries, with responses underpinned by the Emergency Animal Disease Response Agreement (EADRA).

The EADRA allows for the costs of responding to significant animal diseases to be shared by the Australian Government, state and territory governments and livestock industries. The EADRA provides assurance to industries that when certain criteria are met, the necessary resources and finances will be available to mount a response to a disease incursion.

In March 2011, the Australian Horse Industry Council, Equestrian Australia, Harness Racing Australia and Racing Australia signed the EADRA on behalf of the horse industry.

The *Horse Disease Response Levy Act 2011* and the *Horse Disease Response Levy Collection Act 2011* were introduced in response to the horse industry becoming a signatory to the EADRA. The legislation provides the horse industry with a mechanism to fund its share of a response to an emergency disease that affects horses. A levy was introduced at a nil rate, with the understanding that it would be increased to a positive rate if the EADRA is activated to respond to a horse disease incursion.

Under the EADRA, the Australian Government can agree to underwrite an industry's share of the response. These costs are then recovered through a statutory industry levy. The rate is decided by industry, in consultation with the Australian Government. When the costs have been recovered, the levy is set back to nil.

The review of levy arrangements is a requirement under Section 35, Part 4 of the *Horse Disease Response Levy Collection Act 2011*. It requires the Minister for Agriculture and Water Resources to ensure that, at least once every five years, there is a review of whether a levy on manufactured feed and worm treatments is the most appropriate way of raising money to meet the costs of an emergency response to a disease affecting horses.

The review process included targeted consultation with key stakeholders and a four-week public consultation period where written submissions were sought. This report details the consultation activities undertaken for the review and the feedback received from stakeholders. The department has considered this feedback and made a number of findings.

In Scope

The department undertook the review to seek feedback from the horse industry stakeholders and considered:

- whether a levy on manufactured feed and worm treatments is the most appropriate way of raising money to meet costs of an emergency response to a disease affecting horses, or
- whether any changes should be made to the current levy collection points.

Stakeholder feedback was sought on two key questions:

- Do you support the current levy collection points?
- If you do not support the current collection points, why, and what would you propose as an alternative?

Out of Scope

Those items that were out of scope for this review included:

- an audit of previous responses affecting the horse industry
- any part of broader levy legislation or the agricultural levy system
- the requirement of the response levy for the horse industry
- disease categories in the EADRA and their appropriateness.

Consultation

Stage 1: Pre-Consultation

In June 2016, the department held pre-consultation meetings with key stakeholders. The purpose was to engage early and gain an understanding of whether the current levy collection points were supported or opposed.

The key stakeholders engaged were those involved in the 2010 consultation and submission process, including the four horse EADRA signatories, the broader horse industry and those industries which would collect the levy if it was activated for a disease response.

Eight stakeholders participated in pre-consultation discussions:

1. Australian Horse Industry Council
2. Equestrian Australia
3. Harness Racing Australia
4. Racing Australia
5. Animal Health Australia
6. Stockfeed Manufacturers Council of Australia
7. Animal Medicines Australia
8. The Veterinary Manufacturers and Distributors of Australia

Stage 2: Main consultation

The main consultation began on 28 June 2016 and took place over six weeks. It consisted of face-to-face discussion groups, teleconferences and one-on-one meetings.

During the consultation period, external stakeholders discussed their views about the levy collection points with the department. A complete list of organisations which participated can be found at [Attachment A](#).

Stage 3: Public submissions

The department prepared a position paper that provided an overview of the history of the levy collection points and current levy collection methods. The paper encouraged stakeholders to consider the information provided and present their views on the most appropriate levy collection points to cover the industry's contribution for a future horse disease response. This was published on the department's website on 29 July 2016. Stakeholders were encouraged to provide feedback formally through a written submission, or informally via an online feedback form.

Submissions to the review opened on 29 July 2016 and closed on 29 August 2016. A total of 13 formal submissions were received.

The non-confidential submissions are available on the department's website at: [Horse Disease Response Levy review – Department of Agriculture and Water Resources](#)

A list of submissions can be found at [Attachment B](#).

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What we heard

This chapter summarises the key issues raised during the consultation. It is split into two sections – feedback on the current collection points for the horse disease response levy and feedback on alternative levy collection points for the horse disease response levy.

Stakeholders were asked two high level questions in the discussion paper:

1. Do you support the current levy collection points?
2. If you do not support the current collection points, why, and what would you propose as an alternative?

Feedback on the current levy collection points

Since 2010, many horse disease response levy options have been considered for the horse industry. It is recognised that no levy or combination of collection points can fully cover the entire horse industry. It has been a challenge to find a collection method that is fair, applies to the largest possible proportion of horse owners and has a high number of units upon which a levy can be placed – the greater the number of units, the less the actual levy is per unit when it is activated.

There is a clear distinction between support from the horse industry and the position of non-horse industry stakeholders. The majority of stakeholders within the horse industry stated they are comfortable with the current horse disease response levy collection points. As the levy has not been activated, there is no case for change. However, stakeholders from industries that would collect the levy (such as the stock feed manufacturing industry and animal medicines industries) have made opposing arguments and proposed alternative options for levy collection points.

Overall, the feedback on current levy collection points includes:

1. support for the current collection points, on the basis that extensive consultation has previously been undertaken and the current collection points remain the most appropriate
2. concern that the levy collection points do not align with the Australian Government's *Levy Principles and Guidelines*
3. concern about the appropriateness of the levy collection points and the impact the levy would have upon business and industries when the levy is activated, and
4. concern about the wording in the *Horse Disease Response Levy Act 2011* (Commonwealth) and the *Horse Disease Response Levy Collection Act 2011* (Commonwealth).

Support for the current collection points

Over the past 15 years, various levy proposals have been considered by the Australian horse-owning community. In response to the equine influenza incursion in 2007, there was extensive consultation on establishing a horse disease response levy across all sectors of the horse-owning community. A Horse Levy Working Group was established by the horse industry and a Senate Inquiry by the Rural and Regional Affairs and Transport References Committee was conducted.

It is the horse industry's position that, without the levy being tested, the case to change the current collection points is hard to make. Horse industry stakeholders recalled the previous debate and the options that were considered when the response levy was originally established. There was general agreement by the horse industry that the status quo should be maintained and the levy collection points remain unchanged, as they are the most practical and most efficient method of collecting the levy across the horse industry.

The horse industry reaffirmed the position of its 2010 submission to the Australia Government, proposing a response levy which stated that a number of levy options had been considered. Extensive consultation at that time found that a levy on manufactured feed and worm treatments was the best mechanism for capturing the majority of the horse industry and was the most equitable arrangement across the industry.

The current collection points encompass the broader industry, including both competitive and recreational horses, with minimal impact on businesses.

Written Submission

Alignment with the Australian Government Levies Principles and Guidelines

It is a government requirement that the Australian Government *Levy Principles and Guidelines*¹ are met when an industry proposes a new levy. In 2010, the department assessed the horse industry's submission as satisfying these guidelines but noted that it is open to the horse industry considering other levy mechanisms in the future.

In submissions to the 2016 review, some stakeholders expressed concerns that the current levy collection points do not satisfy all of the Australian Government *Levy Principles and Guidelines* and requested that they be re-assessed. Issues raised included:

¹ Levy Principles and Guidelines: www.agriculture.gov.au/levy-principles-guidelines

Australian Government Levy Principles and Guidelines – Principle 2: *A request for a levy must be supported by industry bodies representing, wherever possible, all existing and/or potential levy payers, the relevant levy beneficiaries and other interested parties. The initiator shall demonstrate that all reasonable attempts have been made to inform all relevant parties of the proposal and that they have had the opportunity to comment on the proposed levy. A levy may be initiated by the Government, in the public interest, in consultation with the industries involved.*

Some stakeholders expressed concerns that, in the event of an incursion, the levy payers would be the manufactured feed and animal health industries, not horse owners. These stakeholders believed that, as they are not direct beneficiaries, these industries should not pay the levy. Regardless, stakeholders believed that to satisfy this principle, the levy request should have been supported by the manufactured feed and animal health industries as the levy payer. Instead, these industries were opposed to the initial levy proposal, which included the current collection points.

It is the department's view that manufactured feed and animal health industries benefit from the overall horse population, making them an indirect beneficiary of a response that eradicates horse disease. While these industries would collect the levy in the event of an incursion, the levy payer would ultimately be the horse owner that purchased manufactured feed and worm treatments. Although it is possible that the levy might not be passed down the supply chain, it is not uncommon for a primary industries levy to be collected by a wholesaler or manufacturer of a product purchased by the direct levy beneficiary.

Australian Government Levy Principles and Guideline – Principle 6: *The levy imposition must be equitable between levy payers.*

Some stakeholders expressed concern that the current collection points are not equitable across levy payers. These stakeholders stated that only a small number of horses are fed manufactured horse feed. The majority of those are in intensive breeding, racing or training facilities, meaning that this population would pay the majority of this levy component. The same concern was raised regarding the use of horse wormers. These stakeholders stated that the use of wormers can vary considerably across horse owners.

It is the department's view that there is limited data available to show accurate figures on horse industry use of manufactured feed. There is also limited data available to show accurate figures on horse industry use of these pharmaceutical treatments.

Further analysis of alternative collection points and horse population and demographic data will assist in determining which collection points are most equitable for the current population. While the levy collection point should be the most equitable option available, it is possible that no option will completely address this issue.

Australian Government Levy Principles and Guidelines – Principle 8: *The levy collection system must be efficient and practical. It must impose the lowest possible 'red tape' impact on business and must satisfy transparency and accountability requirements.*

Stakeholders opposing the levy collection points were concerned that if the levy was activated, there would be a lack of transparency in levy payments due to the complexity of the supply chain in both the stockfeed and animal pharmaceutical industry. There was concern that wholesalers

or distributors will effectively become the levy payers, as the majority of feed is sold direct to these outlets, who then sell-on to stores, who sell to individual horse owners. This is an indirect collection method, which has no transparency at the retailer point of purchase about which feed the levy applies to and how much it is.

Stakeholders were also concerned that there are significant administration costs and resources required for businesses to implement and report on the levy, particularly with the requirements for the levy amount to be GST free.

It is the department's view that, while the imposition of a levy does impose some level of administrative burden, applying a levy at first disposal generally ensures the lowest number of collection points with the lowest possible 'red tape' impact. Collecting a levy at first disposal has in the past not undermined, and would not be expected to undermine, transparency and accountability requirements.

There is significant leakage in this system, and it is weighted against people who have limited access to pasture or who are undertaking high workloads with their horses, and therefore are required to feed more.

Written Submission

Appropriateness of collection points

Some stakeholders that opposed the levy raised concerns about the current levy collection points and their appropriateness for the horse industry, the stock feed industry and animal health industry. These concerns and explanations included the following:

- There are negative impacts on manufacturers through lost sales and revenue.

The imposition of collecting the levy could be detrimental to the viability of businesses collecting the levies. This is supported by the 2011 Rural Industries Research and Development Corporation (RIRDC) report into options for the Horse Research, Development and Extension Levy, where it was stated that a levy applied to manufactured feed may reduce the sales and the returns for manufacturers.

- Potential for significant horse health and welfare issues to arise if the levy is applied.

There was concern that some horse owners may reduce their feeding rates or the frequency of worming as a result of the increased price of the products. This behaviour change may have detrimental impacts on horse health and welfare.

- Horse owners can avoid paying the levy.

The two levy collection points are vulnerable to levy leakage (activities or gaps in the levy collection that prevent high coverage of the levy for industry). For example:

- horse owners can purchase their own raw materials to make up a feed mix that does not meet the definition of manufactured feed and avoid paying the levy
- horse owners can use wormers sold for other species (such as sheep and cattle wormers with the appropriate actives) and avoid paying the levy.

The consequence of levy leakage is that the disease response costs will not be repaid by industry in the required amount of time. In addition, high levy leakage would leave those paying the levy to bear the majority of the costs.

It is the department's view that the issues and concerns raised about the current levy collection points are valid. However, it is not possible to quantify these concerns in comparison to other levy collection point options without further data and analysis.

Legislative appropriateness

A small number of stakeholders that opposed the current levy collection points questioned the wording of the *Horse Disease Response Levy Act 2011* (Commonwealth) and the *Horse Disease Response Levy Collection Act 2011* (Commonwealth).

Currently, section 6 'Who is liable to pay levy' in the *Horse Disease Response Levy Act 2011* (Commonwealth) states that 'The disposer is liable to pay the levy'. This wording requires the levy to be paid multiple steps ahead of the final point of sale with the horse owner. Some stakeholders have asked for the Act wording to be changed to 'The end user is liable to pay the levy'. This would result in greater allowance for the levy collection agencies to uniformly pass on the levy cost through to the final invoice to the horse owner.

It is the department's view that the wording in the *Horse Disease Response Levy Act 2011* is inconsistent with other primary industries legislation requiring a levy to be collected by an indirect beneficiary. Whether this wording would prevent the manufactured feed and animal health industries passing on the levy cost to horse owners requires further investigation.

Under the current legislation, the manufacturers of horse worming products and stock feed are fully liable to pay the levy as 'the disposer' of the product. If nothing else, the wording of the legislation must be amended to ensure the disposer can directly pass on the levy to the horse owner and the true beneficiary of exotics disease response funding.

Written Submission

Alternative levy collection points

Overwhelmingly, stakeholders that participated in the review supported the horse industry being signatories to the EADRA and a nil-rated response levy. Stakeholders opposed to the levy

collection points were asked to propose alternatives. Suggestions included at the point of registration in a national scheme, local council registration of horses, electronic identification of horses, individual horses on property identification codes, event registration and horse breeding registration.

The levy options previously considered and assessed against the Australian Government's *Levy Principles and Guidelines* include:

- manufactured feed (current levy collection point)
- treatments against worms (current levy collection point)
- registrations of horses or owners
- vaccines
- horseshoes
- event fees
- transit import levy (applied to all imported horses)
- foal registration
- slaughter levy (horses consigned for human consumption to domestic or export markets)
- purchase of equipment (saddles, harness, floats, etc.)
- microchips (electronic devices implanted subcutaneously), and
- wagering revenue.

A number of these alternatives were proposed in the 2016 Horse Levy Review by stakeholders opposed to the current levy collection points.

We would welcome the opportunity to discuss alternative options, which would require substantial work and further consideration before implementation, at an appropriate time.

Written Submission

National horse registration scheme

The most supported proposed alternative for levy collection points was the establishment of a national horse registration scheme. Stakeholders who suggested this stated that the horse industry has a biosecurity responsibility to understand the horse population. It was proposed that by establishing a national database, a levy collection point could be established at the point of registration.

Currently, a number of the horse industry organisations have breed-specific, discipline-specific and organisation-specific registration systems, but there is no overarching national scheme that covers all horses.

Having good data on the horse population via a registration scheme would be useful. It would also assist enormously to know exactly where horses are located if there was another outbreak.

Written Submission

Local council registration

Some stakeholders suggested that horse owners could register horses using local council systems already in place, such as those for cats and dogs. It was proposed that collection of the levy would be at the point of registration or renewal and the system would be monitored by local councils.

Electronic Identification and Property Identification Codes (PIC)

Some stakeholders suggested the introduction of electronic identification for the horse industry. A number of breed societies have already implemented a requirement that breeding animals have microchips. It is proposed that a similar system could be used and managed by government, linked to the existing Property Identification Codes (PIC), where each property has a unique identification code.

PICs are fundamental to the operation and integrity of the National Livestock Identification System (NLIS) for cattle, sheep, goats and pigs. Movements on the NLIS database are recorded between PICs, providing traceability to specific properties. Stakeholders who proposed this option stated that this system would give the horse industry more information about horse numbers and their movements.

Microchip implantation is an alternative levy collection point that was previously considered by the horse industry. The identified disadvantage was the additional cost to the horse owner for the microchip and the cost of a veterinarian to implant the microchip.

The horse industry needs to take responsibility for a system whereby they can collect and understand horse numbers and horse movements to increase their preparedness and ability to respond to a biosecurity issue

Written Submission

Event registration

Some stakeholders suggested that collecting the levy at the same time as event fees would be a simple and transparent method of collection. These stakeholders commented that since the

initial review in 2010, there has been a significant increase to the use of electronic horse event entry mechanisms, via providers such as 'Global Entries Online' and 'Nominate'. It is proposed that the levy could be collected using existing systems at the point of event application.

Event registration as an alternative levy collection point was previously considered by the horse industry. The identified disadvantage was the additional administrative workload on volunteers and the limited reliable data on the number of units for the levy collection (the event registration mechanisms).

Horse breeding registration

Some stakeholders suggested horse breeding registration as an alternative collection point. There are already horse registration systems used for the thoroughbred, standardbred and breed societies and it is proposed that these systems could be utilised for the remaining horse industry organisations.

Horse breeding registration has previously been considered by the horse industry as a levy collection point. Some stakeholders noted that the majority of the horse industry accepted and supported this levy collection option in 2010. At the time, the identified disadvantage to this collection point was the uneven coverage of all sectors and the variable recording arrangements.

(We) remain open to the concept of a registration payment option in the future – but only with sufficient comfort and safeguards that place competition and sporting horses on an equal footing with horses used in recreational, commercial and private equine pursuits –

Written Submission

The key challenge for an alternative levy collection point is to find a method that is fair across the largest possible proportion of the horse owners and that has many units on which the levy can be placed – the greater the number of units, the less the actual levy is per unit when it is required.

It is the department's view that there is merit to many of the proposed alternative collection points. However, the lack of available data about horse population and feeding and worming practices makes it difficult to properly analyse and compare these options. Further analysis is required, which would need to address the following issues:

- extent of levy coverage, equity of coverage, and leakage
- infrastructure and resources required for successful implementation
- legal impediments to collection points
- support from other jurisdictions where implementation requires state and territory legislation or resources
- the number of collection points required and burden imposed on business and levy payers
- the complexity and cost of administration and auditing

Findings

The department has considered all feedback from the review and reached a number of findings:

1. The horse industry supports the current levy collection points of manufactured feed and horse wormers. The horse industry view is that this is currently the most equitable option available that provides the broadest coverage.
2. There is strong opposition to the current collection points from stakeholders responsible for collecting the levy. These stakeholders believe that the current levy collection points do not satisfy all of the Australian Government *Levy Principles and Guidelines*, however, the department does not support this view.
3. Concerns from stakeholders opposed to the current collection points that potential inequities preventing even coverage of the levy and potential levy leakage are valid. However, there is insufficient data about horse population and feeding and worming practices for a final conclusion to be reached about whether the collection points should be amended.
4. While a number of alternative collection points were proposed, further data about horse population and feeding and worming practices is required. This will allow a more conclusive analysis of current and alternative collection points.
5. Stakeholders opposing the levy also raised concerns that the *Horse Disease Response Levy Act 2011* (Commonwealth) might inhibit levy costs being passed on to the end user of manufactured feed or horse wormers. Substantiation of this issue requires further investigation.

ATTACHMENT A

Consultation - External Stakeholders

Organisation

Animal Health Australia
Animal Medicines Australia
Australian Bushmen's Campdraft & Rodeo Association
Australian Campdraft Council
Australian Horse Industry Council
Australian Pony Stud Book Society
Australian Quarter Horse Association
Australian Stock Horse Society
Equestrian Australia
Equine Dental Association of Australia
Equine Veterinarians Australia
Harness Racing Australia
Horse Rider Fall Safety
Horse SA
Mustad
National Campdraft Council of Australia
Polocrosse Association of Australia
Pony Club Australia
Queensland Horse Industry Alliance
Racing Australia
Racing Victoria
Ridley Corporation
Stock Feed Manufacturers Council of Australia
The Veterinary Manufacturers and Distributors Association
Victorian Horse Council
Welsh Pony and Cob Society
West Australian Horse Council

ATTACHMENT B

Submissions List

The following stakeholders provided submissions to the Horse Disease Response Levy Review.

Name of Submission	Confidential
Australian Campdraft Association Inc.	N
Animal Health Australia	Y
Australian Horse Industry Council	N
Animal Medicines Australia	N
Equine Dental Association of Australia	N
Equestrian Australia	N
Equine Veterinarians Australia	N
Harness Racing Australia	N
Queensland Horse Industry Alliance	N
Stock Feed Manufacturers' Council of Australia	Y (Not publicly available)
Ridley	N
Veterinary Manufacturers and Distributors Association	N
West Australia Horse Council	N