



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT

**Reference: Horse Disease Response Levy (Consequential Amendments) Bill 2008;
Horse Disease Response Levy Bill 2008; Horse Disease Response Levy Collection
Bill 2008**

WEDNESDAY, 24 SEPTEMBER 2008

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**SENATE STANDING COMMITTEE ON
RURAL AND REGIONAL AFFAIRS AND TRANSPORT**

Wednesday, 24 September 2008

Members: Senator Sterle (*Chair*), Senator Milne (*Deputy Chair*), Senators Heffernan, Hurley, Hutchins, McGauran, Nash and O'Brien

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Heffernan, Hutchins, McGauran, Milne, Nash, Scullion and Sterle

Terms of reference for the inquiry:

To inquire into and report on Horse Disease Response Levy (Consequential Amendments) Bill 2008; Horse Disease Response Levy Bill 2008; Horse Disease Response Levy Collection Bill 2008:

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Committee met at 3.35 pm

CHAIR (Senator Sterle)—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Committee. The committee is hearing evidence on its inquiry into the Horse Disease Response Levy Bill 2008 and related bills. This is part of a package of three bills to establish a horse disease response levy. The bill enables the collection and administration of a horse disease response levy from horse registration bodies. It imposes penalties for unpaid levies and the remission of any penalties resulting from late payments. It introduces information-gathering powers to allow for the collection of information and documents as specified by the Commonwealth and provides for regulations to prescribe details for the collection of the levy.

Before the committee takes evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence to be given in public, but witnesses may request to be heard in private. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If a witness objects to answering a question, the grounds for objection should be given and the committee will determine whether it will insist on an answer.

[3.36 pm]

NIXON, Mr Donald James, President, Pony Club Australia

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Nixon—I am President of Pony Club Australia. We have put in a submission and we are here today to give evidence supporting that submission.

CHAIR—Before we go to questions, do you wish to make a very brief opening statement?

Mr Nixon—I will be as brief as I can. It is very hard for me to know what I should say.

CHAIR—Say whatever you want us to hear.

Mr Nixon—Thank you.

Senator McGAURAN—I would invite you to be rather expansive if you could.

Senator NASH—Absolutely.

Mr Nixon—Pony Club Australia is a youth organisation. Amongst our aims and objectives are to encourage young people to ride and learn all kinds of horse sport and to provide instruction and things such as that. But our core business, our main business, and the thing we concentrate on most, which is even more important to us than coaching and competition, is our contribution towards building good citizens who have a community conscience from our youthful members. One of the ways we do this is we involve our members in fundraising for Riding for the Disabled. We are the major sponsors of Riding for the Disabled. Last year in Queensland alone we raised over \$36,000. This was raised by our members, who organise various events. Every penny that is raised goes to the Riding for the Disabled.

We are a voluntary organisation. I am still involved because I am grateful for the contribution that Pony Club made to my children when they were growing up through those difficult juvenile years when relationships between parents and young daughters might not be that good. Pony Club is a lifestyle selection by a family. It requires family involvement. Children cannot get to Pony Club without their families.

Senator HEFFERNAN—Did you ever know Jimmy Scott from Hay?

Mr Nixon—No, I do not. I am Queensland based. I know Roger Braham and a few of those, of course, from New South Wales. We are very strongly opposed to being treated as an industry. We are not an industry. An industry is any large-scale business activity or a manufacturer and business is an occupation or the purchase and sale of goods in an attempt to make a profit. We do none of that. In the section that we are in we are not in any way earning incomes. We spend money—we spend money like mad—and we support an industry that is a service industry to our sector of the equestrian world. I know that the racing people say they do not make much money, either, but at least they have the opportunity, if they get that one good horse that wins a big race, of getting a few million dollars and setting themselves up for life. If we get a good horse, our kid might get the chance to go a bit higher in the level and they might get a chance to win a ribbon or a medallion, but that is it for us. There is no financial support. There is no sponsorship other than families for the children in our range. That is why it is very difficult for us to accept that we could be hit for a levy if another disease were introduced. We consider that there are much higher risk sectors, and people who have a much higher profile of risk than we have. We do not import horses. In fact, many of our horses—

Senator HEFFERNAN—You save a lot of horses from the knackery, in fact?

Mr Nixon—We do very often. As a matter of fact—

Senator HEFFERNAN—There are plenty of broken down horses that end up in pony clubs.

Mr Nixon—A fellow called Latham in Brisbane rode for years a horse that came from the dogger's yard called Almost Pal. He was almost dog food and that is why he was called Almost Pal throughout his jumping career. We are the repository of failed race horses. If it were not for Pony Club, failed race horses would be like failed greyhounds; they would have to be put down because there would be nowhere to put them. We do buy them. We buy some very expensive horses for not much money. We give them a home. We give them a place to be. Usually those horses are looked after for the rest of their life. If they do a good job for riders and for the children, people keep them. In my submission I pointed out that, if we get a levy and we get registration and chipping and all these things that are expensive, people will not be able to afford to put those

old horses in paddocks and keep them as they are doing at the moment. There is a huge number of those horses. We think that is very important.

Pony Club members have confirmed on a number of occasions that they are strongly opposed to signing the EADRA agreement, which is going to cost us money. Our members feel that they should be treated in the same manner as the poultry people who keep chooks in their backyard. The cost of trying to get out to all the individual owners who have one or two horses in a little paddock somewhere is too great. Policing it and chipping it and doing all those things is just too great for the return. It is going to be uneconomical.

Senator HEFFERNAN—Often you borrow a horse for your kid or sometimes you lend it to someone else for their kid—

CHAIR—We are still on Mr Nixon's brief opening statement.

Mr Nixon—That is all right. I am happy—

CHAIR—Finish your statement, because there will be questions.

Mr Nixon—We were talking about the horses that are kept like that. They are loaned out, but they are kept and maintained for the rest of their lives. We feel very strongly that we should be treated the same way as the poultry people, somebody who keeps chooks in their backyard. It is not worth the trouble and it is not economical to go and see them and collect the registration fee or a levy fee. Our belief is that you cannot have a levy fee without registration, which requires chipping and requires a lot of policing and a lot of cost, particularly for people who are in reasonably remote areas away from vets and so on. We feel very strongly about it.

We want to ask for senators' support because we believe it is imperative for the future of Pony Club. What would happen were we to lumber our volunteers with another series of things to do, which is the registration, the collection of a levy and passing it on? We are having trouble with volunteers now. We are a voluntary organisation. We do not have any paid people. They are all volunteers. If we load them up with some more work to do, our volunteers are simply going to say that it is too much, particularly when as you mentioned in your opening remarks there are pretty serious penalties if you make a mistake and you mess things up. We are very concerned that it will greatly affect our organisation. It is going to greatly affect the opportunity available to young people to enjoy and learn horse sports. We are not the only people who think that. The Arab association wrote and said, 'Simply put, our organisation could go to the wall over this.' I think Pony Club with 55,000 members in 1,000 clubs throughout Australia, would suffer greatly.

Senator HEFFERNAN—How many horses?

Mr Nixon—I could only hazard a guess. But there are a lot of people like me. We have still got—

Senator HEFFERNAN—Have a rough stab.

Mr Nixon—Somebody just said 100,000. With 55,000 members I reckon that you would average at least three; you would be looking at 150,000 to 200,000 horses.

Senator HEFFERNAN—With 55,000 members, that would be mum, dad and the kid as well, wouldn't it?

Mr Nixon—Sometimes it is, yes.

Senator HEFFERNAN—So that would be a bit deceiving?

Mr Nixon—Yes, a bit deceiving.

Senator HEFFERNAN—The government is asking that you pay for a broken down Shetland pony the same money the Shah of Iran or somebody has paid —\$5.5 million—for a beautifully bred Arab race horse.

Mr Nixon—Exactly.

Senator HEFFERNAN—That seems pretty fair, doesn't it?

Mr Nixon—To us it is crazy. It is just two different classes of people.

CHAIR—I have one question and then I will go to other senators. In your opening statement you have said that the introduction of registration and levy charges would result in the putting down of many horses. That will always tug on heartstrings. Make no mistake about that. I believe you intended to put that in to get our attention. Seriously, how many people have said to you that, if there was a levy, not knowing how much the levy is, they would just put the horse down even though it is a child's pet? It is not a loaded question.

Mr Nixon—No. In talking to people they have said that, if they are hit with a levy, they would then have to consider that and it is a possibility. I do not want to lie to you or misrepresent to you. It is a great concern to

us. There are lot of people like me. For instance, my daughter started in 1981, and 28 years later we still have one of the horses that they started on. It has been lent out to about 10 different people, but it is back home and it is still there in the paddock at my daughter's place at Caboolture.

Senator NASH—Is that a registered horse?

Mr Nixon—No, it is not a registered horse. It is a Pony Club horse. There are thousands of those horses.

Senator HEFFERNAN—Wouldn't it be fair to say though—

CHAIR—Is this on the same issue of horses being put down? I will go to other senators. I just wanted to explore this one question, because I am led to believe from my reading that the levy is not compulsory; it is only if you register the horse. If your horse is not registered—

Mr Nixon—We were told that registration, which has not been defined yet, would be very broad. We have also been told from within the government in Queensland that compulsory registration of horses will be coming. We presume that, if there is compulsory registration of horses, every horse that is registered will be liable for the levy.

Senator HEFFERNAN—That makes sense if you are trying to identify where all the horses are if there is an outbreak of whatever. Take, for instance, the Hay Pony Club. A lot of the people who go to the Hay Pony Club take kids there and it is part of getting them back on track. Some of the people who go along and are sponsored to the Pony Club and lent a pony are also lent the horse float. This is not the shah of the Emirates or someone that we are talking about. These are people who are really battling.

CHAIR—I am sorry but there is a division in the chamber.

Proceedings suspended from 3.48 pm to 4.05 pm

Mr Nixon—I am not sure where we were, so we will just have to go on. Perhaps you can remember where we were.

CHAIR—I know that Senator McGauran has a question and I am sure that Senator Nash, as an ex-pony club member, will have a question.

Senator McGAURAN—We do not know the setting of the levy level?

Mr Nixon—No.

Senator McGAURAN—But you must have some threshold for you to be able to submit that it would do such damage to the club. What is your threshold?

Mr Nixon—It is a threshold of not only the levy but the cost of complying with the levy. If, say, the effect of the legislation, which it may be, is to force pony clubs to register all the horses, that would be an incredibly detrimental effect to us, because the extra workload on our volunteers would just be killing them, and I think a lot of our volunteers would just walk away. As to the monetary value, if you look at it in all seriousness, the last one is \$100 million to be repaid over 10 years. If you give a nine per cent interest figure, that is over \$15 million a year. It is going to be a fair whack of money for every horse.

Senator McGAURAN—Maintaining a horse, whether it is a thoroughbred or a pony, is an enjoyable but expensive business—vets, feed, saddler, farriery, and so on. It is all very expensive, anyway. But if the levy were set at something around \$20 per horse per year, could you absorb that cost?

Mr Nixon—The horse owners probably could. The collection process would be very difficult.

Senator McGAURAN—Are you envisaging that the pony club will collect it? I do not think so.

Mr Nixon—I do not know whether the pony club will or not.

Senator McGAURAN—No, it will not.

Mr Nixon—But somebody has to.

Senator McGAURAN—The registration is on the individual, who I assume will then be responsible for paying the levy, such as with a licence.

Mr Nixon—Who is going to collect it? There will be a substantial cost for the collection. There will be a substantial audit cost. Twenty dollars would go nowhere.

Senator McGAURAN—These levies are on many agricultural sectors and industries. The method that I know of—and I am hoping for clarification when the department comes to explain it—is simply that they are levied on the individual horse, and therefore the individual owner has the responsibility, with forms

downloaded from the internet no doubt, to send the money in. The policing of that becomes like a tax situation where you simply audit it. I think it is just the normal procedure of levy collecting that the government does in so many other areas. The onus cannot be placed on the pony club. It is on the individual owner, which—I accept you are probably going to tell me—still has a group effect in the end.

Mr Nixon—I do not think that the levy could be anywhere near as low as \$20, because the cost of collecting it is going to be so much. You are going to have to have a bureaucracy to collect it. You are going to have to have policing; otherwise few people will pay it.

Senator McGAURAN—How does the pony club sustain itself financially?

Mr Nixon—People join pony clubs, which charge them a figure, which is the affiliation fee with the Pony Club Association in their state. On top of that they put a fee for the club itself.

Senator McGAURAN—So it is via fees?

Mr Nixon—Yes.

Senator McGAURAN—A lot of raffles and sponge cakes, just like in political parties.

Mr Nixon—Yes, we do all of those things.

Senator McGAURAN—You mentioned in passing in your opening address about the Arab association. Can you clarify what they were saying and to whom?

Mr Nixon—They wrote a letter addressed to the Tony Burke, MP, in which they stated that, and they sent us a copy of it.

Senator McGAURAN—What did they state?

Mr Nixon—They wanted to protest in the strongest terms against the Horse Disease Response Levy Bill. It is quite a long letter, but part of it said, ‘To be blunt, our organisation could well go to the wall over this.’

Senator McGAURAN—Are they a commercial organisation?

Mr Nixon—They are a breed association.

Senator McGAURAN—Which is a commercial operation?

Mr Nixon—Basically they are run by volunteers, too. There are mostly volunteers in that organisation, I would think.

Senator McGAURAN—Are they?

Mr Nixon—Yes, they are. They are a not-for-profit organisation.

Senator McGAURAN—The breeding of Arab horses and the buying and selling of them is a commercial operation?

Senator NASH—No.

Senator McGAURAN—I am asking the question. I would like Mr Nixon to answer. Don’t be so smart-arse in the corner there, as if you know more. I know more about horses than both of you.

CHAIR—You have the call.

Senator McGAURAN—I do not like those sorts of interjections.

Mr Nixon—I am not an expert on Arab breeders or horse breeders. I do not know how many of them are profitable, how many of them are not, how many of them are commercial and how many are hobbyists. A lot of them are hobbyists. The association itself is a not-for-profit organisation run by volunteers.

Senator McGAURAN—It is not an important point, but I put it to you that the breeding and selling of Arab horses for stock horses no less is a commercial operation.

Mr Nixon—I agree with that. It is not in my jurisdiction. I just quoted it because—

Senator McGAURAN—I guess the point was that this is not an exercise in roping everyone in. I think the pony club has a good point to make, but everyone does not have a good point to make.

CHAIR—Because of our inconveniencing Mr Nixon, we have extended his time by 15 minutes, to 4.15 pm.

Senator McGAURAN—Just for the two in the corner there, I have properly established that the greater part of the Arab association is a commercial operation. Haven’t you ever bought a stockhorse?

Senator NASH—No, but I did own an Arab. I am a former pony clubber. I won my first ribbon at Jenko Pony Club in Sydney in 1976. Senator McGauran covered a fair bit of what I was going to ask about the collection mechanism. It is staffed by volunteers—mums and dads, aunts and uncles and friends—and collecting a levy imposes a difficulty. Your submission highlighted the hobbyist owners in the poultry industry—

Mr Nixon—Yes.

Senator NASH—and said that they were excluded because it was uneconomical and impractical to collect any levy from them. Would you see yourselves in the same boat as them?

Mr Nixon—Exactly, we do, yes. We see ourselves as being spread so widely and so thinly that trying to collect the levy from all the people who have one or two old horses sitting in a paddock is just impossible.

Senator NASH—How do you see that people would know those horses were in those paddocks, if we went to compulsory registration?

Mr Nixon—I suppose you would have to rely on them firstly coming in and then you would have to rely on some sort of policing operation which, as I have said, would raise the cost of things so much. If you just rely on people to nominate themselves, a lot of people will not do so. Then if you do not police it, why would anybody pay it?

Senator NASH—Again, what are the numbers in the pony club?

Mr Nixon—There are 55,000 members in 1,000 clubs throughout Australia, in every state and the Northern Territory.

Senator NASH—I imagine the feeling across those pony clubs is the same everywhere?

Mr Nixon—They are horrified. When I was preparing this submission I was in contact with the state organisations. They are horrified and are saying to me, ‘For heaven’s sake, don’t ever even think about agreeing to us collecting a levy; we can’t do it. Our people will not stay and do it.’

Senator McGAURAN—But you might—

Mr Nixon—We do not know.

Senator HEFFERNAN—I have to declare an interest, by the way. I have a couple of old broken down horses at home. I have been to the pony club, I am a farmer and I have relatives who have horses. I wonder whether anyone else has anything to declare.

Mr Nixon—I have still got my daughter’s first pony club horse from 1981 in a paddock. We are all—

CHAIR—I think on that—

Senator HEFFERNAN—I have a question.

CHAIR—We were worried. We actually left the room and left you with the witnesses. I do not know whether you did ask any questions.

Senator HEFFERNAN—No, I did not. I just want to extend this further. I do not know whether Riding for the Disabled are appearing as witnesses, are they? I do not think so. It is a similar sort of set-up. Part of the work that pony clubs do has a social benefit.

Mr Nixon—Yes, sir. We believe that.

Senator HEFFERNAN—Riding for the Disabled most definitely does.

Mr Nixon—Yes.

Senator HEFFERNAN—Do you think it is fair that they have struck this levy equally to a person who contributes their time to Riding for the Disabled or some disobedient kids that get along to Pony Club, and someone else that spends their time at Randwick sipping champagne and watching the racehorses run? Do you really think that is fair, given that the whole thing came on because the deadheads out at Badgerys Creek—and I visited them the Olympics and reported to the government—who were the slackest mob of people I ever run across in my life? They were just wandering in and out during the Olympics like it was nobody’s business. Do you think that is fair?

Mr Nixon—No, I certainly do not. The whole context and the push of our submission is that it is not fair. No.

CHAIR—In case of an outbreak in future, would it not be better to have some form of levy in place now to build a reserve rather than get whacked up with God only knows what price that could be in five or ten years time?

Mr Nixon—My members tell me, no, they do not want a levy. I do not think so. I think the control of it, the management of it and so on is just too difficult. One of the things that my members object to is that, if we agree to a levy, we are agreeing to a blank cheque, because we do not know what the next cost would be. We are all horse lovers, but when our horses get sick or have an accident we have to make a decision: firstly, can we afford the treatment; secondly, is the treatment justified or is it better to put the horse down?

Senator HEFFERNAN—That is similar to having a young cow or a heifer. If the operation is more expensive in having the caesarean, that is a decision you have to make.

Mr Nixon—Yes, you have to make that decision.

Senator HEFFERNAN—No-one got the sack in the department.

Mr Nixon—Can I say one more thing?

CHAIR—Yes, you can.

Mr Nixon—It says in some of the things that we have read about how a levy should be employed that the manner of cost sharing between parties, where more than one party represents a species, will be determined amongst them by having regard to the GVP, the gross value of production, of industry sectors. Members of the sector we are in, the performance, recreation and hobbies sector, have no income and no GVP. We do not believe we should. If we were given the tax concessions and allowed to claim our GST and so on, we would be happy to pay the levy because we would be miles in front, but we do not get any of that. We pay our own way. Everything we pay we have already paid tax on. We pay GST and the suppliers that we deal with, who are the industry that make money, pay tax and GST. We believe it is inequitable to put any levy on us.

Senator SCULLION—During the equine influenza outbreak many people felt they were put out and economically suffered a whole range of economic stresses, and no doubt many of your own members. I recall seeing bits in the media where people were stranded in places, had to pay hotel bills and get the vet out to check things and so on. Would many of your members have received compensation for that loss?

Mr Nixon—None of our members has received anything. We were not eligible for any compensation. We really did not ask because we knew we were not eligible and we paid what we had to pay during the time. Some of the treatments given to our horses—vaccinations and things like that—were done as part of the treatment, but we did not receive any compensation.

Senator SCULLION—You understand, Mr Nixon, that the fundamental of the levy is to actually raise money to provide a fund for those sorts of matters?

Mr Nixon—Yes.

Senator SCULLION—Would you then think that that is reasonable and that your sector, particularly, even in the incidence of some other outbreak, would not be able to access a levy that you were contributing to?

Mr Nixon—If they were treating horses and some of our horses were infected, yes, we would. But in no other areas would we receive anything, no.

Senator HUTCHINS—Did I hear you right that you did not seek assistance from the federal government at the outbreak?

Mr Nixon—No. There was no assistance available/accessible to us. Pony Club shut down on Monday, 27 August. Virtually the whole of Australia shut down. Tasmania and Western Australia a little bit earlier, but Queensland, New South Wales and Victoria did not start until into February. We were shut down for that time. Some people were stuck in different places. Strangely enough, I bought my granddaughter a horse down at Mudgeeraba on 25 August and it was going to be dropped off by someone on their way to the Maryborough Show. The Maryborough Show was cancelled and we finally got it home in November. Everybody had stories like that to tell.

CHAIR—Thank you very much for your time.

Mr Nixon—Thank you for your courtesy.

[4.20 pm]

DEACON, Mr Andrew, President, Queensland Horse Council Inc

CHAIR—I welcome witnesses from the Queensland Horse Council. Do you wish to make a brief opening statement?

Mr Deacon—Yes, I do. Before I do that I would like to make two amendments to our submission. Page 4, paragraph 2, read that we had deferred our renewal of AHIC membership. This is to be reworded to state ‘has not renewed’. We also submit a letter dated 21 September written to the AHIC that states briefly in the last paragraph:

The QHC, being the Queensland Horse Council, hereby informs the AHIC, the Australian Horse Industry Council, that effective immediately it has no authority, implied or otherwise to represent, sign or give a support to EADRA, compulsory horse registration, horse micro-chipping or associated levies attached thereto, on behalf of QHC.

The other amendment I would like to make is on page 5, under ‘Ambiguity’, where we list the number of clarifications that we request before these bills are passed. We would like to add to those definitions a definition of ‘registration’ and a definition of ‘industry’.

The additional points we would like to make are very similar to those made by Mr Nixon of Pony Club Australia, namely, the excessive administration costs to collect and administer the levy. In these bills and the EADRA agreement—and, as these bills are passed, it is my understanding they allow for the opening of that—a national body is given the responsibility of collecting the levy. Senator McGauran questioned Mr Nixon in regard to the individual paying that levy. It is our understanding that the government will enforce the levy collection on to not-for-profit organisations to be collected, because they are the ones that register the horses. Therefore, I back up Mr Nixon’s statements that this is an administrative nightmare and will increase the overheads of these organisations.

In regard to the levy, I am a very logical-thinking person and in my logic, be it simplistic, a levy equals compulsory registration. If you do not make it compulsory to pay the levy there is no logical reason for imposing a levy. The only way compulsory registration can come about is through compulsory micro-chipping. You have to have proof of registration. If you are going to enforce payment of a levy, you have to have compulsory registration. To be able to prove that, you will inevitably have compulsory micro-chipping, similar to the NLS system in cattle. Compulsory micro-chipping will then lead to compulsory recording and tracking of horse movements. When people turn up at events, pony clubs, cuttings, cow horse, campdraft events, they will not be able to compete unless the administrators of that event have scanned a horse to prove that a levy has been paid and that the horse is registered.

This is a cumbersome cost and administrative nightmare for the volunteers and the number of organisations the Queensland Horse Council represents, which includes the Queensland Pony Club, the Australian Campdraft Association, the Australian Quarter Horse Association, Arab Breeders, Australian Reined Cow Horse Association, and a number of organisations. These are all run by volunteers and are not-for-profit incorporated associations in the state of Queensland. These volunteer organisations will be destroyed.

In relation to registration, in a meeting three weeks ago with the Department of Primary Industries in Queensland, I asked Dr Ron Glanville, the head of biosecurity/veterinary in Queensland DPI: if we had had EADRA, compulsory registration, micro-chipping, and we knew where every horse was located in the state of Queensland prior to the EI outbreak, would it have made the job any better, would it have stopped the disease quicker, and would it have been any assistance? His categorical answer was, no. He further invited me to write him a letter, to which he responded in writing:

The state of Queensland does not need or request compulsory registration, micro-chipping or tracking of horses. They have a system where horse properties are registered. That is all they need. They contact the Queensland Horse Council. We have all the contacts for the organisations and can put them in touch in a matter of hours.

The recreational and hobbies sector is not an industry. Following Mr Nixon’s statements about Pony Club, we take into account cutting, campdrafting, reining—all the sorts of associations that the Queensland Horse Council represents. They are not an industry. There are sectors or segments of that industry that are in commercial business. Personally, I run four separate proprietary limited companies within the horse industry. I

am in commercial business within those sectors, but those sectors are not industry as it is represented. The purpose and intent of participants in the associations of the Queensland Horse Council is to have fun; it is recreation. They derive no income or profits from participation and it actually costs thousands of dollars.

As to the movements of the participants throughout these organisations, EI stopped the economy of this country. Service stations at small country stores were in financial hardship because the horse truck was not driving through town buying fuel, chips, drinks and lollies when they were going to a horse show. These people contribute hundreds of millions of dollars to our national economy. We feel very strongly that this legislation will have an adverse effect on those revenues and the local communities. Most of the people we represent are in western Queensland in small communities that run small events for local charities such as the Flying Doctors or some local club to raise money for their communities. It is a big deal, and we believe very strongly that these events will disappear because of this.

However, as Mr Nixon presented, it is our belief also that, if the government of this country is going to say that we are an industry and lob us all in the one basket and say, 'We will treat you as an industry. You will be part of EADRA. You will pay a levy', the government should be equitable in giving us the GST that we pay and allowing us the tax deductions irrespective of the \$75,000 limit on being registered for GST. Mum and dad from the Pony Club or the campdraft guy taking his stockhorse to the campdraft show will have to pay a levy because they are part of an industry. They will not get any benefits. They do not get the GST back on the fuel they used to get there, the nominations, the cost of the horse, saddlery, feed, shoeing and so on.

We feel that the government is saying, 'On the one hand, we want you all to pay as an industry. On the other hand, we want to keep the GST that you give us.' It needs to be equitable. I would suggest, based on that, if I did the maths—and I am not enough of a mathematician to know the figures—at a very rough guess it would be a lot wiser for the government to keep us paying the GST instead of their imposing a levy and giving us back the GST. We contribute millions and millions of dollars to the economy.

We also believe that the risk takers should pay. It is the people that increase the risk, the commercial people that take risks, such as importing and exporting horses, say, shuttle stallions in the thoroughbred industry. In my sector, the quarter horse sector, people import horses; they stay there and they do not leave the country. Horses that travel around the globe and do a number of different continents in a very short time greatly increase the risk. They are the ones who should pay. They are the true industry.

CHAIR—Mr Deacon, sorry to come in, but I did offer you time for a brief opening statement. This is a rather lengthy one and, if you are finished, Senators do want to ask some questions.

Mr Deacon—I just got to the end part.

CHAIR—Good. I am glad I asked.

Senator NASH—That is excellent.

Mr Deacon—Based on that, we are asking you to use your logical thinking and understanding of these issues and vote against these bills, because they are not practical, they are not equitable, and they do not clarify what they are saying. We are asking you to take a stand and not let this happen.

CHAIR—How many horse owners do you represent?

Mr Deacon—We represent several organisations with a total membership of 37,500 members. We have a number of organisations that are members of the Queensland Horse Council and a number of individual members.

Senator MILNE—This committee is very concerned about biosecurity and quarantine issues and has been for a long time. If we accept your arguments that you should not pay, who should pay or should we not have a fighting fund or any capacity to be able to take on a disease such as this? I certainly do not excuse what has happened at Eastern Creek. I am not excusing any of that.

CHAIR—None of us does.

Senator MILNE—Nevertheless, we are in a globalised world where the risks of biosecurity incursions and quarantine breaches are huge and costing us all a fortune in one way or another. You have said that the people who take the risks should pay. Are you suggesting that there should be a fund or there should not be a fund? If there is a fund, should it just be those people who do access the global market in one way or another? Would you expect that, in the event that a fund was set up and an equine influenza outbreak occurred, those people who paid the levy should be served first? What is your solution, if you do not want to pay? I can accept a lot of

the arguments you are saying on registration and the rest of it. Should we have a fund? Who should pay? Or is this a case of this has to come out of taxes like everything else?

Mr Deacon—I could sit on both sides of the fence, personally. For the record, in my capacity representing the Queensland Horse Council, we believe categorically that our members should not pay and that the risk takers, or the people in commercial business, should pay.

Senator MILNE—What do you mean by that? Anyone who has a registered business dealing in—

Mr Deacon—In the horse industry, correct. And generally the thoroughbreds. If you look at the racing industry, they call themselves an industry and it is all about money. The chair asked Mr Nixon the question about how many horses would be put down. In our sector it is a very simple equation. I have a vet come to my place. He says, 'This horse needs colic surgery. It is \$3,000.' I evaluate the value of the horse. Say, it is a \$5,500 horse. I say, 'Give it a needle. Put it down.' I cannot afford to pay \$3,500 for a surgery that may or may not work on an animal that is worth \$5,500. When you look at the thoroughbred industry, they say, 'Do the surgery now. This animal is worth tens of thousands, hundreds of thousands or even millions, and is income producing.' However, if my animal was a stallion and an income producing asset, it would be a different equation. In regard to Mr Nixon and Pony Club, the animal gets put down. Who should pay? The people that are in business should pay. They get the tax deduction; they pay a levy. We can do the equation. If we were under EADRA prior to EI, there were an estimated 50,000 horses registered last year in this country. At \$15 million, using Mr Nixon's suggested equation, that is \$300 a registration, on top of the fees the organisation will charge to register that horse, if that is the way the levy system is worked. People will not do it.

Senator MILNE—I just wanted to establish whether you were opposed to having a fund at all or whether you were just opposed to contributing to it?

Mr Deacon—My understanding of the bills is that we are talking about bills that allow for a levy system to be introduced under the EADRA agreement after an outbreak disease control program has been finalised and money has been spent. We are not talking about a levy system that allows for a contingency fund to be put in place. There are two different things there.

Senator HEFFERNAN—Does that mean that, after the outbreak and the bills are in, the cost of the operation would be divided equally amongst all horse owners, as you understand the levy?

Mr Deacon—My understanding of the levy is that, once the cost of controlling the disease reaches one per cent of the GDP of that industry, the signatories of the EADRA agreement, being the Australian Horse Industry Council, Australian Racing and Harness Racing, would meet together and make a decision whether they would continue to spend further funds on doing this. Once the funds were spent, if that is the decision they make, then that total amount of money, depending on what category of disease we have eliminated from Australia, will be divided among the number of horses registered in this country. Under that mathematical equation, of the 50,000 horses registered in Australia last year, approximately 15,000 to 17,000 of them were thoroughbreds. Our sector—pleasure, recreation and hobbies—would be paying in excess of 80 per cent of the funds under this EADRA agreement to pay back the money.

Senator HEFFERNAN—But I still do not get it. This is a levy that is going to be raised with some relation to the cost after the event; is that right?

Mr Deacon—That is correct.

Senator HEFFERNAN—We do not know in what circumstances you are going to have to register a horse.

Mr Deacon—That is correct. That has not been defined in the bill.

Senator HEFFERNAN—Is that not stupid, though?

CHAIR—How do you mean we do not know? Say that again.

Senator HEFFERNAN—There is no clarity about whether it is compulsory to register the old broken down half-Shetland I have in my paddock.

CHAIR—That is not correct. In my view, registration is not compulsory, and it is all new horses. It is not horses that are around at the moment. That is my view.

Senator MILNE—But you do not even have to register a foal. You do not have to.

CHAIR—No, that is correct.

Mr Deacon—Whilst you may be able to form that opinion out of the legislation, as a breeder of horses—we promote breeding and we stand stallions—we would register our horses until there was a disease outbreak. As soon as the disease is finalised, the government implements a levy and we would stop registering our horses.

CHAIR—What was incorrect in my statement that it is not compulsory to register horses? Tell me what else is wrong when you challenge me that it is not existing horses.

Mr Deacon—The legislation does say that it is not existing horses. But the definition of ‘registration’ is not clear and that is why I made the amendment to our proposal, to get clarity on the word ‘registration’. Does ‘registration’ mean when I register my quarter horse or my thoroughbred with that breed organisation or does ‘registration’ mean when I turn up at an event and I register the name of the horse that I am competing on? The legislation is not clear to enable us to—

Senator HEFFERNAN—My point is that we do not know the answer, yet we are faced with the proposition of arguing this levy. With my old Molly, when I go into Junee to the Pony Club to lend it to Athol Keneally’s kid who has just come out of hospital, why would I register it?

CHAIR—I have just helped you out; you do not have to register her. Molly does not have to be registered. Molly can stay without—

Mr Deacon—Under the legislation the minister at the time has the power to determine what a national registry body is and what a registration is.

Senator HEFFERNAN—I do not have to register Molly. Why would anyone in their right mind register their horse, if you were in a Pony Club or a—

Mr Deacon—They would until they—

Senator HEFFERNAN—What is the benefit of registering a horse at Pony Club?

Mr Deacon—It accumulates points and earns awards.

Senator HEFFERNAN—But everyone knows Molly at the Junee club. Why would you put it on to some database for the government: ‘This is Molly’?

Mr Deacon—No, it is a database within the Pony Club Association, which hands out awards.

Senator HEFFERNAN—That is a private database. Why would you—

Mr Deacon—The legislation gives room for information to be collected.

CHAIR—We are running out of time.

Senator MILNE—We need to get clarification from the government about registration. I do not believe that registering for an event, to take my horse to a jumps event or whatever, is registration. My understanding of registration is registering it in the—

CHAIR—The department will be here at 6 o’clock. Anyway, if we can move on, there are other questions. We have clarified that Molly does not have to be registered.

Senator HEFFERNAN—I have one other question. On your understanding, if something goes wrong, Molly will pay the same as a foal out of Tulloch or a horse that is registered out of Tulloch?

Mr Deacon—In another meeting in Canberra I was informed by the government that the registration would be so broad and encompassing to cover every possible horse that you could think of. It is a simple mathematical equation. Even if you do register all of them, you cannot raise enough funds to pay back the amount of money to get this disease. Do not think that this is going to be for some horses and not others. It is going to be for every horse.

Senator HEFFERNAN—But not out of Tulloch. I have forgotten whether Tulloch was a gelding, but he could run fast.

CHAIR—He has been dead for about 60 years.

Senator HEFFERNAN—The greatest racehorse will pay the same as the most plodding half-Shetland?

Mr Deacon—That is correct.

CHAIR—Senator Heffernan, your colleagues do have questions, too. If there is something that is going to shine a massive light on a dark corner, please continue.

Senator HEFFERNAN—I had one more, but I will leave it.

Senator NASH—This might have come out in the exchange we have just had but, very simply, if you join a Pony Club do you have to register your horse with that club?

Mr Deacon—Mr Nixon is probably the person to ask that, but my understanding is, no.

Senator NASH—Your national affiliate is AHIC, and you have obviously got some very clear views about this. In your submission you say that, ‘Our understanding is that the AHIC has not represented this to the federal government.’ What are you basing that understanding on?

Mr Deacon—Minuted meetings that are very factual. I represented the Queensland Horse Council to a total of three, possibly four, industry advisory committee meetings this year in Sydney. One of them we took a vote on. There were 14 against EADRA and the associated levies, two in favour, and one abstained. Following that meeting the AHIC presented unanimous support for EADRA and the levy system. That is not what is happening.

Senator NASH—Thank you.

Senator McGAURAN—Did you have any input into the bill?

Mr Deacon—No.

Senator McGAURAN—You mentioned in your address that the Quarter Horse Association imports quarter horses, which sounds like running a business to me. But I was not clear whether you thought they should be exempt or not?

Mr Deacon—It is difficult to explain this when you are not within the industry. I can give you an example of a guy in Tamworth that imports his stallions. One stallion will breed over 100 mares this year, at a \$3,000 service fee. That is business and he is in business. That is what he imports his stallions for. That is one person in an organisation of 6,000 members. I can give you countless examples of where people have gone and bought a \$30,000, \$40,000, \$50,000 or \$100,000 stallion from the States and brought it to Australia for their own personal enjoyment and those horses never have a hope of producing any income to even cover the import cost let alone the purchase of the horse. There is a difference within the quarter horse sector—

Senator McGAURAN—Which one should pay the levy?

Mr Deacon—Obviously the one that is in commercial business.

Senator McGAURAN—Yes.

CHAIR—I have the minister’s second reading speech here.

Senator McGAURAN—As I understand it, this is a one-off levy paid at the point of registration and it is not ongoing. Is that your understanding? It is not an ongoing building up of a fund? It is to pay what has been spent?

Mr Deacon—That is my understanding. I did get to hear a little bit of the minister’s speech, and his suggestion was that it would be a good idea, however, for the horse industry to start paying a levy to build up a contingency fund similar to the cattle industry. However, the legislation is supposed to be that it is to be paid in arrears, not in advance.

Senator McGAURAN—That is correct. So, a one-off payment at registration that is not ongoing. The minister also mentions that in Queensland there were 3,569 affected properties in the influenza outbreak. They are not all thoroughbred properties?

Mr Deacon—That is correct.

Senator McGAURAN—Your own organisation would have been engulfed in that, too.

Mr Deacon—Absolutely. We worked tirelessly with the Queensland DPI and government.

Senator McGAURAN—My point is, just for the record, given that you were engulfed in it and did not start it, the monies were spent on members of your organisation?

Mr Deacon—Absolutely.

Senator McGAURAN—So, you did benefit?

Mr Deacon—Benefit in regard to—

Senator McGAURAN—Government expenditure and the EI protection processes?

CHAIR—The EI response.

Mr Deacon—Yes.

Senator McGAURAN—The package?

Senator HEFFERNAN—So, you followed on and got the benefit that Senator McGauran talked about. Given that the Callan inquiry found that some deadheads let everyone down and given that the Pony Club mob were not eligible for compensation—and you do not get any tax deductions for hauling your horse off to a race meeting or whatever if you are a professional—don't you think it would have been reasonable to have a class action against the government for their negligence? That would have raised some money for the industry and a levy for the future. These blokes never get the bloody sack.

CHAIR—We know your feelings there, and I do not think you would have an argument with senators over the incompetence with what happened at Eastern Creek or Badgerys Creek.

Senator HEFFERNAN—Shouldn't the buck stop somewhere? We are all talking about the benefit that you got from someone else's cock-up, but why should you have to pay it in the first place?

Senator McGAURAN—I withdraw the word 'benefit'. It is not the correct word.

CHAIR—We are inquiring into the levy and the new horse bill. Senator Heffernan, I know that you are passionate about that, as we all are. I am sorry, but I will go straight to Senator Scullion.

Senator SCULLION—Mr Deacon, thank you very much for your contribution today and thank you for your notes earlier. I understand that there are only three organisations that can sign up to the EADRA.

Mr Deacon—Yes.

Senator SCULLION—The Australian Racing Board, Harness Racing Australia and the Australian Horse Industry Council. In effect, by association, you are a member of the Horse Industry Council at the moment.

Mr Deacon—No, we have withdrawn our membership, so we are not a member today.

Senator SCULLION—I was going to ask a question that would have involved you answering a question about others, but I will not. You have withdrawn your membership as a consequence, as I understand it, of their intention to sign the EADRA on your behalf; is that right?

Mr Deacon—No and yes. We have withdrawn our membership mainly because of their misrepresentation of the true opinion of the pleasure and recreation and hobbyist sector of our views towards this agreement. That has been misrepresented. It has been documented very clearly in the minutes of the meetings, and the AHIC has gone to great lengths to indicate to the government to the contrary.

Senator SCULLION—Do you have access to the minutes you mentioned? It may be very useful for the committee to have those tabled. Would that be reasonable? It is just simply the reflection—

Mr Deacon—I do not mind tabling the minutes. The copy I have does not have a date on it, but I can certainly get a copy with a date on it. The minutes list the organisations that were present and it goes further to—

Senator SCULLION—I know the 14 who abstained. I have seen a copy of the minutes. I just think it may be useful for the committee to have those minutes tabled.

CHAIR—Thank you, yes.

Senator SCULLION—There has been a lot of discussion in industry about this. The Australian Racing Board is an organisation made up effectively of a lot of racing clubs, as I understand it. Are they being asked to levy as well? What is your understanding of that?

Mr Deacon—My understanding—and I will state for *Hansard* that it is not based on anything other than the grapevine; as to the clarity of it I have no idea—is that the racing sector industry has agreed with government to be a part of the levy system and the EADRA in the hope or the understanding that they would be able to vaccinate their horses in an ongoing way for equine influenza. That is my understanding.

Senator SCULLION—I do not want to verbal you. I just thought that the Australian Racing Board would not be considered a horse owner. There is a harness association and all of the others under the EADRA, of which the thoroughbred association, I understand, is a member. I just thought the Australian Racing Board—

Mr Deacon—That is right. We would also like clarification as to the signatories of the EADRA.

CHAIR—Mr Deacon, could you draw your answer to a close very quickly? We have gone well and truly over time.

Mr Deacon—Could you repeat the question?

Senator SCULLION—No. I have the thrust of it and I think we are discussing other people's business. Thank you very much.

CHAIR—Just so it is very clear for the committee: your peak association, the Australian Horse Industry Council, has said to the government, 'We want to do something here. We want to put in a levy holding hands with the thoroughbred and the harness racing industry', but you guys in Queensland have pulled back from that and you are saying that the peak body now does not represent you guys in Queensland.

Mr Deacon—The peak body does not represent the Queensland Horse Council and our organisations in any form whatsoever.

CHAIR—You have made that very clear. Thank you very much.

[4.50 pm]

DILLON, Mr Sean, Vice-President, Australians' Campdraft Association and National Campdraft Association

CHAIR—I welcome the Australians' Campdraft Association. Would you like to make a very brief opening statement? We will want to ask questions as you go along.

Mr Dillon—Certainly, it will be brief. I think my opening statement is probably best reflected in the submission that our organisation submitted late last week. Nothing has changed from there. You would notice in that submission is our resignation from the Australian Horse Industry Council attached as appendix E to that report. Further to that today the National Campdraft Council has placed on notice to the Australian Horse Industry Council, actually dated yesterday, a letter, which I will table here if the Senate committee so wishes me, placing that board on notice that they would need to consult regarding the NCCA's membership with that board in light of exactly the same reasons that you have just heard from Mr Deacon from the Queensland Horse Council.

I would like for the purpose of my evidence to assume that we are going to go on this Molly basis, that the registrations will not be retrospectively charged to horses already registered. We will assume that for the purposes there. I do not think the legislation is clear.

CHAIR—So not even horses that are not registered?

Mr Dillon—For horses that are already registered we will assume that that is not going to be the case. The evidence I would like to give is that, even if that does not happen, even if we work only on the premise of 50,000 to 60,000 horse registrations per year, which is the Australian Horse Industry Council official figure, even if we work on that and say they do not go retrospective to horses already registered, there is no way with an EI style outbreak of a disease they could charge a substitutable registration levy that is affordable to recoup the costs in less than 10 years, which is expressly what the legislation very clearly and unambiguously states. That concludes my opening remarks.

Senator MILNE—Did I read in your submission that you put up an alternative proposal to do with horse shoeing?

Mr Dillon—We did not put that up. There was actually floated by the Australian Horse Industry Council in 2006. But we did put that in our submission. We have given that as much in-depth thought as some other ideas in our submission as we feel this other one has had. We have consulted very narrowly with it because of the time frame we have had since this legislation was introduced to the house and this hearing. We will preface with you—and we thank the Senate for this hearing, too—that that is only an idea. It definitely merits a greater economic impact study than we have had the opportunity to give it. I also feel that we see no evidence from any other organisation of a serious economic impact study on any of the proposed levies and, if they are, our organisation certainly was not involved at any stage of those.

Senator MILNE—Given what you have looked at, what is your priority in terms of what you think might work best?

Mr Dillon—To be honest, our organisation is not aware of a levy that will work targeting pleasure and hobby horse owners. We floated them as ideas that may be more palatable if they were presented and investigated, but we are not ideally aware of a levy that targets pleasure and hobby horse owners that would be adequate or suitable to disease clean-up recoupment costs. We are not aware of any of those.

Senator MILNE—Why would just a leisure horse owner need to register their horse?

Mr Dillon—Speaking purely within the realms of my organisation, the Australian Campdraft Association, horses do not need to be registered to compete, but to be eligible for prizes or lifetime recognition awards, which are not monetary but purely—

Senator MILNE—I understand that. I just wanted to try to understand whether, if you were in that category, what would be the incentive to register. Clearly, if you are going to compete in order to get points and prizes and things, then that would be—

Mr Dillon—Also, to take that further, we feel—and it is the position of our organisation—that people would virtually immediately stop registering horses. It has been said today that it is not compulsory, and this would greatly affect the 50,000 to 60,000 horse figure quoted by the Australian Horse Industry Council or

their research into this. They are basing that on what is happening now. If a cost imposition were put, even though there will be people with the capacity to pay, even within my organisation, they will be in the minority. As to the figures that people are using to justify a possible repayment scheme through non-compliance, my colleagues from Queensland and from the Australian Pony Club are making the point that registration and compulsory micro-chipping becomes about the only option to meet the figures that people are basing any potential disease repayment costs on. Every horse in Australia would have to be registered, at least from the point of the disease clean-up time onwards. Otherwise the money simply will not be there to be recovered.

Senator MILNE—Your point is that, if you were serious about doing this, you would introduce compulsory registration of all horses and that is where you should start. If there was agreement with that, you might be able to introduce a levy. I am not saying that you are in favour of that. I certainly did not get the impression that you are in favour of that. But I am just going through the logic of this. The levy is almost a second step, which begs the question about the registration. Before you move to a levy you really have to make an in principle decision about whether you want compulsory registration of every horse?

Mr Dillon—That is correct. That is where the Australian Racing Board and also the Australian Harness Board have a leg up, in our view, over the AHIC. Horses must already be registered before they can become a member of those organisations. By the rules of the Australian Racing Board, every horse must be compulsorily registered with the Australian Thorough Breeders Association or their international equivalents before they can be registered to race in Australia. There is no initial point of registration, from our perspective, within either of those two other organisations. They are signing up to legislation that does not affect their mode of operations, from our perspective.

Senator MILNE—In the absence of compulsory registration you are saying that there will be a huge incentive for people not to register and there will be a smaller and smaller pool to pay whatever the amount of money is?

Mr Dillon—I believe that is the most succinct summary of the issue that I have heard from an elected official in six months.

Senator SCULLION—You mentioned in your response to Senator Milne the issue of international registration. Perhaps you can give me a more broad-ranging answer than just one from the Campdraft Association. In your assertion you are saying that people's behaviour will be, 'If I have to go through this, maybe I won't register', which will devalue the whole sport and so on. What if they register internationally? I understand you can register a quarter horse or a thoroughbred internationally. If I come along with an internationally registered horse to a campdrafting event it would be considered registered; is that right?

Mr Dillon—I feel that is probably something I cannot honestly answer. I would feel that the answer to that, if I were in the position of a DAFF official, would be, no; they have not registered any fees in Australia. I honestly cannot answer that. That would be pure supposition on my part.

Senator SCULLION—Do you not have an international campdraft association?

Mr Dillon—No.

Senator SCULLION—I suspected that.

Mr Dillon—There are no international registration bodies. We do not have a breed society for campdrafting. Horses compete in our organisation from numerous breed societies.

CHAIR—Senator Milne has to leave now.

Senator MILNE—I have to be at the economics hearing on housing warranty. Thank you. I have all I need.

Senator SCULLION—Is the Campdraft Association a member of the Australian Horse Industry Council currently?

Mr Dillon—No. We withdrew our membership from there on 19 September 2008 as a direct attachment E. We withdrew our membership. However, the National Campdraft Council at this stage, by the submitted letter, is still a member, and we are a member of that organisation—the NCC. By pure technicality we are—

Senator SCULLION—The last line in your submission says it all. It says that you do not support signing up to EADRA. Would that mean that, if the Australian Horse Industry Council signed up to EADRA, they would not be representing the interests of the Australian Campdraft Association?

Mr Dillon—That is correct.

Senator McGAURAN—Yours is a good submission, but you mention microchips throughout it. From where are you getting that idea?

Mr Dillon—Micro-chipping is internationally accepted as the most secure and most non-Fine Cotton—I am trying to think of the right words—easily identifiable method of identification.

Senator McGAURAN—Of what?

Mr Dillon—Of horses. It is compulsory for all quarter horses and thoroughbreds within Australia to be micro-chipped at registration. We have had that situation for three, possibly four, years.

Senator McGAURAN—So, quarter horses are micro-chipped?

Mr Dillon—All thoroughbreds are micro-chipped. But no thoroughbreds other than those foal dated prior to when this commenced. I will not tender a date, because I am not sure. The only horses that needed to be micro-chipped in the EI outbreak in the thoroughbred industry were those born prior to the EI outbreak. Quarter horses have had this—once again, I will not issue a date—for at least one breeding season. I am sorry, I have just be informed that also for the Equestrian Federation of Australia it is compulsory that horses must be micro-chipped.

Senator HEFFERNAN—So, to compete in a campdraft they have to have that?

Mr Dillon—No, we do not require any registration at all at any stage except to compete at our national titles or to be eligible for championship or –

Senator HEFFERNAN—What is your understanding of what is going to happen under this arrangement? Will all horses or no horses be registered?

Mr Dillon—This is inherent, as I said at the start of it. If this legislation is passed, the only way it can be made to work, if they are genuinely serious about recovering the costs of a disease outbreak, would be for all horses to be registered, that is, if the repayment fee were to be made small enough for everyone to pay it. That is if we look at it as it is. The only way to ensure that all horses are caught in the net is to make sure that they are registered, and the only way to register a horse and to ensure that he is not passed off as Billy instead of Molly is if he is micro-chipped and people scan that—

Senator HEFFERNAN—Do you think Molly should pay as much as Rising Fast's foal?

Mr Dillon—No, definitely not. I personally believe—and as I said earlier—

Senator HEFFERNAN—That is the answer. You also think that, if the Commonwealth is found under an inquiry to be negligent, somehow people disadvantaged by that should be compensated?

Mr Dillon—I certainly do not feel that they should be asked to clean it up if the Commonwealth were found negligent.

Senator HEFFERNAN—We all make mistakes.

CHAIR—If your members' horses were affected by an outbreak, if there was an outbreak, they would still be susceptible to it. Would you think it fair that others paid and you did not but that you would want assistance to clean up?

Mr Dillon—That is a very good question and we understand that is an underlying principle that makes the EADRA a document that is widely considered in other livestock industries. As somebody said earlier, a horse is a horse and a cow is a cow. The costs to make that horse well again are the same irrespective of whether they are Tulloch or Molly. But it comes down to—and I have had this conversation many times with members of my organisation—who stands to lose the most out of the government not responding under an EADRA agreement? It is not the pleasure horse owners. Yes, we would struggle, but it is the people who conduct business who are desperate for an EADRA-style agreement out of this, and it is those people we feel who stand to gain the most even just in the clean-up—and this is forgetting about CHAPS and all of the other associated support. It is also those people who stand to gain the most who carry the most risk. That would be evidenced in the Callan inquiry. The greater risk element involved in horses in Australia involves those who import them.

CHAIR—Thank you. I did understand your answer, but I still would not like to try and run that argument to an eight-year-old whose pony is very ill and might have to be put down.

Mr Dillon—Granted.

CHAIR—Thank you for your time. We appreciate your making the effort.

[5.05 pm]

GANNON, Mrs Kelly, Private capacity

GANNON, Mr Vincent, Private capacity

CHAIR—I now welcome CBG consultants. Would you like to comment on the capacity in which you appear today?

Mrs Gannon—We are a small family owned and run consultancy business. We provide advice and support to various organisations.

CHAIR—I invite either of you two to make a very brief opening statement before we go to questions.

Mrs Gannon—Our main reason for being involved in the debate is that we feel the levy is inequitable. In every other livestock industry, EADRA appears to be a commercial agreement between government and commercial industry to provide a level of protection from their risk-taking behaviour for the rest of the public. On a personal note, we are also recreational horse owners. Our children are, and have been for over 10 years, members of Pony Club Victoria; they have regularly competed at state level. For the record, although we do not pay registration for our horses, we do have to register them with the pony club so that they are graded for competition; they are officially graded after two rally attendances. We represent an online petition as well that to date has been signed by nearly 7,000 people. We also sit here today representing the Australian Trail Horse Riders Association, who have asked us to speak on their behalf as well. They were established in 1972 and now boast 115 clubs nationwide and have a membership of approximately 3,500 people.

CHAIR—So you are acting for the Australian Trail Horse Riders Association. So you wish to table any documentation for the committee in that regard, or was it just by phone?

Mrs Gannon—They said they would forward their submission to you, with a covering letter giving us permission to represent them here.

CHAIR—How many owners do they represent?

Mrs Gannon—They have 3,500 members.

CHAIR—Is that all around Australia?

Mrs Gannon—Yes. I suppose the main thing is that, if it had not been for EI, this legislation probably would have gone through and horse owners would have been none the wiser until we had an outbreak like EI. It was unfortunate that we had to have an outbreak like EI, but it was fortunate in that it brought the inequalities of this current legislation to the forefront and horse owners, at the grassroots level, were able to comment and make application to the government about it. I think that has been a fortunate part of this process.

It should be noted that, when the AHIC had an emergency disease forum on 24 June, the Australian Racing Board and the Australian Harness Racing Council were prepared to sign the EADRA immediately. These national racing controlling bodies have the means to implement non-statutory levies to pay their cost-sharing obligations retrospectively, if it ever became necessary. 'The racing sectors are particularly vulnerable in the event of an EAD and wish to sign as soon as possible.' That was from an overview written by Road Hoare from the AHIC's emergency disease forum in July 2004. I will table that as evidence for the senators, if they would like me to.

CHAIR—Thank you.

Mrs Gannon—EI has shown the need to extend the consultation that occurred. AHIC, however well-intentioned their consultation was, obviously did not have the expertise, the ability or the finances to do a broad based consultation of all the grassroots potential levy payers, and I think that is where this legislation is lacking. It does not have the support of the grassroots. The problem is that it is inequitable in its distribution. A flat levy across all sectors of the horse industry is unfair in the impact that it has on various things—because we are not a horse industry; we are a horse community that has a commercial sector to it. Most breed societies are volunteer, not-for-profit organisations. They might have members that run commercial operations, but the breed societies, for whom the liability then becomes part of their levy collection process, are not a profit organisation. I think that needs to be made clear.

CHAIR—What degree of your membership is exposed to the commercial sector?

Mrs Gannon—I would not be able to tell you that. I suppose that would have to be assessed through the tax department. Another problem has been raised through the discussions that have already occurred in terms of who benefits from this. From a lot of the emails that I have received at home and a lot of the phone calls, many people who suffered from EI received no assistance from the government. They paid their vet bills and they paid for their vaccinations. They did everything themselves because they were declared either a hobby breeder or a recreational owner. As for what benefit they would get from the EADRA, it would be nothing. They would still have to take their pony out to the back paddock and care for it themselves. They would still have to pay their vet bills and get on with life in the same way as before, and they would still be part of the shut-down process, where they are not allowed to move, compete or do anything else. My children's EFA membership has been put on hold simply because I am waiting to see whether or not this legislation will go ahead. They can continue to compete as pony club members in pony club events until they are 24, so why should I bother going to the trouble, with the EFA, of micro-chipping and registering my horses and then having to pay levies, when all those horses do is go from the farm gate to an event and home again? We are not importing stallions, we are not travelling the globe and we are not paying for the thoroughbred industry.

CHAIR—Just to clarify one point for the Hansard record, you do not have to pay a registration.

Mrs Gannon—Yes.

CHAIR—From what you have just said, people may have believed that you had to. Is there anything else that you wish to add to your opening statement?

Mrs Gannon—The only thing I need to do is amend the submission. On page 3 of 33, which is the introduction—and it is repeated on page 10 of 33—the first statement in the second paragraph states that a Hendra outbreak is not even declared an EAD. I have to apologise. It is an EAD; it is a category 2(1).

Senator McGAURAN—Do you have any horses micro-chipped?

Mrs Gannon—Not at this stage. If my children were to re-register, I might. Up until this EI outbreak, my children could participate as paid EFA members without having to register their horses until they got to a certain level of competition. But, since EI, they have brought in compulsory micro-chipping and registration of all horses from the very beginning of all their competition levels.

Senator McGAURAN—Compulsory?

Mrs Gannon—Yes.

Senator McGAURAN—You have mentioned that your group is a mixture of commercial and not-for-profit entities.

Mrs Gannon—We try to do at least one thing a year that is philanthropic; it is usually for our local community. But this is something that came along that was also of interest and concern to us.

Senator McGAURAN—What is your activity in the horse game?

Mrs Gannon—I am a mother of children who get carted all over the countryside. I am the taxi driver. We have a couple of 'Mollys'.

Senator McGAURAN—It is pony club, hobby, campdrafting.

Mrs Gannon—Yes. My children are very active within the pony club movement, and I am the treasurer of my local—

Senator McGAURAN—You are the grassroots?

Mrs Gannon—We are the grassroots.

Senator HEFFERNAN—We have the argument well and truly drilled here. I am waiting for the department.

Mr Gannon—Perhaps I could add that I have had a fair bit of experience with the implementation of levies and user-pay systems that have come from commercial fishing in particular.

CHAIR—Just one moment. Does anyone need to confirm an interest here? Sorry, Mr Gannon; we will not go into fishing, but you may. It is a touchy subject on this committee.

Mr Gannon—I suppose the first question in relation to cost recovery and issues like that comes down to who will be the beneficiaries. Ultimately, at the end of the day, regardless of a disease response, in all likelihood, all recreational users will have to pay their own vet bills and their own close-down figures; if they

get caught short by getting stuck somewhere when a disease breaks out, they will have to pay those costs as well—and there is no ability for them to be compensated for those costs.

The commercial horse racing industry actually require these things to be implemented as a disease response, because the reality is that, if there were no EADRA agreement, if there were no commercial horse racing industry, then if a disease came we would have to suffer our losses as we would normally do. If there is a disease outbreak in Queensland and a buffer zone is created around that area to try to protect the horseracing industry so they can conduct their horse races so that they can conduct their businesses, it is their influence and their needs that are actually driving this potential market failure.

CHAIR—I would have thought that, if there were a levy and if there were one section, country town or one state isolated, wouldn't it be beneficial to that part of the world if there had been a levy building up for five or 10 years or so to alleviate the pain?

Mr Gannon—At this stage the levy is only designed for destruction of animals and direct costs in the implementation of that. If your horse is stuck sitting in your town, it is not going to go anywhere, anyway. We are not going to obtain any real benefit from it.

CHAIR—I am sorry, I lost that in the translation. I am saying that, if we had an outbreak of something somewhere, and if there had been a levy that had been paid and there had been a bank of money to alleviate the pain of the part that does not get paid by government, wouldn't that be a good thing for those who were affected in that part of Australia?

Mrs Gannon—I think at this stage, though, you are talking about legislation that is adapting a zero base levy, anyway. If there were a capacity within the industry to develop a bank then, yes, maybe that would be so. What happens in other livestock industries, though, according to the sector's GVP is that one per cent of that is what you are responsible for in terms of repaying the government under the EADRA agreement. If you were in the cattle industry, the beef industry would pay a certain amount, the dairy industry would pay another amount and the feedlot industry would pay another amount. You are talking about putting a flat levy across an entire livestock community—not industry—and expecting everyone to be a level player.

CHAIR—I understand.

Mrs Gannon—What happens then is you get that free-rider effect, and that really is inequitable for the ones at the bottom end of the scale, say, the retired gentleman who has continued breeding his ponies for the love of it and is now going to have to sell them or destroy them because he can no longer keep them as a result of this disease inequity. That is what is happening. I have emails from a lot of people that are saying this.

CHAIR—Yes. I think what is making it harder is that we do not have a figure. Those who will want to stir it up will say the dangerous thing is how much it will cost. I would like to see an argument saying, 'Look, here is what we believe.' I really want to hear your views, as does the rest of the committee. We do not know what the price is. I liken it to car insurance. Until they have a prang, no-one likes paying their car insurance and then they all start saying, 'Thank God I paid it', or they scream when they haven't. That is why I think that coming out with a definite, 'No, we do not want it' is fine, but what happens in the next 'if'. Touch wood there will be no other outbreak.

Mrs Gannon—I think in the next situation you will find the same situation. Recreational owners will still have to pay their own vaccinations. They will still have to care for their own sick animals and pay the bills. The thoroughbred industry and commercial industries that can prove an income will be the ones that are subsidised. I think that is where your problem is. If you want to put everyone on the same level playing field you have to put everyone on the same level playing field in terms of compensation, in terms of tax benefits and in terms of GST. I think that is an argument that has come through again and again. That is why I am against a flat levy fee.

Senator SCULLION—It is interesting that we talk about money. What we do know is there is a \$350 million bill floating around, and who would know what percentage of that would be asked to be paid had they not found in the Callan inquiry that it was the responsibility of the others. You touched on a couple of issues about equity. I guess the comparison is if you are insuring against something you pay a premium of insurance and take different responsibilities. In this country if you own a Ferrari you pay more insurance than if you own a VW. I really understand that position. I understand your point was that you do not really get any benefit at all? Certainly in the EI that is the only experience we have had. The EI came and went. You obviously could not travel. You probably had a bit of a break, by the sound of it.

Mrs Gannon—Yes, it was lovely.

Senator SCULLION—But you did not travel, and so there was almost like an in-kind contribution. There were lots of things you were not able to do. I understand there were lots of people who could not travel and you had the horses stuck places. They were not able to get access to the benefits of the levy in terms of payment. Those people are now being asked to pay for something that they cannot get access to.

Mrs Gannon—That is right. If the situation remains the same as the way that EI was handled in terms of the way they compensated horse owners and assisted with vaccinations then, yes, that would be the case.

Senator SCULLION—Thank you both for coming along. I probably do not have to declare my interest in the fishing industry. But keep up the great work.

Senator McGAURAN—Did you write the submission?

Mrs Gannon—Yes.

Senator McGAURAN—It is superb.

[5.22 pm]

SMYTH, Dr George Barry, President, Australian Horse Industry Council Inc.

CHAIR—I welcome the representative from the Australian Horse Industry Council. Do you wish to make a very brief opening statement?

Dr Smyth—I would. I am grateful for the committee making time available to continue the public consultation process in relation to these bills. The committee is aware, obviously, that the horse industry has for a long time been trying to find a way to have protection under the Emergency Animal Disease Response Agreement. We see that as a necessary insurance policy to guarantee the industry of government assistance in helping to cope with an emergency animal disease incursion. As part of that process we need to have a levy mechanism in place to enable the industry to meet its obligations as part of that process. For a long time there have been arguments about the ways in which the industry might have a levy to enable that to happen, and these bills are the latest in that development. We do not see this as a perfect solution by any means. It is not universally agreed to. However, we see this as a way that the industry can move forward and have a levy mechanism in place.

CHAIR—We do note that the three major representative bodies, yours being one, have come to government requesting that something to be done. We do note that, and we do note there is a lot of talk and conjecture around how we get there.

Senator McGAURAN—To clarify this point, you are taking a different view to that of the Queensland Horse Council?

Dr Smyth—Yes. The Queensland Horse Council represents Queensland as a state. We are the national body.

Senator McGAURAN—You are taking a national view. As I understand it, you say that the levy is not perfect, but it is a way forward. Which states are supporting you?

Dr Smyth—There are four horse councils in Australia. The only one that has come up to us in opposition to the levy proposal is the Queensland Horse Council, but I must admit we have not had direct communications against a levy from the other three state horse councils, which are Victoria, South Australia and Western Australia. We do not have horse councils in New South Wales or Tasmania or either of the territories.

Senator McGAURAN—So, Western Australia, Victoria and South Australia?

Dr Smyth—Yes.

Senator McGAURAN—You are assuming that they support you, but you have not really had discussions with them?

Dr Smyth—We have had discussions with them, but they tend to leave national issues to the Horse Industry Council and they look after their own state issues.

Senator HEFFERNAN—I presume all horses are equal to a vet; would that be fair enough?

Dr Smyth—Well—

Senator HEFFERNAN—Do you load the charge when it is a \$1 million horse versus a \$100 horse when you are treating it?

Dr Smyth—It depends on the level of service you are providing.

Senator HEFFERNAN—The same level of service?

Dr Smyth—The same level of service, no.

Senator HEFFERNAN—What if I were generous enough to become involved in Riding for the Disabled and I borrow a horse float and find a couple of horses to take the disabled kids riding and something goes wrong, which is found to be someone else's negligence and where no-one gets the sack? The citrus canker thing is a really good example of a cock-up and no-one got the sack. For a person in their generosity has lent a couple of horses and done all the sacrificial things as opposed to someone who rocks up to Randwick in a Rolls Royce and gets a tax deduction for carting their horse there because it is a business, do you really think that warrants an equal levy? Do you think any ordinary person standing at the back of the room would think that is a fair go?

Dr Smyth—We are talking here about horses that are registered for the first time, so we—

Senator HEFFERNAN—And this is for insurance purposes, for instance. We do not know, but we are about to find out, mind you. I do not know why we did not find out before we had all the other witnesses. We are pretty clumsy. All human endeavour has some human failure. Do you really think that the average punter would really think that is equitable?

Dr Smyth—Under the proposal horses that are registered for the first time would attract a levy. It is highly likely that those horses loaned to Riding for the Disabled, as in your example, would already be registered somewhere else anyway and donated to them.

Senator HEFFERNAN—Tomorrow morning I am going to donate my dear old half-broken down Shetland pony—

CHAIR—Molly.

Senator HEFFERNAN—to Riding for the Disabled. Do you really think that John Singleton's latest yearling that he sells at Randwick for \$1 million ought to pay the same levy as my old Molly that I am donating to Riding for the Disabled tomorrow?

Dr Smyth—It is highly unlikely that a Riding for the Disabled horse would attract a levy, but I would make the point that—

CHAIR—With great respect, just allow Dr Smyth to answer that. You asked Dr Smyth a question. Let Dr Smyth answer it and then be prepared because there will be another 13 or 14 coming at you.

Dr Smyth—All these bills are seeking to do is to recover costs and a share of part of the costs, not the whole costs. The costs of an emergency disease eradication program are the same per animal.

Senator HEFFERNAN—I understand that.

Dr Smyth—If you are talking about a beneficiary paying, if they benefit from the eradication program then—**Senator HEFFERNAN**—I have no argument with that, but if I brought the stallion from the Emirates, or somewhere, which is normal for the industry, because the industry is so jiggery-pokery that they are not allowed—

CHAIR—Are you talking about the thoroughbred industry?

Senator HEFFERNAN—I am. You have to physically bring the stallion here. If you had any brains and you wanted to multiply racehorses you would just bring the semen, wouldn't you? But, no, we have got this jiggery-pokery set up where you have got to bring the horse in. All of that is GST returnable and tax deductible, et cetera, and the actuarial risk is increased by the importation, as it was with the last outbreak. Is there any actuarial assumption in a levy or in your mind or in the equity of fairness, which is what insurance is all about; you pay less—

CHAIR—I think your question is flawed there, because we realise—

Senator HEFFERNAN—Hang on. You pay less for rego of a car and you pay less for the insurance of the car if you are driving it in Junee than you do if you are driving it in Sydney. That is what you call actuarial assumption. Do you say the actuarial assumption in this is equal for a person who does not get the tax deduction and who just has Molly, who goes along in broken-down horse float to help disabled kids? You are not really telling me that you believe that?

Dr Smyth—I understand where you are coming from, but I just repeat that the cost of the eradication program does not depend on the perceived or actual value of the animal it benefits.

Senator HEFFERNAN—Neither I nor the person standing at the back of the court, as it were, wouldn't think: what sort of a crazy system is it where there is no liability given the actuarial risk to a particular part of an industry, not reflected in the insurance premium, as it were, which is what you could say the levy is; what sort of a deadhead would come up with that sort of a formula?

Dr Smyth—This is consistent across levies in other industries, anyway. You pay the same amount of levy per animal. It does not matter what the value of the animal is; you pay the same levy. It is consistent with the other levy mechanisms.

CHAIR—That is why the other levies do not differentiate between Grange or that cardboard stuff you pick up out of Coles.

Senator HEFFERNAN—But taking the sheep levy as an example, you pay more for a lamb than you do for an old ewe. It is not consistent?

Dr Smyth—But every lamb pays \$1.50 a head. Every old chopper or old wether pays 20c a head. It does not matter whether it is off a flash merino stud or some backyard, it still pays 20c.

Senator HEFFERNAN—In this industry there is an actuarial risk that you can assess because of quarantine. We have been battling away here for years on quarantine and biosecurity matters. There is an obvious risk that is not there for Molly that is there for John Singleton's yearling.

Dr Smyth—I see where you are coming from, but that is not part of the agreement.

Senator HEFFERNAN—But why isn't it?

Dr Smyth—There is provision in the agreement for parts of an industry to have a gross value of production (GVP) across different sectors of the industry and for those industries to share up according to their GVP's—

Senator HEFFERNAN—Why wouldn't you, in your wisdom, and all those well paid souls who support your advice, at least have given some consideration to charitable work not having to pay anything?

Dr Smyth—Everybody is a beneficiary and it costs the same per head.

CHAIR—It is the same question going around, so I would—

Senator HEFFERNAN—I am bloody pleased you are not in charge of everything I do.

Senator SCULLION—Thank you for coming. I know you are in a very difficult situation, as is the Australian Horse Industry Council. Having had a fair bit to do with the council in the past during this process, I know that there is no mischief, but you do seem to have ended up in a pretty paltry place in terms of being an organisation that seems to represent a whole bunch of people who are now saying this because of your position about EADRA, and perhaps in other circumstances it might have been a reasonable one. Earlier we had a document tabled that reflects a meeting where there was a discussion about peoples' opposition or otherwise to a levy. We have the National Campdraft Council opposed, Southern Campdraft Association opposed, Queensland Horse Council opposed, Pony Club Australia opposed, Riding Pony Studbook opposed, Thoroughbred Breeders opposed, Australian Stock Horse Society opposed, Australian Busman's Campdraft opposed, Walters Quarter Horse Association opposed, Expected Stockhorses is opposed, and the Equestrian Federation of Australia was only opposed to the recent levy and are out for lunch on the other thing. Australian Quarter Horse appears to support the levy. I am not sure about the Equestrian Federation. The Welsh ponies, I saw from another document, seem to be supportive. In any event, it does seem, as has been put to us, there is no reason to doubt there is wide opposition in this industry. I understand why 80 per cent of the levy will be borne by an organisation that does not have a fixed transaction, if you like. When you talk about the cattle industry, it is easy. When you sell a cow, or whatever it is, it is a commercial business. People are in there to sell cows or sheep and to make money somehow on that. We grow cows to eat their meat. It is pretty basic. It is very easy to have a levy and it is very easy to understand why you would need a levy in that commercial environment.

We have an industry where I think \$589.45 million in levies alone was collected from states and territories. That is from levies alone. That is the size of the industry. But the 80 per cent of people who are going to pay for this were not included in that. You can see that there is a clear inequity between there being 80 per cent of people of the industry who are going to pay, but they are not part of those transactions. We look at the nature of people that they support, people who sell saddles, car trailers, feed and vets—all those sorts of people are part of the industry. But, again, they are not caught up in the levy. These are the sorts of issues that have been put to me as being completely inequitable. I would submit that one of the reasons that the Australian Horse Industry Council pretty much—and I will say reasonably, I am not sure—does not really exist at the moment in terms of representing a whole bunch of people.

Would you comment on the equity of this? I know you have tried your best to corral people together on this, but it just seems that you are in an untenable position. You are one of the three potential signatories to this. I am not really sure where you are up to there. You may have a couple of people. I understand, anecdotally, that they are really questioning whether they should be a part of this. At this stage, I do not think it is reasonable to say that you, as an organisation, would have a wide following. We have had a number of people submit to us here today that, as a consequence of this, unfortunately—and it is really unfortunate; it is very difficult to get good representation in any industry—they have all just walked away. Even if you did sign EADRA it would not really be of any import, because you do not really represent any substantial part of the industry anymore. Could you just comment on that, please?

Dr Smyth—Yes, I am happy to. I am grateful you have brought this up. With regard to the representation at the meeting you are talking about, I would point out that at that stage—and I am sorry I do not have the numbers with me as of today—but when that was on last year we had 80—

CHAIR—I am sorry. There are some of us who have not been paired through illnesses, and we have to attend the chamber for a division.

Dr Smyth—As of this time earlier this year we had I think 83 organisations as members and we had 253 individuals. This group that was at the meeting was a small subset of our total membership, and I think that needs to be made clear. With regard to the people that you read out, I would say Pony Clubs Australia is not a member of our organisation for a start, so we can cut one off. As to Walters Quarter Horses, Harvey Walters is a barrister from Townsville. He is no longer a member of our organisation, either. That is another one off. He is an individual member. Expected Stockhorses, again, is an individual person. It is not a member based organisation.

You read out a number of campdrafting bodies. In a campdrafting association a person might be a member of more than one of those organisations and so the same people are talking a number of times. On top of that you have their umbrella organisation, the National Campdraft Council, speaking again on behalf of the individual members plus the organisation. I understand where you are coming from when you look at the bare numbers, but you have got to know what is behind the numbers. We did not ignore the advice from that meeting. What we have done is taken on board the fact that a lot of people are not in favour of a levy mechanism or the agreement. However, our feedback that we get and surveys indicate that that negative opinion represents only 20 per cent of the broader industry. There is somewhere between 50 per cent and 60 per cent of people who do favour some sort of levy mechanism to enable the horse industry to be part of this process.

Senator NASH—Can I just ask how you arrived at those numbers?

Dr Smyth—We did a survey and it is on our website. I think we have sent it to Senator Scullion's office. It is available on the website for people to download if you want one.

Senator SCULLION—I understand your response, but I do not think this committee has so far had any people in the pleasure/performance industry who have come here and said, 'This is a good thing. We want to pursue it.' As I have said, I understand the difficulty of the situation, but I think in this room if we were somehow suggesting or accepting an assertion that there are a number of people out there who are currently hidden to us that are supporting this, I just think we would be blind or in some sort of denial. I have not had a single phone call or representation from anybody that says, 'We really think that this is a red hot go.' In fact, as I have said, the vast majority of the 80 per cent of people who will be bearing the burden of this have indicated to me, whether it is my constituents in the Northern Territory or people who have spoken to Senator Nash in her constituency, and have all been vehement, 'First of all, I did not really understand or know about this, but there is no way we are paying. We get no benefit and this is going to have a really negative impact on our industry. It is expensive enough, anyway.'

Dr Smyth—It is a zero based levy, and nobody pays anything until after a disease response is over. And if quarantine works and with ordinary luck this levy will never have to be enacted. With a bit of luck we would not have had any EI, either.

Senator HEFFERNAN—Not with a bit of a luck—

Dr Smyth—Indeed.

Senator SCULLION—I accept what you are saying, that there is a possibility and this is, in fact, a levy that will be set retrospectively. But I think the reason people are concerned is that there was a huge cost. There was a huge cost for EI and 80 per cent of the people who were making the cost got barely a touch of access to the benefits, if you like, of the levy. I think it is pretty evident from the evidence we have received that most of the people in that sector basically went on with life. They were not a major beneficiary of the levy.

Dr Smyth—If we look at the industry as a whole, it is just a fact of life that in the industry there is a minority in the racing sectors. There is about four to one in non-racing versus racing. That is a fact of the industry, so—

Senator HEFFERNAN—Not the dollars, the animals?

Dr Smyth—By number, yes. We are paying on a per head basis here, so it is a numbers game. Quite simply, there will be a larger quantum from the non-racing to the racing simply because it is four times—

Senator SCULLION—I am sorry, we might just suspend for a moment. It is a division. We will be back as soon as possible.

Proceedings suspended from 5.43 pm to 5.51 pm

[5.51 pm]

CHAIR—We are back on the record.

Senator HEFFERNAN—So, you are on the record that all horses should be registered?

Dr Smyth—We think that is a good idea, yes.

Senator SCULLION—Mr Smyth, a lot of the reason that EADRA has three bodies is that the government clearly has come to the view that they are the representative bodies. Generally speaking, the Australian Horse Industry Council would have represented, some time ago, a vast majority of people who play in the performance and pleasure industries. Given that there does seem to be a large number of people who are distressed—the Australian Horse Industry Council—about not being represented, do you think it would be reasonable if you went ahead and signed EADRA, or the Australian Horse Industry Council went ahead and signed EADRA? What proportion of those horse owners, pony clubbers and those sort of things do you think you would represent given the current circumstances? I am not looking for an exact number, obviously. Can you be frank about that.

Dr Smyth—I would need to have a look at our current membership base to provide you with an accurate answer on that, but I would make the point that because we are a national body we have to act in the national best interests of everybody, not just the people who are in organisations but all those large numbers who are not in organisations. We need to act in the best interests of the whole industry and not just individual groups, and in terms of the overall industry, relatively small groups, who are opposed. We think that if the levy bills do not go through it leaves everybody in the industry, including those opposed to these bills, fully exposed to the ravages of an emergency disease incursion without government assistance.

Senator SCULLION—I am looking through this list of people. Whilst you assert there may have been individuals, to be reasonable, Mr Smyth—the National Campdraft Council, and we have heard from the Queensland Horse Council, Pony Club Australia—these are significant organisations and whilst they may not be significant in the context of your whole organisation it will clearly change the dynamic. Someone said, ‘Oh, look, the Australian Horse Industry Council signed up to that’, and in view of this the wider community would see that as not being widely representative of an industry. Mr Smyth, you are a vet. So, this is the first time we have tried to sign up to EADRA—and there have been plenty of industries that have not signed up one way or another—an industry, if you like, that is 80 per cent recreation. It is really a new area of endeavour by the government. Let us say it is the dog racing industry and we import some dogs from somewhere else and somehow we get rabies or some disgusting thing in Australia. I just see it as inconceivable that we ask everybody who owns a dog to pay the price, to share the bill, or to get every dog owner in Australia to suddenly sign up. It is inconceivable that a government would try to do that. That is idiotic. But we are only a few steps back from that, Mr Smyth.

Dr Smyth—Companion animals, such as cats and dogs, are not covered by this legislation at all. They are not covered by these levy mechanisms. You mentioned rabies. If rabies did get into the country—and we would all hope that it never did—that is a category 1 disease and the government pays everything, anyway.

Senator SCULLION—So, the companion animal is the dog and the cat and we know what a companion animal is for. They are pleasure animals. We might show them. We might go to cat shows, dog shows and those sorts of things. Now, certainly we do not jump on their backs or anything monstrous like that, but I would have thought that most of the people in the Pony Club would see their animal—and I know Senator Heffernan has a really special attachment to Molly—would have described theirs as a companion animal relationship.

Senator NASH—Absolutely.

CHAIR—I am sure that Senator Heffernan’s companionship with Molly would be more interesting than all of this, though.

Dr Smyth—In answer to your question, we have a board member, Jane Barry, who breeds ponies. She is a Pony Club mum. Her daughter rides ponies and in their Pony Club, which is somewhere on the central coast of New South Wales. All of those Pony Club ponies were vaccinated as part of the program. They all benefited from the emergency response. In that instance they benefited and they have no problem with the concept that, if they are beneficiaries, they should make a contribution. We get that from a lot of other people, too. Our administrative officer, Judy Taintch, breeds ponies and has been involved in Pony Club all her life. She judges

ponies at shows all over the place. She is in Victoria and so was not involved in the previous situation, but she also sees that everybody would benefit from the program. As an example of why a lot of people did benefit from the program, we had approximately 150, 000 horses vaccinated and micro-chipped as part of the program. A huge number of those were not in the racing sectors. If you take all of the thoroughbred horses in the country and all the standard breeds, it is about 150, 000. We did not do only thoroughbreds and only standard breeds. A huge number of non-racing sector horses benefited in this past outbreak.

Senator SCULLION—This is a very tight levy. It just simply levies future horses on registration. Given the differential in the industry, if you agree that everybody should pay because everybody gets a benefit, notwithstanding the companion animal aspects, do you think that perhaps this levy should be considering things such as a horse shoe levy? As has been discussed in the past, a dollar a corner does not seem to be an awful lot. The racing end of the industry, the Australian Racing Board, is a huge mob, but they do not appear to be paying anything. I am sad that they did not appear. I had a couple of questions for them. You are very brave to appear, Mr Smyth. Do you think we could have a different levy? This is a levy that is just been one thing and that is it. Do you think this would be more appealing if we had a levy that was more sophisticated to deal with a more sophisticated sector?

Dr Smyth—If you look at the comments in our survey that related to levies and levy mechanisms, the clear thrust and the preferred thrust was that it is a broad-based levy so that everybody contributes. You brought up horseshoes. Probably 10 per cent or less of Australia's horses are ever shod. The vast majority of them never get shoes on. It completely leaves out all the breeding industry, and people who shoe horses, or put horses on their shoes, usually get it done on a regular basis so it hits that particular group every time they put a set of shoes on their horse, and everybody else gets left out.

Senator SCULLION—Only 50 per cent of horses behind wire are registered.

Senator HEFFERNAN—I want to go back to the—

Senator SCULLION—Molly!

Senator HEFFERNAN—the business end. Poor old Molly.

CHAIR—Molly does not exist.

Senator HEFFERNAN—Molly does exist. She is a beautiful old broken-down Shetland. You will agree with me that for the person most able to afford this levy—at the top end of the waterfall, not the bottom end—it will not cost them anything because it will be a tax deduction?

Dr Smyth—No. Levies are not tax deductible, as far as I am aware.

Senator HEFFERNAN—It is a business cost.

Dr Smyth—It is not deductible.

Senator HEFFERNAN—With great respect, have you checked that? The levies that we pay—the rates, the charges, the PP board levies—are a tax deduction to a farmer. This will be a tax deduction to a professional horse owner.

Dr Smyth—We pay levies at the—

CHAIR—Dr Smyth, you do not have to answer. That is more of a statement. You have already put your answer forward.

Senator HEFFERNAN—You are on the record as saying it will not be a tax deduction. I will prove you wrong.

CHAIR—That is all you have to do. Dr Smyth, I actually wanted to give you a chance to defend yourself. In all my years of negotiating for, and on behalf of, truck drivers and forkies I have always found it advantageous if all forms of industry come together and say to government, 'Hey, we have got a problem. How can we fix it?' I commend you and I commend the thoroughbred board and the harness committee. The sad part is when it does not go to how a lot of your members feel; they all 'crack the sads' for want of a better phrase, and pull out. I would rather they stayed in there and had the fight in the tent rather than out. You could not be a bad bunch of blokes because you are based in Geelong. That is something good. The previous submission attacked your figures of 50,000 to 60, 000 new horses coming through. I am sorry if I have got that figure wrong. I think you based your estimated of the levy on that. Would you like to comment further on your sums and how you came to that?

Dr Smyth—Do you mean the original 2006 proposals?

CHAIR—Yes, please.

Dr Smyth—Those were based on a desktop exercise done by Dr Dick Rowe. He was charged with coming up with some ballpark numbers to give both government and industry an idea of, if this did happen, how much might it cost us? He was asked to do only a limited number of analysis and the analysis that he did was based on an outbreak in a limited number of horses racing where the outbreak was confined to a relatively small area and a relatively small number of horses—just a few thousand. There was a scenario where there was no vaccination and there was vaccination and there was a considerable cost difference between the two. The sum that he came up with was \$6 million to run the eradication program, get it all over, get the disease eradicated and no ongoing vaccination.

So, we thought, if we use the proposal where we levy only newly registered horses, how many might there be? We did some numbers and came up with at that stage a number of roughly 60,000-odd—in ballpark numbers again. If we amortise \$6 million over the 10-year projected period, 600,000 a year, and we have 60,000 new horses a year, that comes to \$10. That was the basis of that calculation. It was purely a desktop exercise and of course we now know, with our most recent experience, that it was way low. But that is just the way those things go sometimes.

CHAIR—Of course. I likened it earlier on to paying car insurance. No-one wants to pay it, but as soon as we have a bingle we are all screaming. I have just one last question on that. How many horse owners do you still represent?

Dr Smyth—Once again I—

CHAIR—I am sorry if you have answered that question.

Dr Smyth—I just have to repeat that at the moment I am not sure of the total number of organisations that we represent. I am not sure.

CHAIR—What was it prior to—

Dr Smyth—Last year it was 80 organisations of varying sizes and 250 individual people.

CHAIR—So you were a substantial player in the industry when you came to the previous government to suggest, ‘Hang on, what can we put in place in case we have a similar outbreak?’

Dr Smyth—We think so.

CHAIR—I commend you for that, and I am sure your organisation will go forward from here. We have run out of time, Dr Smyth. Thank you very much for your time today.

[6.05 pm]

ALDRED, Mr Tom, Executive Manager, Product Integrity, Animal and Plant Health, Department of Agriculture, Fisheries and Forestry

BIDDLE, Dr Bob, General Manager, Animal and Plant Health Policy, Department of Agriculture, Fisheries and Forestry

FITCH, Mr Phillip Gerard, Manager, Plant Health and Cross Sector Policy, Department of Agriculture, Fisheries and Forestry

MAXWELL, Mr Steve, General Manager, Levies, Contracts and Services, Management Services, Department of Agriculture, Fisheries and Forestry

CHAIR—I welcome officers of the Department of Agriculture, Fisheries and Forestry. I remind senators that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Officers of the department are also reminded that any claim that it would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim. Mr Aldred, do you wish to make an opening statement before we go to questions?

Mr Aldred—I will make it very brief. I think previous witnesses have covered the purpose of the bills, but the bills were drafted to give effect to the horse industry's levy submission of November 2006 to impose a levy on the initial registration of horses. The purpose of the submission was to then allow the horse industry to ratify the Emergency Animal Disease Response Agreement that the industry had been wishing to sign for some time. The purpose of the agreement, of course, is to provide the protection to industry to ensure underwriting of costs in the event of emergency animal diseases. I think it is important to note that the EADRA covers not just equine influenza, and while there is an obvious focus on recent events in terms of equine influenza, the EADRA certainly goes broader than that.

Given that the nature of the horse industry is different to some of the other industries covered by the same arrangements it has been difficult for the industry to come up with a levy mechanism to propose to government. Obviously, if it had been easy the horse industry would have signed up at the same time as most of the other industries. The submission that was made in November 2006 was as a result of broad consultation and a fairly significant effort. It was assessed against the levy principles, and the bills presently before the parliament reflect that submission.

Senator McGAURAN—Some \$353 million has already been outlaid by the government in relation to the EI response. Is the levy being raised to meet that commitment?

Mr Aldred—No, it is not. The bills before the parliament will set up for future emergencies and they do not seek to recover the costs of either the assistance that was provided during the outbreak nor the costs of controlling and eradicating equine influenza.

Senator McGAURAN—Is there going to be a recovery of those costs? Was that part of an earlier agreement?

Mr Aldred—During the initial stages of the outbreak there was agreement that the parties would operate as if the EADRA was in place. Subsequently, the government made the determination that as the industry was not a signatory to the agreement those costs would not be recovered.

Senator McGAURAN—Did they make that decision on budget night? When was that made?

Mr Aldred—The announcement was made in June this year.

Senator McGAURAN—Could that be interpreted in any way as a response to a possible class action that would be coming their way?

Mr Aldred—The decision was made on the basis that it was not considered appropriate to recover the costs because the horse industry had not signed the agreement. That is the extent of the decision.

Senator McGAURAN—Had the horse industry said that to the government: 'We have not signed. Therefore we are not bound by the agreement'? It was understood at the time and well published that there

would be a recovery process put in place, which I thought was the fundamental reason for the levy. Did the horse industry in the end, to use a term, buck, and say, 'We have not signed anything, so you cannot hold us to it'?

Mr Aldred—There are a couple of things happening. What we should make clear is that following the November 2006 submission the process of drafting bills and bringing them through to establish these arrangements was in train. The bills before the house were not commenced after the outbreak of equine influenza. All of the lead-up work was well under way, but it was a government decision that as the horse industry had not signed the agreement it would not be appropriate to put the levy—

Senator McGAURAN—Was there an agreement on the table to sign?

Mr Aldred—Was there?

Senator McGAURAN—You said they had not signed the agreement in regard to cost recovery, but was there an agreement to sign? Had an agreement been drawn up?

Mr Aldred—There was an indication by the representative bodies of the horse industry that there was an intention to sign, but the levy mechanism was actually the thing that was holding up the whole process.

Senator McGAURAN—You say they signed, but was there something to sign?

Mr Aldred—What would happen is that they would sign up to the existing agreement.

Senator McGAURAN—Sign up?

Mr Aldred—And the agreement has been signed by a range of other industries and the horse industry would become a party to the agreement.

Senator McGAURAN—I am just talking about cost recovery now. I am not talking about the future levy response. Just the cost recovery, which I must admit—

CHAIR—Are you talking about the EI?

Senator McGAURAN—Yes.

CHAIR—These are probably very good questions, but I am thinking about the purpose of this inquiry on this bill and our time constraints. I am not trying to cut you down.

Senator McGAURAN—It does reflect on the good intentions of the industry and for me it brings a whole different perspective to this. There was no document for them to sign? It was just an understanding at the time between the horse industry and the government of the day that there would eventually be a cost recovery put in place? It was not actually an agreement on paper?

Mr Aldred—There was not a signed agreement.

Senator McGAURAN—But there was no agreement?

Mr Aldred—In the initial meetings of the national management group, to which the three bodies were parties, there was agreement to operate as if the EADRA had been signed, but it had in fact not been signed.

Senator McGAURAN—What is EADRA?

Mr Aldred—It is the Emergency Animal Disease Response Agreement. It is the framework agreement that sets out how responses will be managed and the way that monies will be outlaid and the recovery arrangements that will apply. It is the one agreement for a whole range of industries. In the case of the horse industry, because there was no levy arrangement or levy mechanism in place that would allow the recovery of funds in the event of an outbreak, the horse industry had not been able to sign that agreement.

Dr Biddle—Perhaps I might make a further comment on that area. If we go back to 2002, when the EADRA was signed by a number of industry organisations and governments, state and federal, it is relevant to know that the detailed schedules of the EADRA included quite a range of horse diseases. This was because the horse industries had been party to the processes leading up to the framing of that agreement. Subject, as Mr Aldred said, to a suitable levy mechanism to allow those industries to meet their obligations, it was envisaged that they would eventually sign on and become signatories. As history shows, the process of detailed negotiations around identifying a suitable levy mechanism took a considerable amount of time and delayed the process. But, by 2006, as Mr Aldred has said, arrangements had been progressed enough for legislation to start to be brought through the system.

Senator HEFFERNAN—In the tax system we have the black economy, and one of the things that the GST was designed to do—which it does pretty well, I have to say, because I have had to straighten myself up—was

identify the part of the community that was not contributing at all in that regard. What is the registration protocol that is behind this legislation? Is it compulsory or not?

Mr Aldred—No, it is not compulsory.

Senator HEFFERNAN—If it is not compulsory, isn't that just a sort of halfway measure? It is a bit like the brumby industry. I do not know how you deal with feral pigs in a foot-and-mouth situation and I do not know how you deal with brumbies in a horse flu situation. What was the logic for not making all horses registrable, for a start? Was it because you could not muster the brumbies? What was the reason?

Mr Aldred—From the Commonwealth's point of view, the Australian government does not have the constitutional power to mandate national registration of horses.

Senator HEFFERNAN—So why wouldn't you, at COAG, get all the states to agree to harmonise this? It could be like the driver fatigue laws, which are now a farce. This will develop into a farce too, if every state has its own mind and its own agenda and gollywogs who know nothing about it are making the decisions. Why wouldn't you do this as a national standard? Couldn't you do that through COAG?

Mr Aldred—In terms of a registration system?

Senator HEFFERNAN—That is where you have to start. You will have some people in the plan and some not in the plan. It is neither your arse nor your elbow, to be quite candid.

Mr Aldred—As the last witness, Dr Smyth, mentioned, there is certainly discussion and thought that, in fact, that should be put into place.

Senator HEFFERNAN—Shouldn't that decision be taken one way or the other? No-one seems to know what is going to happen.

Mr Aldred—As I have indicated, the concept has been discussed. It has been referred for examination to the Animal Health Committee, which sits under the Primary Industries Ministerial Council's standing committee arrangements.

Senator HEFFERNAN—So why wouldn't you make that decision before you made the rest of it? You are putting the cart before the horse, aren't you?

Mr Aldred—No. The legislation before the parliament is based on the November 2006 submission. We would like to have it in place in the event of an emergency outbreak.

Senator HEFFERNAN—I appreciate the urgency and I congratulate the department and Dr Biddle and all the people behind you that do all this fantastic work, because it is very important and it is very difficult to get us—we are all likeable rogues—all together. But, to strike an equitable levy, surely the first thing you must do is have compulsory registration. You are opening it up to all the rogues. Dr Smyth and others are arguing, 'Well, it costs as much to fix that horse there as it does to fix that horse there and that horse there and poor old Molly.' So why wouldn't you make it all registrable and then strike what you thought was a levy from an actuarial point of view? Isn't it a fact that, if I am conducting a business with a horse, I am earning an income where my expenses are a tax deduction, and a levy is a tax deduction?

Mr Aldred—It is my understanding that a levy would be deductible—

Senator HEFFERNAN—So it is not going to cost those most able to afford it—

Mr Aldred—Perhaps I could finish. It would be deductible where it is an expense of doing business.

Senator HEFFERNAN—That is right.

Mr Aldred—I will not pretend to give tax advice, but that is my understanding.

Senator HEFFERNAN—I own up. I pay levies and they are a tax deduction. In the process of earning an income, it is fair dinkum. This is sort of putting the cart before the horse, properly. Given that it would be a tax deduction for those most able to afford it, what would be the logic that talked you out of—like the NLIS for cattle or sheep or any other damn thing—not having registration across the board, so that Molly is registered. But, because Molly is a broken-down Shetland and is used for riding for the disabled, under whatever, you pay sixpence instead of £600. Is it too hard, or did everyone get out of bed feeling tired? What was the reason? I realise that this is all difficult, but it is also patently inequitable. It is not tax deductible to the pony club mob; it is tax deductible to the bloke that rocks up in a Rolls Royce.

Mr Aldred—I will put two points. The first is that the structure of the EADRA is that it seeks to recover costs on the basis of the beneficiary pays. Effectively, the comparison that is made is: who would be the

beneficiary if the disease were eradicated versus if the disease were endemic? In the case of horses, the fundamental difference in those two states is that, if the disease were endemic, it is likely that vaccination would be required for all horses. The cost of vaccination would be the same essentially for each horse.

Senator HEFFERNAN—Yes, but that is why the rich pay more tax than the poor and why they subsidise the A and B supplements, the dole and everything else. That is just fair. That is why the US has just put in \$700 billion to correct the greed of pass-the-parcel financial instruments. There is no equity argument that is sustainable in what you have just said. What classes of horse disease would there be where the tab would automatically be picked up by the Commonwealth? Would there be any?

Mr Aldred—Mr Fitch has just said that rabies would be one.

Senator HEFFERNAN—Could you make available a list of those classes or categories?

Mr Aldred—We will table a full copy of the EADRA.

Dr Biddle—Perhaps I could just explain that, in the annex to the department's submission, there is a list of the cost shareable diseases, under the EADRA, for horses. Category 1 in that list is the diseases where governments meet the full costs.

Senator HEFFERNAN—Just say we get an outbreak. I took a ride up through the Snowy recently and I nearly broke my backside. It was almost 'breakback mountain', with Malcolm Turnbull and me. There are hundreds of brumbies up there. If you get a class 1 disease, what do you do about all the brumbies? This bloke here will tell you about all the brumbies in the Northern Territory. Who is the beneficiary of that? Is it the state government? Why shouldn't the state government then pay part of the levy? Who owns the brumbies?

Dr Biddle—No-one owns the brumbies. It is envisaged under the arrangements that, where it is determined that a disease can be contained and eradicated, a response may be agreed by the parties and then a response plan would be prosecuted with the aim, hopefully, of dealing with the disease outbreak. If it was entrenched in a brumby population, it may not be eradicable.

Senator HEFFERNAN—Are any of these diseases here in Australia and now contained?

Dr Biddle—Yes, some diseases on the schedule are present in Australia.

Senator HEFFERNAN—Rabies is not here, is it?

Dr Biddle—It is not here.

Senator HEFFERNAN—If the blokes out at quarantine again get pissed or drunk, which might be a more polite way of putting it, or they stay too long at lunch and forget to do something when they get back to work, or whatever they do there—they were hopeless; I presume no-one has been sacked, but they have probably all been counselled, whatever that means—why should Molly's mob have to pay for someone else's mistake and then for the rounding up and the shooting of brumbies or whatever would follow? That is why the foot-and-mouth operation broke down; they did not work out how to get rid of all the feral pigs in the hills just out here. Let us hope it never happens. That is why we have to have this—and I applaud the work that you fellows do—to stop it at the first barrier.

Where is the equity in that, with the government's thinking? It is a tax deduction for the person who is carrying on a business, but it is not even a GST return for the pony club. It is a great idea to have registration, even though it might cost \$20 or \$30 to stick a tag in an ear; we have become used to that in the cattle and sheep industry now. However, after having identified all that is there, what is the big deal with striking a levy that is equitable? I will do it for you, if you want me to.

Mr Fitch—Perhaps I can comment on a couple of points that you have made. Compulsory registration, as Mr Aldred has indicated, is not excluded by these arrangements; in fact, it can be picked up in the future.

Senator HEFFERNAN—I am aware of that.

Mr Fitch—That is the first point. I suppose my second point regards a disease outbreak. One of the fundamental principles, which has been mentioned already, is the beneficiary pays principle, under which the EADRA was negotiated. The EADRA was not intended to try to apportion blame to whoever was at fault in a disease outbreak or incident. The intent of the arrangements is to enable the parties to agree to set out all their roles and responsibilities so that they know exactly what they need to do to respond quickly to and eradicate a disease outbreak. It is not to apportion blame. Once again, I come back to a fundamental negotiating principle on which the document and the legal agreement were negotiated, and that is the beneficiary pays principle. If,

as a consequence of a disease becoming endemic in Australia, you would benefit from its eradication or containment, it is appropriate that you should pay part of the costs of eradicating that disease.

Senator HEFFERNAN—But, as you know, in any sound financial plan, there is an actuarial assumption of risk, and there is an actuarial assumption in this. Even though you insure throughout the whole of the motor industry, the bloke at Booligal driving a ute does not pay as high a rate of insurance as does the person at Kings Cross. Why couldn't you apply that principle to this levy?

Mr Fitch—Because it would be inconsistent with the EADRA, which is based on the principle of beneficiary pays.

Senator HEFFERNAN—But maybe that is a flawed concept. With great respect, when that was set in place, you did not even know what horses it would apply to.

Mr Fitch—Sorry; with which diseases?

Senator HEFFERNAN—You do not know now what bloody horses you are going to collect the levy from. This is kindergarten stuff.

CHAIR—Senator Heffernan, just ask questions of the officials, because Senator Scullion and I have some questions.

Senator HEFFERNAN—I am watching the clock.

CHAIR—We are finishing at seven o'clock. I do not want to push and bully you, but—

Senator HEFFERNAN—God bless you!

Mr Fitch—You comment that we do not know what horses the levy arrangements will apply to. The legislation sets out that the levy will be paid on the registration of a horse. The legislation makes the point that the registration bodies are those that register horses or those that would be specified in the regulations. In terms of identifying those bodies that are to be specified in the regulations, it is incumbent on us, obviously, to have wide-ranging consultations with the industry to help identify what those bodies will be. As part of the levy principles and guidelines, one of those principles is that the levy arrangements need to be equitable, quite broad based and efficient.

In terms of the levy arrangements and the levy collection arrangements that need to be put in place, as has been pointed out earlier in the inquiry's deliberations, in some sectors of some industries no levy will be payable by owners of livestock, be they poultry producers or whatever. The arrangements put in place will need to be, as I have said, as efficient and as effective as possible, bearing in mind administration costs; therefore, there will be a threshold below which it will not be economical to collect the horse registration levy and a threshold will need to be set. The other point that needs to be made is, as we know, initially it will not be compulsory to—

Senator HEFFERNAN—In terms of biosecurity, quarantine and every other animal health issue, isn't it a flawed proposition in that there is a whole lot of what we could call 'phantom' stock out there in terms of this levy? Isn't that the most inequitable mindset of a bureaucrat that you could come up with, in that, without such registration, you are ignoring a whole lot of animal risk? What would be wrong with saying, 'Everything has to be registered; disabled kids with their horses pay nothing, pony clubs pay \$10 and John Singleton or someone like that pays \$1,000'? What is wrong with that? For Singleton, it is a bloody tax deduction; it is not going to cost him anything. He will spend more on his champagne at the races than on the levy. I should pick on someone else besides John Singleton; I do not want him coming down here and thumping me. I didn't mean it, Singo!

Mr Aldred—You raise the point of national registration, and I think we—

Senator HEFFERNAN—I am sure that you are going to load up the industry with it eventually; it is just that you are going to creep up on them. What do you think? Tell the truth.

Mr Aldred—I will await the deliberations of the Animal Health Committee to see the practicality of it.

Senator HEFFERNAN—I think you are putting the cart before the horse.

Senator SCULLION—Mr Aldred, Mr Fitch gave me a useful place to start. The EADRA is based on the beneficiary pays principle. I think that is a great principle, and all Australians would probably agree with that. Perhaps we can just go through this so I have a clear understanding of the impact of diseases on different sectors of the industry. Whilst you may not be comfortable with it, you have to recognise that the context under which we are having this debate is, in fact, EI. I think that is what everybody is doing. Whilst you may

say that there is a whole range of other diseases—and I respect that—I think it is useful to have it in that context. Perhaps we can just go through the signatories. What sort of impact would the disease have on the Australian Racing Board? I understand that is the jockeys, the racing clubs and the gambling sector. Basically, the racing clubs and the gambling sector are pretty huge sectors. What sort of an economic impact would that have on them?

Mr Aldred—If we focus on the cost of a response to the disease—

Senator SCULLION—I would really like you to focus on my question, with respect.

Mr Aldred—Genuinely, I am trying to. I guess I am talking about the fundamental principle of the legislation and the EADRA, which refer to the two steady states of ‘endemic’ or ‘non-endemic’. The cost to the thoroughbred racing sector in an endemic situation would be the cost of vaccination, in the sense of beneficiary pays and the agreement. That is the actual principle.

Senator SCULLION—I understand the comparison. You can go to the non-endemic and the much greater cost, because it goes to the potential of making the decision to eradicate or not eradicate; I acknowledge that. Just in the context of EI, could you tell the committee what the larger potential impact has been on the Australian Racing Board sector, which is the racing clubs, the gambling sector and the jockeys?

Mr Aldred—I do not have a figure with me. There has certainly been a range of figures expressed and they are in the hundreds of millions or greater.

Senator SCULLION—Huge losses; I accept that. I am not looking for an exact number, but it would be a great deal. Under the EADRA, how much exactly are they paying?

Mr Aldred—Under the EADRA—

Senator SCULLION—The legislation says that there are three signatories: the Australian Racing Board, the Australian Horse Industry Council and the harness association. I am just going through them one by one so that I understand. How much is it proposed to levy the Australian Racing Board, given that they do not own horses?

Mr Aldred—They would not be levied. The individual—

Senator SCULLION—So I can reasonably put a zero next to them. I just want to go through the signatories. If we now go to the harness industry, I understand from other submissions that there is a registration fee for horses there. All the horses in the racing harness industry, I assume, would be registered.

Mr Aldred—Yes.

Senator SCULLION—According to the legislation, horses in the harness industry would be required to be registered in the future and that is how they would be levied.

Mr Aldred—That is correct.

Senator SCULLION—I do not have a number here, but basically it is a multiplier on the number of horses that come into the industry.

Mr Aldred—As it is for thoroughbreds.

Senator SCULLION—This is something that I have had difficulty with. Do you have a percentage of the horses which, from this process, you would have to allocate income to? What would that percentage be in the harness industry? I will understand if you do not have these numbers. Of the total number of registered horses there are in Australia, do we have a percentage for harness racing horses?

Mr Aldred—Off the top of my head, I do not know.

Senator SCULLION—If you cannot answer off the top of your head, I am quite happy to take it on notice.

Mr Aldred—My understanding is that those estimates were included in the horse industry’s submission.

Senator SCULLION—So they will be available for me; thank you for that. The other one is the Australian Horse Industry Council. Again, just to clarify this, that industry represents about 80 per cent of registered horses in Australia. Is that correct? We get assertions and I just want to ensure that, of all the horses in Australia that are registered—I understand that it is something between 50 and 60 per cent—about 80 per cent would have been covered by the purview of the Australian Horse Industry Council. Is that about right?

Mr Aldred—I am not sure whether it is specifically right in the sense of being registered versus being covered. About 80 per cent are covered, not all of which are registered.

Senator SCULLION—I am not trying to be mischievous. Let's forget about the actual then and take the sector as a whole. They are trying to represent the pleasure/performance sector. Would that represent about 80 per cent of the horses that are registered? Would it be about that much?

Mr Aldred—From my recollection, it might be about 80 per cent of the horses as opposed to registered horses. A number of the individuals who are members of the organisations that are members of the Australian Horse Industry Council would not register their horses.

Senator SCULLION—Just so that I can work this out: the people registering their horses in that sector—the signatories of the Australian Horse Industry Council—would pay the same per horse as people in the harness industry.

Mr Aldred—Yes.

Senator SCULLION—I guess that the other aspect of industry, which is a clear part of the industry that is not under the EADRA, is the group of people who would see themselves as wider beneficiaries of the horse industry. You make a horse float, sell fodder or are a vet; you might even be a food caterer for the Spring Racing Carnival or sell hats. During the EI outbreak, we heard all about this huge wider industry. In order to confirm this, will any aspect of that industry be contributing a levy of any kind?

Mr Aldred—No, because those participants, if you like, are not defined as the industry.

Senator SCULLION—Would they have received any of the money—whatever the quote from Senator McGauran was—that was part of the response?

Mr Aldred—I would have to take that on notice, but my belief is yes.

Senator SCULLION—So, in some ways, we do see them as being part of the industry. The reason we did that is completely acceptable; I am not knocking the fact that we do that. We provided them with relief because they were in economic pain. Obviously, because we had to provide them with some assistance, that sector would have suffered some considerable economic pain. I could not see a government of any persuasion providing people with funds if they did not need them.

Mr Aldred—They are a big part of the economy that was impacted by Equine Influenza.

Mr Fitch—They were, but I think it is important to point out that assistance arrangements are outside the scope of the Emergency Animal Disease Response Agreement.

Senator SCULLION—I acknowledge that.

Mr Fitch—The direct costs of responding to and eradicating a disease are the only costs that are shared between the parties—the government parties and the industry parties. Any assistance measures are separate to that. That would be a matter for the government or governments of the day.

Senator SCULLION—I am having a little bit of trouble here. Under the beneficiary pays principle, we have identified the beneficiaries. All the real beneficiaries are the Australia Racing Board, which I think you could say were a major beneficiary; and the harness industry, which was paid a little, which was the same that everybody else was paid. Of course, we have the other huge industry, which is made up of such things as saddles and horse floats, which sits around that. The Australia Racing Board—I would have them to have turned up here—clearly would have been the biggest beneficiaries economically, which I do not think anybody should deny, but next to their name here I see 'zero'. So, regarding the beneficiary pays principle, before you respond, we have lost completely. The harness industry is paying the same as the pony club; I think you will understand if I do not have to go down the path of the equity model there. However, the next biggest beneficiary also does not pay. The general assertion that I will put to you has been the common thread of what you have been seeing today. Can you understand why so many people are offended by a levy that appears—and I know there is no mischief from yourselves—to be so fundamentally inequitable?

Mr Aldred—I will say a couple of things, just so that I am not misunderstood. You have said that you have 'zero' written down next to the Australia Racing Board. The point I was trying to make there is that the organisations themselves, the signatory organisations, do not get levied. That represents the 'zero' figure. The individual owners who register horses would be the ones who incur the levy. Harness Racing and the Australia Racing Board, because a very great percentage of their horses are registered, would certainly be levied. Again, in terms of the beneficiary pays, it does not relate to the flow-on secondary or tertiary industries, because those costs are for consequential losses to a disease. The 'beneficiary pays' keeps coming back to endemism and eradication. It is a case of who is the beneficiary from having it eradicated or not eradicated, in terms of the direct ongoing costs.

Senator SCULLION—I think the reasonable answer is that it would be those people who own race horses and who travel abroad. They would be the highest on that list of endemism, if you look at that aspect of it. I do not want to digress, but thank you for that answer. As I understand it, in 2004, the ARB wanted to sign EADRA and they actually had a levy collection mechanism. Is that right?

Mr Aldred—I would have to seek advice or take that on notice.

Mr Fitch—I do not believe they did. They did not have a levy collection mechanism that I am aware of. There was a process—

Senator SCULLION—But they indicated as a sector that they may be able to contribute to a levy. I am sorry; I was not indicating there was a levy mechanism particularly.

CHAIR—For the purposes of time, gentlemen, if you are not sure, please take it on notice.

Mr Fitch—I understand that the Harness Racing Council and the Australian Racing Board were considering becoming parties to the EADRA at that time. However, a decision was taken that, in fact, the whole horse industry should be party to the arrangements, not a component of it. As all horses would be affected by a disease, all sectors of the industry should be covered. If we come back to the levy arrangements and the like, the levy arrangements apply to registration of a horse. It was deemed that the horse was effectively a product of the industry. That was probably an appropriate point of application of the levy.

Senator SCULLION—I hope I have reasonably established that, under the beneficiary pays principle—apart from endemism and getting into the epidemiology of diseases and who is a beneficiary that way—certainly the people who own horses of all types in the wider community would see this as inequitable. I go to the timing. In another life, I can remember the Australian Seafood Industry Council making sure, for not dissimilar reasons, that we had nothing to do with this. I understand that they still have not signed up to EADRA. The seafood industry, for example, has not signed up to it.

There appear to be alternative levies, and I know there have been some fruitful discussions. We talk about having a broad base. I think the base could be broadened. There have been suggestions from industry about a number of other ways to broaden it. With people registering a horse in a race, for instance, the Melbourne Racing Club might see fit to provide some funding towards this, to have some capacity and some beneficiary. It is evident that a huge backlash will occur here—and it is not from want of you guys trying. However, perhaps you could go back to industry and say, ‘Clearly, this model is not only unpopular but probably is not going to reflect the general equities that the Australian people would like to see.’ We have to go forward and have this signed up to. Other industries are not signed up to it. Clearly, this levy process is not going to be successful. Poor old Barry Smyth from the Australian Horse Industry Council has turned up here today—good on him for turning up—but talk about a high tide! Everybody on that ship has gone. I suspect that he is the only bloke left. I speak widely to those in the industry and, even in listening to those who have come here, there is just no-one left. That is a great sadness, because it was probably a pretty reasonable organisation. The real issue there is that the only people who will be left to sign up will be those in the racing industry, and I do not think that is equitable either.

These are only assertions but, given that, don’t you think the timing of this could be better? I am not looking for an opinion, as I am not allowed to ask for one from you. But have you considered the timing of putting this forward into legislation—and not in a policy sense, because I cannot ask you about that either—and done some work on it? What drives you about the timing? Is a disease imminent that we do not know about, because clearly other industries are not involved in the EADRA? Have you considered putting a hold on this until you can have further consultation with the whole of the industry—and they all seem to be a very reasonable mob—to try to find a better formula for a levy? You then would have much greater support from everybody.

Mr Aldred—In terms of timing, yes, we have certainly considered it. In fact, it would have been fabulous had it been in place in 2007. That would have delivered on what the industry sought and had been seeking for some time. We are continuing with the mechanism on the basis of that submission. We believe that it has credibility and has looked at a range of alternative mechanisms. The bills are before the parliament to allow the industry to become a signatory to the EADRA so that they are covered in the event of any of the number of disease outbreaks that might require a national response. I must admit, I do question whether a better one can be—

CHAIR—We are all experts in hindsight.

Mr Aldred—come up with that would allow us to protect the industry effectively with an insurance mechanism in the foreseeable future. Until some form of mechanism is in place and the horse industry does not sign up to the EADRA, that industry is unprotected.

CHAIR—Fortunately, we are not in estimates. I will not ask estimates style questions and you do not have to give estimate style answers. Let's make them short, sharp and to the point. I want to pick up on Senator Scullion's comment in talking about the Australian Horse Industry Council and using the expression that 'everybody on that ship has left'. I know I am talking to the department. I know that the Australian Racing Board has been vocal in screaming for something like this since 2001. So let us go back. We try not to politicise this committee. It is what is best for Australia that we try to achieve on this committee. I am led to believe that these conversations, in terms of the representatives of the industry, came to the previous minister in the former government back in 2006. Are you aware that there was a request for some form of levy?

Mr Aldred—The submission was made.

CHAIR—Was it the three peak bodies who—

Mr Aldred—It was the Australian Horse Industry Council, on behalf of itself and the Australian Racing Board and the then Australian Harness Racing Council, which is now Harness Racing Australia. So it was AHIC on behalf of the three organisations.

CHAIR—In the previous government's eyes and the department's eyes, did they speak for the majority of industry?

Mr Aldred—Yes.

CHAIR—There were good faith conversations going on long before the outbreak of EI. When the previous government, with you as officials of the department, was having those conversations, one would think that those three bodies, as they represented the majority of the industry, were speaking as one voice—as much as one voice could speak for the industry?

Mr Aldred—Yes.

Mr Fitch—Correct.

CHAIR—I know you cannot answer this, but I would like you to guide me through it. Can you tell us how those conversations went? Are you at liberty to tell us about those negotiations?

Mr Aldred—It might take a little while. I know we are short of time—

CHAIR—I think it is important. We are short of time, so perhaps you can condense it for us.

Mr Aldred—The key part was that those organisations had been party to the full development of the actual agreement, as Dr Biddle mentioned before. Along with a whole range of other industries that are signatories and are covered, they were part of the development of this for quite a number of years. There was difficulty in finding a levy mechanism and a couple of attempts were made at doing it. Certainly, the department provided some assistance to the Horse Industry Council to undertake a consultancy to try to find an appropriate mechanism. There was a range of broader consultations. They culminated in the Australian Horse Industry Council providing a submission to government in November 2006. The department considered that submission against the levy principles. It was considered by the then parliamentary secretary responsible. Then we started to move forward in the development of drafting arrangements to give effect to that submission.

CHAIR—For a good 18 months, you were led to believe—as would have been the previous government, through the parliamentary secretary or the minister—that the industry spoke for all or the majority of its members.

Mr Aldred—Yes.

CHAIR—To the best of your knowledge, do you think that message was conveyed from the Australian Horse Industry Council and others to their members?

Mr Aldred—I certainly believe that there was broad consultation and communication, although I cannot give chapter and verse as to its nature during that time.

CHAIR—I support Senator Scullion's call for Dr Smyth to make himself available. However, I am alarmed by two things—and I will stand corrected if I am wrong, and someone can correct me after. One of those things is, for 18 months, thinking that voices for the industry were speaking and then, at the last minute, having a massive deserting of the ship because something did not go the way that perhaps of a lot of its

members expected it to go. I want to try to clarify that this is not something that has just popped up in the last couple of weeks; we have had nearly 18 months of negotiations going on through industry and government.

Mr Aldred—Absolutely, yes.

CHAIR—That is quite alarming. Has the department consulted with the states?

Mr Aldred—In terms of discussions with state governments, the states certainly are keen to see the horse industry become a signatory to the EADRA. As I have said, effectively in the first few meetings of the national management group after the EI outbreak occurred, the states and territories were very keen to see industry acknowledge that it wanted to be part of the EADRA.

CHAIR—Could you shine some light for the committee on the registering of bodies? Who could be a registering body or bodies?

Mr Fitch—I might be guided by my colleagues as well, but the intent is that they be national or state bodies—breed societies and organisations—or other bodies where a large number of horses might be registered.

CHAIR—Has the department had approaches from bodies that may be interested?

Mr Fitch—It has not had approaches from bodies that would be interested, but there were discussions with the Australian Horse Industry Council about regulations at that time. As you may be aware, it was originally intended to give effect to the industry's levy submission by way of regulations under current acts of parliament. However, the advice that we received was that we would not be able to proceed on that basis. That led to the bills that are currently before the parliament. In developing legislation to give effect to the industry's submission, the Horse Industry Council did, in fact, identify in excess of 120 organisations that might be bodies that could be designated under the legislation as being registration bodies.

CHAIR—And they would want to have to be a collecting agency; they would not be forced into it?

Mr Aldred—No. The legislation would provide that, if they were a large or a sufficiently sized organisation, they would be required to participate.

CHAIR—The previous witness—I think it was the Pony Club of Australia—also had that fear. Would they have a need to fear that they would be a registering club?

Mr Aldred—It would depend on their size and the final arrangements. Upon passage of the bills, any arrangements to put in place the details of the levy mechanism will require consultation with industry. We will commence that reasonably quickly and make it quite broad.

CHAIR—It also talks about monies or levies that are collected could go to research and development. Have you put any thought around who would determine how that money would be spent?

Mr Aldred—I would say two things. Just quickly: yes, it could go towards research and development. The proposal at the moment is that a levy rate is set at zero, so the purpose of these bills is to allow for recovery in the event of expenditure under a disease outbreak. The legislation does provide that, if there are excess funds once a debt is repaid, those funds then can be used for the purposes of R&D or health issues. It would be a designated body, and it is most likely that that body would be the members of Animal Health Australia on behalf of the industry.

CHAIR—I look forward to seeing you again in two or three weeks time. I say that with tongue in cheek, and it is nothing personal. Thank you very much for your attendance here and for remaining longer than was intended. I thank the witnesses who appeared today for making the effort to travel to Canberra. Just as importantly, I thank Hansard, the recording staff and John and his crew.

Committee adjourned at 7.02 pm