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## Australian Animal Health Council (Live-stock Industries) Funding Amendment Bill 2002

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I N F O R M A T I O N   A N D   R E S E A R C H   S E R V I C E S

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No. 52 2002–03

Australian Animal Health Council (Live-stock Industries)  
Funding Amendment Bill 2002

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Economics, Commerce and Industrial Relations and the Law and  
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# Contents

Purpose .....	1
Background .....	1
Introduction .....	1
Commonwealth/States Cost Sharing Agreement (CSCSA) .....	2
The Emergency Animal Disease Response Agreement (EADRA) .....	4
The Australian Animal Health Council Limited (AAHC) .....	4
Main Provisions .....	5
Endnotes .....	6

# Australian Animal Health Council (Live-stock Industries) Funding Amendment Bill 2002

**Date Introduced:** 19 September 2002

**House:** House of Representatives

**Portfolio:** Agriculture, Fisheries and Forestry

**Commencement:** The measures in Schedule 1 commence on a day to be fixed by Proclamation. The remaining provisions commence on Royal Assent.

## Purpose

To amend the *Australian Animal Health Council (Live-stock Industries) Funding Act 1996* to allow for charges and levies to be paid to Australian Animal Health Council Ltd for expenses and payments under the Emergency Animal Disease Response Agreement.

## Background

### Introduction

Over the last decade there have been a number of major animal disease outbreaks, both in Australia and overseas, which have warranted considerable attention and action by Australian animal health agencies and livestock industries. They have also attracted strong public interest due to actual and possible threats to public health.

There have been various examples of major outbreaks in Australia. Examples include outbreaks of Newcastle Disease in chickens in 1998. In the mid 1990s there was an outbreak of Hendra virus (previously called Equine Morbillivirus), a new horse disease which caused two human deaths as well as some horse deaths. There have also been deaths in pilchards around the Australian coastline in 1995 and 1998.

Overseas, outbreaks of Foot and Mouth Disease (FMD) and Bovine Spongiform Encephalopathy (BSE) (mad cow disease) in Europe, particularly in the United Kingdom, have had domestic reverberations even though Australia has been free of FMD for over a

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century while BSE, first detected in the United Kingdom in 1986, has never been found in Australia.

Such has been the concern of Australian governments and livestock industries about FMD and BSE that the issue of preparedness for animal disease emergencies has been on the agenda of high level Ministerial meetings for over eighteen months. The implications of BSE for Australia were considered by the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ) in March 2001. This meeting also moved to strengthen Australia's approach to FMD by agreeing to the establishment of a National Management Group, among other things, to examine risk and ensure systems are in place to minimise FMD risk. In May 2001 a special meeting of ARMCANZ was held to further discuss FMD/BSE issues. This was in preparation for consideration of these matters by the Council of Australian Governments in June 2001.

One of the actions undertaken as a result the deliberations by the Ministerial bodies was a simulated outbreak of FMD conducted in September 2002. Known as 'Exercise Minotaur', the simulation was an exercise focusing on testing decision-making and the integration of Australia's national arrangements to deal with a large-scale animal disease emergency.<sup>1</sup> Australia's preparedness to deal with animal disease emergencies centres on the Australian Veterinary Emergency Plan (AUSVETPLAN), a nationally agreed arrangement for responding to an outbreak, or suspected outbreak, of an exotic animal disease.

### **Commonwealth/States Cost Sharing Agreement (CSCSA)**

One of the central elements of AUSVETPLAN is financial arrangements for funding the initial response to a disease emergency. The CSCSA had its origins in 1955 when the Commonwealth and States entered into an agreement to share the costs of eradicating FMD should an outbreak occur, including compensation payments to the owners of stock which had to be destroyed.

Subsequently, the CSCSA was extended to include a total of twelve serious livestock diseases. Under the terms of the CSCSA the total cost of eradication is borne 50 percent by the Commonwealth and 50 percent by the States/Territories with each State/Territory paying a fixed proportion according to a formula established for each disease covered.

Although the CSCSA was last revised less than a decade ago (October 1994), it has been recognised for some years that the arrangements therein did not adequately address all the relevant issues including:

- how new diseases, such as the Hendra virus, were to be dealt with and the risks that any uncertainty arising from unresolved funding concerns may have adverse consequences in terms of the nature and timing of a response.
- concerns by Government that livestock industries, as beneficiaries of the expenditure, were not contributing to the cost of services.

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- failure of the CSCSA to formally include the livestock industries in decisions about a proposed response to a disease outbreak.

Consequently, in September 1997, the Australian Animal Health Council Ltd (AAHC) commissioned the Centre for International Economics (CIE) to develop an analytical and decision support model for the funding of emergency animal disease management responses. The CIE Report, which was completed in March 1998 and endorsed by the AAHC Board, was distributed in April 1998 to AAHC members for their consideration. AAHC members held a workshop in August 1998 where the proposed framework and principles for a new agreement were critically examined and accepted in principle.

Despite this process, several outstanding concerns remained in relation to the categorisation of diseases, the management of multi-species diseases, the start and end dates for outbreaks and the costs to be covered by the proposed new Deed of Agreement. An Expert Group was subsequently appointed to examine these concerns and report back with recommendations on how to proceed. A second workshop was held in April 1999 and the final report Expert Group Report was received in June 1999.

Meanwhile in March 1999 ARMCANZ endorsed the following as key principles underpinning a national funding model for management of animal diseases emergencies:

- Key determinants for cost sharing between Government and industry:
  - public health
  - trade impact
  - animal production benefits, and
  - environmental impact.
- Key principles underpinning the proposed framework for handling emergency funding arrangements:
  - immediate reporting of suspected serious diseases and rapid response
  - disease incursions capable of being eradicated
  - beneficiary pays
  - equitable burden sharing
  - no one better or worse off as a result of compensation for immediate losses (as it relates to early reporting)
  - certainty in funding and compensation
  - consistency, integration and efficiency

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- stakeholders who share the cost of emergency management should have a role in decision making
- accountability to stakeholders who fund emergency management, and
- simplicity.

### **The Emergency Animal Disease Response Agreement (EADRA)<sup>2</sup>**

The final outcome of this process has been the Emergency Animal Disease Response Agreement (EADRA) which was finalised in March 2002<sup>3</sup> and ratified by all governments and livestock industries. It replaces the previous CSCSA and is designed to ensure a rapid and efficient response to exotic animal disease incursions in Australia's valuable livestock sector. The agreement is a world first and includes mechanisms for formal government and industry consultation on resource allocation, funding, training and risk mitigation.

With regards to funding, EADRA provides certainty of funding for the initial response to a disease incursion or outbreak through a partnership of the Commonwealth, State and Territory governments and major livestock industry organisations. It specifies 63 diseases classified into four categories with cost sharing between governments and industries, depending on which party has the primary interest in control, measured against the impact on human health and socio-economic concerns, the environment and livestock production. Categorisation can be reviewed and new diseases added as circumstances change.

The costs of each party are managed by applying an 'agreed limit' that ensures intense examination of costs and benefits before committing to further national resources. The livestock industry contributions are obtained by means appropriate to that industry but generally by an agreed zero based levy.

### **The Australian Animal Health Council Limited (AAHC)**

Australian Animal Health Council Limited (AAHC) is an unlisted public company limited by guarantee. AAHC Limited was established following agreement on 18 August 1995 by ARMCANZ. Its objects, as specified in its Memorandum of Association, include to:

- assist the Australian animal health service system in maintaining acceptable national animal health standards aimed at meeting consumer needs and market requirements at home and overseas
- advise and advocate action to industry and government on: strategic national animal health priorities; animal health system delivery arrangements and resources; and nationally consistent animal health policy
- establish and manage a national animal health information system
- develop, manage and evaluate national animal health programs

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- have an involvement in residue related issues as they relate to animal health and impact on commercial performances
- have international status as the national animal health policy and advisory body
- undertake commissioned animal health service projects, and
- arrange for, or to assist in, research and development into matters pertaining to animal health.

The Articles of Association of AAHC provide that there are three different groups of members of the company, each with equal status. These are the Commonwealth, the State and Territories and industry organisations. Industry organisations include the Australian Chicken Meat Federation, Australian Egg Industry Association, Australian Dairy Farmers' Federation, Australian Veterinary Association Limited, Cattle Council of Australia, Pork Council of Australia Limited, Sheepmeat Council of Australia, Australian Horse Council and Wool Council of Australia.<sup>4</sup>

## Main Provisions

**Schedule 1** amends the *Australian Animal Health Council (Live-stock Industries) Funding Act 1996* (the Act). For background on the Act, see Bills Digest No. 2 of 1996-97.<sup>5</sup>

**Item 3** adds an element to the existing provision governing payments to AAHC. In the new arrangements, levies and charges will be imposed under regulations to the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries (Customs) Charges Act 1999* in order to support the Emergency Animal Disease Response Agreement (EADRA).

The EADR levy and EADR charge, and the penalties for failure to pay, are to be included in the list of amounts payable to AAHC (**proposed subsection 4(2)**).

These monies are to be used by AAHC as follows:

- |                        |   |
|------------------------|---|
| <b>first priority</b>  | <ul style="list-style-type: none"><li>• expenses incurred by AAHC in the financial year the monies are received</li><li>• administrative costs incurred by AAHC over time in relation to the monies</li></ul>                                   |
| <b>second priority</b> | <ul style="list-style-type: none"><li>• payments on behalf of non-government parties<sup>6</sup> for liabilities under EADRA</li><li>• payments to or on behalf of <i>Plant Health Australia Ltd</i> in relation to honey<sup>7</sup></li></ul> |
| <b>third priority</b>  | <ul style="list-style-type: none"><li>• payments to animal product research and development organisations</li><li>• related payments for the promotion or maintenance of animal health</li></ul>  |

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In relation to 'third priority' payments, a body may be declared as the designated body for the relevant animal product under the regulations. AAHC may only make payments at the request of the body and in accordance with its directions (**proposed subsection 4(8)**).

**Item 4** deals with refunds. A refund may be paid if a person pays too much levy or charge.

Where a refund is paid, the refunded amount is treated as an overpayment to AAHC (**proposed subsection 6(2)**) and a debt to the Commonwealth (**proposed subsection 6(3)**) which may be set off against future payments to AAHC (**proposed subsection 6(4)**). If the future payments may not cover the refunded amount, there are arrangements to allow the debt to assume first priority among current year expenses (**proposed subsection 6(5)**) and for discharge of the debt in relation to any of the arrangements made in this regard.

## Endnotes

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- 1 *Exercise Minotaur* did not include testing of actual field operations to combat FMD, such as closing-off roads or quarantining farms, or involve actual community liaison.
- 2 This section draws heavily on the relevant website <http://www.aahc.com.au/eadp/funding.htm> [14/10/02]. Further information on the EADRA can be obtained from this site.
- 3 Evidence of the complex and exhaustive nature of the process that has been undertaken is the fact that 1 July 2002 was originally the target date for a new agreement.
- 4 This text is extracted from Ian Ireland, Australian Animal Health Council (Live-stock Industries) Funding Bill 1996, [Bills Digest No. 2 1996-97](#).
- 5 *ibid.*
- 6 These bodies must be 'concerned with the production of animal product'.
- 7 These payments relate to plant diseases that are, may be or may have been spread by bees.

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