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5 September 2016

**Ms Louise Pearce**

Department of Agriculture and Water Resources  
18 Marcus Clarke Street  
Canberra ACT 2601

**By email only:** [horselevyreview@agriculture.gov.au](mailto:horselevyreview@agriculture.gov.au)

Dear Louise,

**Re: Submission to the Horse Disease Response Levy Review – Animal Medicines Australia (AMA)**

On behalf of Animal Medicines Australia, I write to provide our submission to the Horse Disease Response Levy Review.

The Association opposes the current legislation under the Emergency Animal Disease Response Agreement (EADRA) which, in the case of a disease outbreak, would place a nil-rated levy on the manufacturers of horse worming products and manufacturers of horse feed.

The Association recommends that the Department re-direct the collection of this levy onto the horse industry itself by utilising the registration process collected through the four peak industry bodies – Australian Horse Industry Council, Racing Australia, Harness Racing and Equestrian Australia.

AMA welcomes the opportunity to continue to engage with the Department on this important issue for the horse industry.

Yours Sincerely

Michael Wright  
Acting Executive Director

**SUBMISSION TO THE  
Horse Disease Response Levy Review**

5 September 2016



**Animal  
Medicines**  
Australia

## Introduction

Animal Medicines Australia (AMA) is the peak body representing the leading animal health companies in Australia. AMA member companies are the innovators, manufacturers, formulators and registrants of a broad range of veterinary medicine products that prevent, control and cure disease across the companion animal, livestock and equine sectors.

The Association welcomes the opportunity to provide a submission to the Horse Disease Response Levy Review and thanks the Department of Agriculture and Water Resources for engaging with AMA in such an orderly and efficient manner.

In Summary:

***AMA opposes the current legislation under the Emergency Animal Disease Response Agreement (EADRA) which, in the case of a disease outbreak, would place a nil-rated levy<sup>1</sup> on the manufacturers of horse worming products and manufacturers of horse feed.***

***The Association strongly recommends the Department review the decision made in 2011 and redirect the liability of collecting a nil-rated levy onto the horse industry themselves by utilising the registration process through the four peak representative bodies.***

***AMA supports Recommendation 3 and 4 made to the Senate Inquiry<sup>2</sup> in 2011 outlining the strong desire from the horse industry that a long term view of equine health be adopted by establishing a national equine data base.***

- 1) AMA acknowledges that in March 2011 the Australian Horse Industry Council, Equestrian Australia, Harness Racing Australia and Racing Australia signed the EADRA on behalf of the horse industry. AMA can appreciate the level of urgency by which the levy collection point was agreed to in order for the industry to comply with signing the EADRA.
- 2) While this review process is not intended to revisit the process that occurred in 2011, where by it was agreed to place a levy on the veterinary pharmaceutical industry, AMA feels it is only through this review that our true level of dissatisfaction with the process can be documented.
- 3) In 2011, up to 60% of the Horse industry agreed to the legislation that would place a nil-rated levy on the registration of horses in response to a disease outbreak. Industry surveys showed that only 20% of the broader industry opposed it<sup>3</sup>. It can be assumed that the remaining 20% of intended survey respondents did not answer.
- 4) After an obvious division within the horse industry, it was decided that the industry would wipe their hands clean of the liability to collect and pay the levy – the liability of collecting the levy would be placed on the manufacturers of horse worming products and the

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<sup>1</sup> Nil-rated levy is a levy that only becomes payable when there is a response to an exotic animal disease under EADRA. When the costs have been recovered, the levy is no longer payable and reverts back to nil.

<sup>2</sup> <http://www.agriculture.gov.au/about/reporting/obligations/government-responses/senate-inquiry-response-horse-eadra>

<sup>3</sup> [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Rural\\_and\\_Regional\\_Affairs\\_and\\_Transport/Completed%20inquiries/2008-10/horse\\_disease/index](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Completed%20inquiries/2008-10/horse_disease/index). Section 2.21

manufacturers of horse feed. This decision is contrary to the principles and guidelines set out below<sup>4</sup>.

- 5) Under the Levy Principles and Guidelines, Section 2: *General Principles Applying to Proposals for New and Amended Primary Industry Levies and Charges*

*Point 2 states:*

*A request for a levy must be supported by industry bodies representing, wherever possible, all existing and/or potential levy payers, the relevant levy beneficiaries and other interested parties.*

- 6) The beneficiaries of the expenditure to address disease outbreak are horse owners. When a disease outbreak occurs, commonwealth funds are spent to treat those horses with the disease and/or symptoms of the disease and to stop the spread of disease by restricting the movement of horses.
- 7) Under the current levy system, horse owners are neither liable to collect their own levy nor to fund it themselves. Instead, those liable are the manufacturers of horse wormers and stockfeed. These bodies do not benefit from a levy, they are not part of the solution to control a disease, and they are not an interested party.

*Point 6 states: The levy imposition must be equitable between levy payers*

- 8) Under current legislation, the levy payment process is not equitable between levy payers<sup>5</sup>. There are two reasons for this:

- i) The use of horse worming products vary considerably between horse owners. In reference to the American Association of Equine Practitioners (AAEP) Parasite Control Guidelines<sup>6</sup>, there is no such thing as a “one size fits all” program. The guidelines suggest anything from 3-4 treatments for horses under the age of 3 and after that, depending on Faecal Egg Collections (FEC’s) and pasture management, there may be a requirement to drench 1-2 times a year or not at all. Those people that own horses for business purposes conduct their own FEC test and monitor worming requirements at a micro level to limit their need for worming products. Those people that use horse wormers more regularly, and those that will ultimately fit the bill for the levy are those that ride for pleasure and/or on a less competitive basis.
- ii) The same horse owners that own horses for business are much more likely to review the increased cost to horse worming products and source unregistered products which may provide equivalent efficacy as a replacement for registered horse wormers. Such avenues include unregulated purchasing of products sourced internationally and/or the purchase of livestock products not labelled or tested for use on horses.

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<sup>4</sup> <http://www.agriculture.gov.au/SiteCollectionDocuments/ag-food/levies/documentsandreports/levy-principles-guidelines.pdf>

<sup>5</sup> This is on the assumption that manufacturers would pass the cost onto wholesalers who would then alter the end price of these products to the horse owner.

<sup>6</sup> AAEP Parasite Control Guidelines, developed by the AAEP Parasite Control Subcommittee of the AEPP Infectious Disease Committee, Revised February 2016.  
<http://www.aaep.org/custdocs/AAEPParasiteControlGuidelines.pdf>

- 9) In addition, the larger the horse operation, the more likely they are to purchase bulk grain and mix feed themselves, therefore bypassing the levy payment a second time.
- 10) If we look at the example of the Equine Influenza (EI) outbreak in 2007, the horse owners most affected were those that could not attend events such as race meets and/or high level competing. Events were cancelled and horse movement was stopped in order to limit the spread of EI. The cost to the Commonwealth was largely directed at this part of the horse industry and yet under current legislation it would be this group of horse owners that would be able to bypass the levy.
- 11) Those that benefit from Commonwealth intervention to treat and/or stop the spread of disease continue to reap the benefits without paying their share.

*Point 7. The imposition of the levy must be related to the inputs, outputs or units of value of production of the industry or some other equitable arrangements linked to the function causing the market failure.*

- 12) Horse wormers are neither outputs nor units of value of production. It may be said that horse wormers sit under 'inputs' to the horse industry however, they are not essential inputs and as stated above, horse owners can vary as to how little or often, or by which avenue they may purchase these products or equivalent unregistered products which will be outside of the levy collection process.
- 13) In addition to the above points, it must be made clear as to the cost this would place on the animal health industry from manufacturers through to wholesalers given that inevitably sales of legitimate registered horse wormers will be negatively impacted by the imposition of the levy when horse owners naturally seek to delay, decrease or avoid the use of registered horse wormers. Additionally, there are potential animal welfare issues which may arise when horse owners modify optimal worm control strategies for financial reasons.
- 14) **drumMuster** is an example of a levy system put in place on a product at manufacturing intended to benefit the end user, in this case, farmers. **drumMUSTER** is the National program that has been set up for the collection and recycling of empty, cleaned, non-returnable crop production and on-farm animal health chemical containers.<sup>7</sup>
- 15) 4.4c (incl gst) per litre of chemical is added to the overall cost of the drum which equates to an extra 1% to the cost of the drum<sup>8</sup>. For ease of administration, wholesalers incorporate the additional price into the cost of goods sold. There is no extra line item included on the receipt that suggests to the farmer that the levy has been paid.
- 16) With a similar levy, it is assumed that the same process will be adopted to horse worming products and manufactured feed. The difference being that, based on the calculations provided by the Department (see Attachment 1), to reach the target figure for a Category 4

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<sup>7</sup> <http://drummuster.com.au/>

<sup>8</sup> Average cost from wholesaler of glyphosate at \$4/litre, 4.4c (incl gst) equates to 1% of the price.

outbreak such as EI, the price at retail will be increased by 4-6%<sup>9</sup>.

- 17) This significant price increase also highlights the incentive for those people with a large number of horses to look for alternatives, such as delaying worming their horses which may have animal welfare considerations, as well as using chemicals designed for use in other species such as sheep and cattle, which again may risk animal welfare issues, due to the risks of off label use. This will impact sales and skew the original calculations of revenue collected on products sold.
- 18) At both stages of the supply chain, prices increase and decrease in relation to the product life cycle, the market climate, changes in veterinary guidelines etc. A problem with the current legislation is that the levy is placed on the 'first transaction' rather than a fixed percentage on total retail price.
- 19) Under the current legislation, the manufacturers of horse worming products and stock feed are fully liable to pay the levy as 'the disposer' of the product. If nothing else, the wording of the legislation must be amended to ensure the disposer can directly pass on the levy to the horse owner and the true beneficiary of exotic disease funding.

***The Association strongly recommends the Department review the decision made in 2011 and redirect the liability of collecting a nil-rated levy onto the horse industry themselves by utilising the registration process through the four peak representative bodies.***

- 20) When this discussion was first entered into over 6 years ago, up to 60% of the horse industry agreed that a levy placed on horse registration was the most equitable way of generating the funds required.
- 21) There are four main horse industry bodies in Australia representing four key collection points for an industry levy that directly benefits the levy payer. These bodies are:
  - Australian Horse Industry Council
  - Racing Australia
  - Harness Racing
  - Equestrian Australia
- 22) Horse worming product manufacturers would face the same logistical challenges as the horse industry bodies, if the levy was activated. The difference being, the burden to collect the levy would be placed on the horse industry itself and not the manufacturing companies.
- 23) It must reiterated that horse worming manufacturers do not benefit from a levy, they are not part of the solution to control a disease, and they are not an interested party. The same cannot be said for the four horse industry bodies listed above.

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<sup>9</sup> At 80c/dose for an average wormer costing \$12-18.

**AMA supports Recommendation 3 and 4 made to the Senate Inquiry<sup>10</sup> in 2011 outlining the strong desire from the horse industry that a long term view of equine health be adopted by establishing a national equine data base.**

24) Two of the four recommendations from the Senate Inquiry outlined the strong desire from the horse industry itself, that a property identification system and/or a complete data size and scope of Australia's horse population, must be introduced.

25) AMA supports this viewpoint and recommends that through this review, the Department engage with states and territories to establish a national equine data base.

This would:

- i) Ensure that states and territories were able to efficiently and effectively respond to a future disease outbreak reducing the overall cost to the commonwealth and in turn, the amount payable from a horse industry levy
- ii) It would aid to instil confidence in the horse industry and protect it from an exotic disease, like Equine Influenza in 2007, to occur at such magnitude, ever again.

Australia is committed to maintaining a robust biosecurity framework and surely, a database on our horse population is long overdue.

AMA Secretariat welcomes the opportunity to further engage with the Department on this important issue for the horse industry and requests that all communication be directed to AMA's acting Executive Director, Michael Wright [m.wright@animalmedicines.org.au](mailto:m.wright@animalmedicines.org.au).

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<sup>10</sup> <http://www.agriculture.gov.au/about/reporting/obligations/government-responses/senate-inquiry-response-horse-eadra>

## **Attachment 1**

### **Calculation of Horse Disease Response Levies**

Preliminary calculations have been made to estimate how much horse owners will be charged should the cost recovery mechanisms be activated, the calculations are based around the four disease categories, and a total disease response cost of \$50 million.

In the EADRA, the animal diseases are placed in four categories that determine the respective shares to be borne by government and industry; an example is given for each category:

#### **1. Equine encephalomyelitis [EADRA Category 1]**

Government – 100%

Industry – nil

No contribution is required from industry; therefore the levies are not activated.

#### **2. Glanders [EADRA Category 2]**

Government – 80%

Industry – 20%

Total cost of response = \$50 million

Industry share (20%) = \$10 million, to be repaid over 10 years

= \$1 million per year

#### ***Manufactured feed***

Total feed manufactured – 5.2 million tonnes per year

Proportion sold as horse feed (3%) – 156,000 tonnes

Estimated 70% compounded feed – 109,000 tonnes

A levy of 0.6 cents per kg feed (on 109,000 tonnes) would generate \$654,000 pa

#### ***Wormer treatments***

Total sales of anthelmintic preparations – 1.25 million doses per year

A levy of 35 cents per dose (on 1.25 million doses) would generate \$437,500 pa

Thus: \$0.654m + \$0.437m = \$1.091 million (including administration costs)

#### **3. African Horse Sickness [EADRA Category 3]**

Government – 50%

Industry – 50%

Total cost of response = \$50 million

Industry share (50%) = \$25 million, to be repaid over 10 years



= \$2.5 million per year

### **Manufactured feed**

A levy of 1.8 cents per kg feed (on 109,000 tonnes) would generate \$1,962,000 pa Page 2 of 2 Horse Disease Response Levy Review - Calculation of Horse Disease Response Levies

### **Wormer treatments**

A levy of 60 cents per dose would generate \$750,000 pa

Thus: \$1.962m + \$0.75m = \$2.7 million (including administration costs)

## **4. Equine influenza [EADRA Category 4]**

Government – 20%

Industry – 80%

Total cost of response = \$50 million

Industry share (80%) = \$40 million, to be repaid over 10 years

= \$4 million per year

### **Manufactured feed**

A levy of 3 cents per kg feed (on 109,000 tonnes) would generate \$3,270,000 pa

### **Wormer treatments**

A levy of 80 cents per dose (on 1.25 million doses) would generate \$1,000,000 pa

Thus: \$3.27m + \$1m = \$4.27 million (including administration costs)

**It is emphasised that these are indicative figures only**, to give some idea of the amounts that would be added to the cost of these products.

Also, it is important to note that for diseases that affect species other than horses, the response costs would be shared across those other industries – further reducing the horse industry's share.

<b>Summary</b> (indicative figures only, based on total response cost of \$50m) <b>EADR disease category</b>	<b>Total industry share of response costs (pa)</b>	<b>Levy on manufactured feed</b>	<b>Levy on worm treatments</b>	<b>Amount generated per year (for 10 years)</b>
1	\$0	nil	nil	nil
2	\$1m	0.6 cents/kg	35 cents/dose	\$1.091
3	\$2.5m	1.8 cents/kg	60 cents/dose	\$2.7m
4	\$4m	3 cents/kg	80 cents/dose	\$4.27m