Joint (Industry/Government) Working Group on Sharing Responsibilities and Costs of Animal Disease

COST SHARING ARRANGEMENTS IN NEW ZEALAND

1. In New Zealand, the management of biosecurity is guided by the Biosecurity Act 1993 and the Biosecurity Strategy 2003. Under these statutory instruments, animal diseases are treated in a similar way to any other exotic “pest” incursion. Any response is led by Biosecurity New Zealand who are tasked with a "whole of system" leadership role, encompassing economic, environmental, social and cultural outcomes. It also has international trade and animal welfare responsibilities. Biosecurity New Zealand reports to the Minister for Biosecurity, and is supported as a semi-autonomous agency within the Ministry of Agriculture and Forestry. It draws on further operational expertise from the Department of Conservation, Ministry of Fisheries and the Ministry of Health. Relevant policy advice is provided by the Treasury, Customs and the Ministry for the Environment.

2. Like most New Zealand statute law, there is a significant use of “user pays”. The Biosecurity Act 1993 notes this directly, allowing for *‘cost recovery of administering this Act, including the cost incurred as the management agency of a pest management strategy…are recovered with the principals of equity and efficiency in accordance with this section and regulations’.*

3. Biosecurity New Zealand has prepared contingency plans for a number of significant diseases (e.g. FMD). However, for all other incursions, ‘decisions are made on a case-by-case basis within a consistent, transparent decision making framework’. Because of the approach of strong border control/surveillance with reactive incursion response, cost recovery is split. Operational cost are charged up-front, while disease response costs are

recovered retrospectively using a 'cascading decision rule'. This rule outlines that:

(a) Costs should be recovered from the users of each service, or those whose actions caused the need for the service or function to be provided, where this is practical and cost effective;

(b) Otherwise the funds required should be raised through the imposition of levies on those who benefit from the provision of the service or function, where they are an identifiable individual or class of individuals and where the cost of doing so is reasonable;

(c) Otherwise taxpayer funding should be used.

4. The Biosecurity Act provides a mechanism to create a levy to meet this cascading rule. In addition to this, the Biosecurity Act provides 'punitive powers', that allow government agencies to pursue individuals and companies for contraventions.

5. Currently, New Zealand spends about $NZ320 Million (GST inclusive) on Biosecurity, of which about 77 per cent comes from the Crown, and the remainder through third party charging. Service funding for 2003/04 is broken down in the following way. The amount of cost recovering from industry is steadily increasing over the years.

Service	**Revenue ($m, GST inc)**	**Taxpayer (Per cent)**	**Ratepayer (Per cent)**	**Cost recovered (Per cent)**
Policy Advice & Co-ordination	6.8	100		
Research	22.5	100		
International	2.5	62		38
Enforcement & Audit	5.0	98		2
Export accreditation and official assurance	1	37		63
Prevention (including border security)	41.9	66		34
Surveillance	22.3	63		37
Contingent and incursion responses	60.2	100		
Pest Management	148.9	69	4	27
Other	2.6			100
Total	**319.5**	**77**	**2**	**22**

6. This system differs from Australia in that charging for a pest incursion (including disease) response is retrospective, and so targeted at the sector, for example sheep farming, bee keeping or tourism that may benefit from the disease or pest eradication. Because cost recovery is an embedded practice

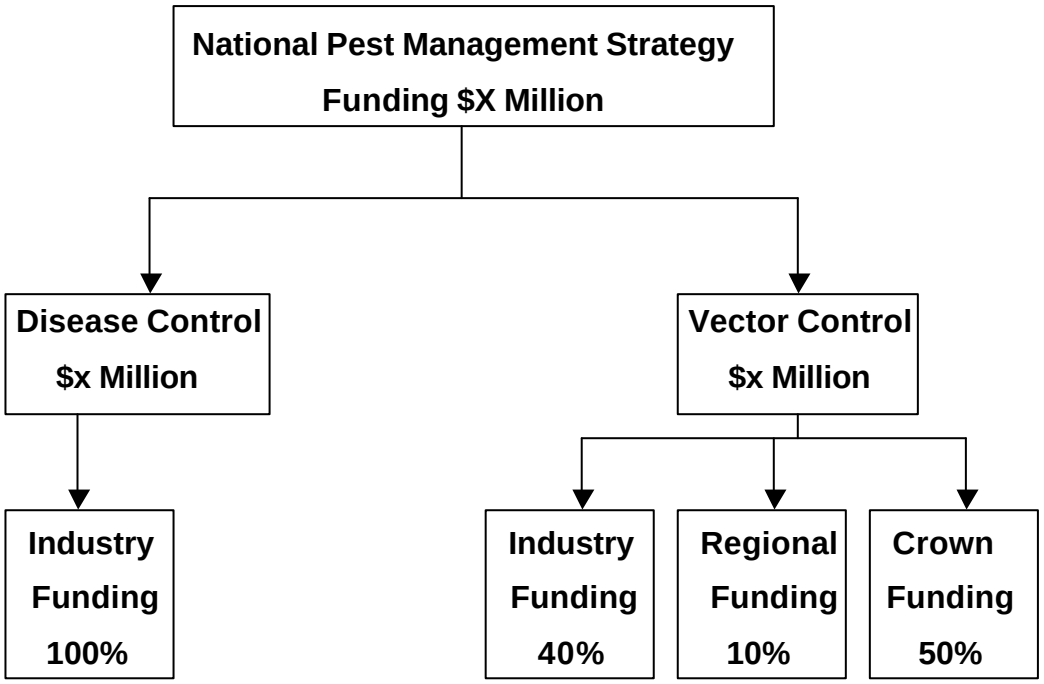
across the full range of New Zealand industries, it has also led to an increased involvement of industry within response management (often referred to as 'user pays, user says'). Any incursion response that requires a large commitment of taxpayer funds is ultimately signed off by Cabinet following a thorough cost-benefit analysis.

7. The following table was prepared as an example of how costs might be shared depending on the nature of the disease outbreak and the proportion of public benefit relative to private benefit of a response to an incursion.

Proportion of public benefit relative to private benefit of an incursion response	**Govt Share (Per cent)**	**Industry share (Per cent)**	**Pest or Disease**
Very high public, minimal industry	100	0	Ross River Virus
High public, moderate industry	80	20	Cape Tulip
Moderate public, moderate industry	50	50	Asian Gypsy Moth
Low public, high industry	20	80	Fruit fly
Very high industry, minimal public	0	100	PMWS

8. The industry plays a significant and proactive role in disease management in New Zealand through its lead role in formulating a 'National Pest Management Strategy'. A Strategy applies only to a particular disease/pest and can differ depending on the subject and the industry involved. Each strategy outline roles and responsibilities in relation to a particular animal disease/pest, this include setting out the funding mechanism. Currently there are two in operation, one for Bovine Tuberculosis and the other American Foulbrood Disease. A number of others are currently being advanced. These strategies, while written by the industry, receive statutory weight through approval of the Minister for Biosecurity.

9. The Animal Health Board manages the Pest Management Strategy for Bovine Tuberculosis. The Board comprises representatives from industry and Local Government, and receives funding from industry, Local Government and the Crown according to a pre-agreed formula set out in the Pest Management Strategy. The cost sharing formula for Bovine Tuberculosis is portrayed as follows:-



10. Cost recovery has been consistently embedded and used across statutes in New Zealand since the early 1980s. Other funding models are used by other Ministries depending on the services provided. For example, the Ministry of Fisheries draws significant resources from cost recovery from the seafood industry. In return, and as part of sharing the responsibilities the Seafood Industry Council administer the catch-per-unit-effort databases through an agreed service delivery contract with the Ministry of Fisheries. As part of this costs and responsibilities remain under continual examination.

JIGWG Secretariat
February 2006

DISEASE CATEGORISATION IN THE AUSTRALIAN AGREEMENT

Criteria used to classify diseases into the four categories and the proportions of government and industry funding

Category 1 diseases (funded 100% by government) are those that predominantly seriously affect human health and/or the environment (depletion of native fauna) but may only have minimal direct consequences to the livestock industries. Those included are:

- rabies
- Australian lyssaviruses (including bat lyssavirus)
- Japanese encephalitis
- Western, Eastern and Venezuelan equine encephalomyelitis
- Nipah virus

Category 2 diseases (funded 80% by government and 20% by the applicable industry(s)), have the potential to cause major national socio-economic consequences through very serious international trade losses, national market disruptions and very severe production losses in the livestock industries that are involved. This category includes diseases that may have slightly lower national socio-economic consequences, but also have significant public health and/or environmental consequences:

- avian influenza (highly pathogenic)
- bovine spongiform encephalopathy
- brucellosis (due to Brucella abortus)
- brucellosis (due to Brucella melitensis)
- Hendra virus (formerly called equine morbillivirus)
- foot-and-mouth disease
- glanders
- peste des petits ruminants
- Rift Valley fever
- rinderpest
- screw worm fly
- sheep pox
- Tracheal mite*
- Tropilaelaps mite*
- Varroa mite (Varroa destructor) – see also Varroa mite Category 4*
- vesicular stomatitis

Category 3 diseases (funded 50% by government and 50% by the applicable industry(s)), are of moderate public impact that have the potential to cause significant (but generally moderate) national socio-economic consequences through international trade losses, market disruptions involving two or more

states and severe production losses to affected industries, but have minimal or no effect on human health or the environment:

- African horse sickness
- African swine fever
- anthrax (major outbreaks)
- avian influenza (low pathogenic)
- bluetongue (disease in sheep)
- bovine tuberculosis due to Mycobacterium bovis, after Tuberculosis Freedom Assurance Program (TFAP) is completed (provided that no other program in respect of bovine tuberculosis is introduced in its place)
- classical swine fever
- contagious bovine pleuropneumonia
- encephalitides (tick-borne)
- lumpy skin disease
- Menangle virus (porcine paramyxovirus)
- Newcastle disease
- scrapie
- Small hive beetle*
- swine vesicular disease
- trichinellosis
- vesicular exanthema

Category 4 diseases (funded 20% by government and 80% by the applicable industry(s)), are those that could be classified as being mainly production loss diseases. While there may be international trade losses and local market disruptions, these would not be of a magnitude that would be expected to significantly affect the national economy. The main beneficiaries of the successful emergency response to an outbreak of such a disease would be the affected livestock industry(s):

- Aujeszky's disease
- Borna disease
- Braula fly (except in Tasmania)*
- contagious equine metritis
- dourine
- east coast fever
- epizootic lymphangitis
- equine babesiosis
- equine encephalosis
- equine influenza
- Getah virus
- haemorrhagic septicaemia
- heartwater
- infectious bursal disease (hypervirulent form)

- Jembrana disease
- Maedi/visna
- Nairobi sheep disease
- porcine Reproductive and Respiratory Syndrome (PRRS)
- Potomac fever
- pulmonary adenomatosis
- sheep scab
- surra
- swine influenza
- Teschen disease
- Varroa mite (Varroa jacobsoni) – see also Varroa mite Category 2*
- transmissible gastroenteritis
- Wesselsbron disease

Changes to Categorisation of a disease

Where a party wishes a review of the categorisation of a disease, they must provide Animal Health Australia with a specific request justifying the change from one category to another. This must be based on a material change in macroeconomic impact and/or new scientific/epidemiological knowledge of the disease. If Animal Health Australia agrees that the evidence presented supports a review of the categorisation of a disease, it will refer the matter to Veterinary Committee (as the appropriate national expert group) within 30 days of receipt. Veterinary Committee will convene an expert panel called the "Emergency Animal Disease Categorisation Panel" to meet and report its findings within 90 days.

Animal Health Australia will then refer the recommendation to the relevant parties and if they reach agreement the change in category will be implemented. If they do not reach agreement the issue is referred back to the Board of Animal Health Australia that will consider the Veterinary Committee report and advise the relevant proponent(s) of its determination within 30 days of consideration. Decisions of the Board of Animal Health Australia will be final and another review will not occur unless further substantive evidence is presented.

Appeal process for a change to categorisation

Where Animal Health Australia does not refer a request for a review of the categorisation of a disease to Veterinary Committee (because of a perceived lack of justification), the proponent(s) of the review of categorisation may appeal to Members at an Animal Health Australia Annual General Meeting.

Categorisation of a new disease

For the first outbreak of an unknown disease, the Consultative Committee on Emergency Animal Diseases (CCEAD) will determine a preliminary

categorisation. All new or uncategorised diseases will initially be subject to 50:50 cost sharing, between government and industry, unless there is compelling evidence of a public health risk, in which case the disease will be subject to 100:100 cost sharing (ie funded entirely by governments). Following the conclusion of an emergency disease response, or earlier if appropriate, the issue of categorisation for a previously unknown disease will be referred to an Emergency Animal Disease Categorisation Panel.

Joint Industry Government Working Group on Sharing Responsibilities and Costs of Animal Disease: Disease List for Consideration

The following list is complied from a number of sources, including the Animal Health Act 1981 and amended in 2002, and then further extended with the Specified Diseases (Notification and Slaughter) Order 1992 and the Specified Diseases Order (Notification) Order 1996.

Disease	**Species affected**	**Last Outbreak in GB***	**Last outbreak in EU****	**Last outbreak in 3rd Country****
African Swine Fever	Pigs	Never	Portugal 1999	Kenya 2001
Avian Influenza	Poultry	1992	Germany 2003	Nigeria 2006
Classical Swine Fever	Pigs	2000	Italy 2003	Bulgaria 2006
Contagious Bovine Pleuro-Pneumonia	Cattle	1898	Portugal 1999	Eritrea 2003
Enzootic Bovine Leukosis	Cattle	1996	Slovakia 2003	China 2003
Foot and Mouth	Cattle, Sheep, Pigs, Other cloven hoofed animals	2001	Netherlands 2001	Turkey 2006
Newcastle Disease	Poultry	2005	Denmark 2002	Iran 2003
Rinderpest (Cattle Plague)	Cattle	1877	Italy 1949	Kenya 2003
Swine Vesicular Disease	Pigs	1982	Netherlands 1994	China 1999
Peste des Petits Ruminants	Sheep/Goats	Never	Never	Israel 2005***
Lumpy Skin Disease	Cattle	Never	Never	UAR 2001***
Blue Tongue	Sheep/Goats, Cattle, Camelids, Deer	Never	Spain, 2005	Morocco 2004***
Vesicular Stomatitis	Cattle, Pigs, Horses	Never	Never	USA 2005
Rift Valley Fever	Cattle, Sheep, Goats	Never	Never	Senegal 2004 ***
Sheep Pox and Goat Pox	Sheep/goats	1866	Greece 2000	Vietnam 2004
Fowl Typhoid	Poultry	1986	Czech Rep 2003	Brazil 2004 ***
Contagious agalactia *(M. agalactiae)*	Sheep and Goats	Never	Italy 2003	Azerbaijan 2003
Contagious epididymitis *(B. Ovis)*	Sheep and Goats	Never	France, Spain 2005	Argentina 2005

* source Defra Animal Health – International disease monitoring

** source OIE website

*** endemic to sub-Saharan Africa