

FOURTH MEETING OF THE JOINT (INDUSTRY/GOVERNMENT) WORKING GROUP ON SHARING RESPONSIBILITY AND COSTS OF ANIMAL DISEASE: 16 MARCH 2006 – BRITISH VETERINARY ASSOCIATION LONDON

Present

Members

Sonia Phippard	Joint Chair
Stewart Houston	Joint Chair
Peter Bradnock	BPC
David Dawson	Defra
Peter Dawson	Dairy UK
Thomas Hind	NFU
Mark Williams	BEIC
Nafees Meah	Defra
Mike Sheldon	NPA
Robert Robinson	NBA
Freda Scott-Park	BVA
Peter Morris	NSA
Richard Bennett	EIG

Secretariat

Roger Walsh	Defra
Steve Chamberlain	Defra
Eunice Obeng	Defra
Eden Hannam	Defra
Paul Skelton-Stroud	Defra

Guests

Mike Segal	Defra
Sue Eades	Defra
Nick Coulson	Defra
Ross Adams	DAFF Australia

Observer

David Pirnie	Rocket Science Ltd
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Agenda Item 1: Welcome and introductions

1. Apologies had been received from Kevin Pearce (NFU).
2. In welcoming members and guests to the fourth meeting Sonia Phippard introduced Sue Eades and Nick Coulson from Animal Health and Welfare Directorate who were attending for the first time.
3. No comments had been received on the minutes of the third meeting (Doc JIGWG 20) It was agreed that the use of sub-groups as foreseen in paragraph 19 (c) of the minutes would be discussed later in the meeting.

Agenda Item 2: The Operation of the EC Veterinary Fund (Doc JIGWG 36)

4. Nick Coulson explained the operation of the EC Veterinary Fund. It covered various areas of work such as training, exotic disease eradication programmes, veterinary inspections. Claims on the fund were subject to a financial cap set out in the relevant Commission Decision. Member States received a percentage of funding from the fund depending on whether certain criteria were met, including a robust financial audit trail.
5. Roger Walsh clarified that during a disease outbreak in the Netherlands, the competent authority (the Ministry) financed the cost of dealing with the outbreak and then submitted its account to the European Commission. Following scrutiny the Commission authorised payment from

the Veterinary Fund (maximum fifty per cent of the approved costs). The remaining balance was then recovered by the Ministry from the bank guarantee which was financed by the livestock producers.

6. In discussion the following points were raised:

(a) noting the Netherlands example it was contended that it would be unfair to industry to pay its share when the Government share was in effect repaid from European Community funds;

(b) the principle must be to ensure maximum recovery from the European Community and only share the remaining balances;

(d) it would be important to understand the effect of the UK rebate (Fontainbleu) on monies repaid from the Veterinary Fund;

(e) how would (i) the Commission split monies in the Veterinary Fund between Member States if there was a large disease outbreak across the Community and (ii) if there was a contingency disaster fund that could be used to fund animal disease?

(f) whether there should be a three-way partnership between the European Commission, Member States and Industry;

(g) how the Commission spent the money and what proportion went on diseases or on other activities? and

(h) involvement of the wider rural economy and their benefits, responsibilities and costs in relation to Animal Health.

7. One of the important drivers for the review of the Community Animal Health Policy (CAHP) was the protection of financial resources. Consultants were reviewing the instruments of the current policy and were advising the services of the Commission. At this stage it was unclear how animal welfare considerations would be taken into account.

Agenda Item 3: Report back from the meeting with Eric Marin (DG SANCO) and details of the workshop on 17 March (Doc JIGWG 33)

8. In reporting on the meeting with Eric Marin (DG SANCO) on 22 February (Doc JIGWG 33) Nafees Meah also drew attention to the expert workshop in Brussels on 17 March 2006 on options for harmonised cost sharing schemes for epidemic livestock diseases meeting. The Group would be represented by Stewart Houston, Nafees Meah and Roger Walsh. Discussion in the workshop would focus on the paper (circulated to the Group previously) prepared by the Commission's consultants (Food Chain Evaluation Consortium). In the opening discussion observations were made on the paper. These related to the need to have a clear understanding of the definitions. For example, the term "externalities" covered a very wide range of matters and was far from an easy subject. There were different types of

externalities as there were different types of public goods. Another topic concerned recognition of the need that the livestock producing industry was bearing a high internal cost of coping with disease outbreaks. There were others in the supply chain where there was scope for animal to animal disease transmission and thus, in principle, a liability to contribute towards the costs of handling disease outbreaks. Following exchanges on the operation of the chain and costs being passed back to producers it was agreed that the Group would divide and consider specifically two of the six criteria for harmonised cost sharing schemes mentioned in the paper. These were (i) categorisation of animal diseases and (ii) incentive compatibility.

9. In the detailed consideration the following points emerged:-

Categorisation of animal diseases (Criteria I)

Rule 1 *An efficient cost-sharing scheme may require animal health standards that are different from legal requirements:* It was probably better to consider/adapt the extant rules rather than proceeding with a full re-write. Different standards could be required to reduce risks.

Rule 2 *Certain animal diseases require significant public involvement in a cost-sharing scheme and participation of farmers in a scheme needs to be compulsory:* It was agreed that this rule should be compulsory but with an opt-out option for a particular species.

Rule 3 *Some diseases require only limited public involvement:* The phrase "*Limited public involvement*" needed to be explained. The use of the descriptor "externality" was too broad. More work was required to define the disease list.

Rule 4 *Other diseases do not require public involvement and related risks should be left to the private insurance markets:* The Commission needed to be asked for an explanation of this rule. It was possible that some existing Government/Industry partnerships could be disallowed. The question was posed – would there be legislation for Government intervention?

Rule 5 *Disease categorisation could take into account regional differences:* It was felt that the interpretation of the wording needed to be clarified. In the three options listed under the rule there was the inclination that the preferred way forward should be option "*b) Disease categorisation should be done by each cost-sharing scheme according to harmonised criteria*".

Incentive Compatibility (Criteria II)

Rule 6 *Contributions to a cost-sharing scheme have to reflect their individual risks:* The principle was arguable but in any event would be complicated to deliver. Initial thinking was that risk should be differentiated by species, but could get complicated beyond that.

Rule 7 ***The compensation payment made by the cost-sharing scheme to a farmer for losses in case of disease outbreak has to involve a deductible***: It was felt that this rule should not be included in the paper. Also there was no complete transfer of risk. Most of the losses were borne by livestock keepers and the losses suffered were different according to the varying types of farm business. There was a feeling that this section needed further clarification and compensation rates had to be set at the “correct” level. There needed to be a clear definition as to what exactly was meant by the example of a ten per cent deductible of herd value – - what costs were included.?

Rule 8 ***The compensation payment made by the cost-sharing scheme to a farmer for losses in case of disease outbreak has to depend on the time of reporting the suspicion***: It was felt that compensation could be used as an incentive for timely reporting of disease. The nature of the disease was a critical factor and the rule needed more thought. In addition the possibility of making the compensation payment disease/species specific should be considered.

Rule 9 ***The cost-sharing scheme has to cover all production risks to avoid providing adverse incentives***: It was felt that cost sharing arrangements should cover all costs. However, if all risks and losses were included then the costs would be increased significantly which would lead in turn to financing problems and particularly the acceptability of public finances.

Rule 10 ***Some losses may be indemnified fully without providing adverse incentives***: The reference in the rule to vaccination was unclear and needed to be elaborated more fully.

Rule 11 ***Price risks should not be covered by a cost-sharing scheme***: It was considered that price risk should not feature in any arrangements since such risks should be borne fully by the business.

Rule 12 ***Losses of animal value have to be indemnified not according to pre-crisis market prices, but according to replacement values*** : The details governing animal values outlined in the rule were not agreed. Prices take time to stabilise following an outbreak. It was thought the rule was good in principle but in practice would be difficult to achieve. This was possibly not a cost sharing issue and

Rule 13 ***Some production losses that a hard to quantify can be compensated with flat rates***: It was felt that this rule was impractical. Rules needed to be simple and achievable and with overhead costs kept at the absolute minimum.

Following from the comments it was felt that the wording to the rules were insufficiently clear and needed clarification by the Commission.

Action: To report back to the next Working Group on the outcomes of the meeting in Brussels.

Agenda Item 4: Exotic diseases for inclusion in a cost-sharing agreement (Doc. JIGWG 34) and Criteria for Disease Categorisation (Doc. JIGWG 35)

10. Sonia Phippard asked the Group to e-mail their comments to the Secretariat. This agenda item would be revisited at the next JIGWG meeting following the expert group session in Brussels.

Action: Working group members to provide comments to the Secretariat.

Agenda Item 5: Discussion of Model Characteristics (Doc JIGWG 32)

11. Nafees Meah outlined the content of Doc JIGWG 32 which captured the discussions at the last meeting when the Group divided to discuss the characteristics that ought to feature in cost sharing arrangement for England.. In discussion the following points were noted:

- (a) if there was an op-out clause how would this be achieved;
- (b) biosecurity benchmarks the needed to be established;
- (c) the need to consider the role of "hobby farmers";
- (d) precisely which Government costs would be covered by the arrangement;
- (e) what costs ought to be shared by Government/industry;
- (f) in a harmonised situation – how would an English arrangement compare with other Member States;
- (g) environmental issues and the inclusion of English Nature, the Countryside Agency (Natural England with effect from October 2006) and the Environment Agency and
- (f) an assurance that there would be value for money when paying a levy.

Agenda Item 6: Update on stakeholder workshop organisation and Invitee list

12. Sonia Phippard asked the Group to talk to the Secretariat if there were any omissions to the list of invitees.

13. David Pirnie talked about the stakeholder workshop. In responding to a question he explained that the Group would be provided with a summary of the outcomes from the workshop. He hoped this would add to the thinking and help the Group prepare its report in accordance with its Terms of Reference.

Action: (a) David Pirnie to circulate to members a list of the electronic voting questions prior to the April workshop.

(b) Members to return comments to David Pirnie.

Agenda Item 7: Information papers

14. Sonia Phippard said that the bulky papers for information had been circulated to members on a compact disc to avoid overloading email. The New Zealand Biosecurity Strategy was included on the disc.

Agenda Item 8: Any Other Business

15. Sonia Phippard advised the Group that all the working papers (except confidential information) already considered by the Group would now be placed on the website. She asked the Group to advise on whether there was anything confidential that thought should not be published online.

Action: Secretariat to arrange for information to go online.

**JIGWG SECRETARIAT
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