2. Impact on the public sector

Introduction

2.1 This chapter sets out total government expenditure on activities relating to BSE from 1986 to 1996. Public expenditure arose in three main areas: research on BSE and related diseases, compensation payments and departmental running costs. We consider each of these areas in turn. The expenditure was incurred by a number of different Government Departments, although the main weight of public expenditure fell on MAFF and its Agencies. Figure 2.1 shows expenditure by UK Government Departments and Research Councils, the EU and the Wellcome Trust in funding research on BSE and related diseases.\(^7\) Figure 2.2 and 2.3 show the UK government bodies involved in compensation payments, and those incurring BSE-related running and other costs.

\(^7\) The Wellcome Trust has been included in this figure. While we recognise that it is not a public body, we have included the Trust in the public sector section because it was a major funder of research carried out by universities and other public bodies.
Figure 2.1: Funding for TSE research, 1986–96 cash prices

- TSE Research
  - MAFF
    - MAFF Laboratories
    - £32m
  - DH
    - IAH
    - £1.7m
    - External Contractors
  - Scottish Office
  - Other DH-Research
    - CJDSS
  - Research Councils
    - BBSRC
    - £21.6m
    - MRC
    - £5.6m
    - £3.8m (1990–96)
  - EU
    - £3.1m (1990–96)
  - Welcome Trust
    - £3.1m (1990–96)
  - Not public sector
    - £61.1m
Figure 2.2: Funding for BSE compensation schemes, 1986–96 cash prices
Figure 2.3: Public sector BSE-related running and other cost, 1986–96, cash prices

MAFF: £86.9m
DH: £3.4m
NHS: n/a
Scottish Office: £0.5m
Welsh Office: £0.4m
Northern Ireland Departments: £0.2m
Meat Hygiene Service: £0.4m

Total: £90.4m
2.2 In addition to this public expenditure on BSE-related activities, BSE may have indirectly created additional costs for the public sector through the loss of taxation revenue and increased social security payments.

2.3 Lost taxation revenue is the tax revenue that is not raised because businesses are not as profitable as they otherwise might have been had BSE never emerged. Calculating such lost revenue is a highly complex and speculative venture, particularly in the light of pre-existing market trends, currency fluctuations and myriad other economic events in the period under examination. The Inquiry has not attempted such a calculation but recognises that lost tax revenues do represent another dimension of the economic impact on the public sector.

2.4 There may also have been increased costs associated with social security payments if economic difficulties caused by BSE led to a loss of employment, and to a subsequent increase in unemployment and unemployment benefit payments. This is also a complex calculation to make as it requires very detailed knowledge of the changes in employment associated with BSE and the subsequent labour market destinations of the people affected. The Inquiry has not attempted such a calculation, but it does recognise that this is a further area of potential increased costs.

Part 1: Research

2.5 Concerns about BSE led to research into the new disease and other transmissible spongiform encephalopathies (TSEs). These included scrapie in sheep and CJD in humans. We describe below the funding of research on BSE and other TSEs between 1 April 1986 and 20 March 1996 by UK Government Departments, the Research Councils, the EU and the Wellcome Trust.

MAFF expenditure

2.6 The Central Veterinary Laboratory (CVL) in Weybridge, Surrey, identified BSE in November 1986. From then on the CVL was responsible for many of the early epidemiological studies into BSE, and from 1987 had a dedicated BSE/TSE research programme in operation. The Consultative Committee on Research into Spongiform Encephalopathies (the Tyrrell Committee) was established in 1989. Its recommendations were published in 1990. Ministers decided that all projects designated as high priority by the Tyrrell Committee should be put in hand and that almost all these projects should be funded by MAFF. Additional funds were not allocated to MAFF for this purpose; instead, existing funds in MAFF’s research budget had to be directed away from other areas to BSE research.

2.7 The establishment and expansion of the BSE/TSE research programme was set against a background of reductions in research spending resulting from overall downward pressure on public expenditure. Table 2.1 shows total MAFF research expenditure.
and development (R&D) expenditure and the proportion of those funds designated for BSE/TSE research during 1986–96.

Table 2.1: MAFF expenditure on BSE/TSE research, 1986–96, at cash prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Total MAFF R&amp;D</th>
<th>BSE/TSE research</th>
<th>BSE/TSE research %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986/87</td>
<td>113,400</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>1987/88</td>
<td>108,400</td>
<td>200</td>
<td>0.18%</td>
</tr>
<tr>
<td>1988/89</td>
<td>109,200</td>
<td>900</td>
<td>0.82%</td>
</tr>
<tr>
<td>1989/90</td>
<td>106,300</td>
<td>1,000</td>
<td>0.94%</td>
</tr>
<tr>
<td>1990/91</td>
<td>110,900</td>
<td>2,300</td>
<td>2.07%</td>
</tr>
<tr>
<td>1991/92</td>
<td>113,000</td>
<td>4,200</td>
<td>3.72%</td>
</tr>
<tr>
<td>1992/93</td>
<td>122,600</td>
<td>5,700</td>
<td>4.65%</td>
</tr>
<tr>
<td>1993/94</td>
<td>125,600</td>
<td>6,200</td>
<td>4.93%</td>
</tr>
<tr>
<td>1994/95</td>
<td>126,400</td>
<td>5,800</td>
<td>4.59%</td>
</tr>
<tr>
<td>1995/96</td>
<td>129,500</td>
<td>5,600</td>
<td>4.32%</td>
</tr>
<tr>
<td>Total</td>
<td>1,165,300</td>
<td>31,900</td>
<td></td>
</tr>
</tbody>
</table>

Source: MAFF Chief Scientist’s Group [M32 tab 13]

2.8 MAFF’s BSE/TSE research programme was mainly undertaken at the MAFF laboratories or at the Biotechnology and Biological Sciences Research Council’s institutes, although some of the work was carried out by external contractors. An account of MAFF’s research and the projects undertaken can be found in vol. 2: Science.

2.9 The research carried out by MAFF fell into four main areas: epidemiology, diagnosis, transmission and pathogenesis. In the period between 1992/93 and 1995/96, these programmes cost £6.3 million, £4.4 million, £6.9 million and £5.7 million respectively – £23.3 million in all.

2.10 Some of the important projects within these programmes are described below:

i. **Epidemiology**. The epidemiology study began in June 1987 to gain basic descriptive epidemiological data, including breeding data, and to develop or eliminate aetiological hypotheses for the disease. It also aimed to monitor the incidence within herds and nationally. The study included a survey of practices in rendering plants; an investigation of feed compounders in relation to their geographical location; an investigation of specific risk factors associated with the British Isles; a case control study of calf feeding practices; and an analysis of the offspring of bulls used for artificial insemination. From April 1992 to 1996, the epidemiology study cost £2,234,398; no data are available for the cost of the project between June 1987 and April 1992. Another important study was the investigation of the occurrence and incidence of maternal transmission, costing £336,874 from April 1992 to 1996 (no figures available prior to April 1992).
ii. **Diagnosis.** Experiments were designed firstly to study the clinical features of the disease with particular emphasis on methods of early diagnosis of BSE, and secondly to facilitate better and cheaper post-mortem diagnosis. The programme also aimed to develop methods for ante-mortem diagnosis. Major studies included the identification of BSE- and scrapie-affected animals by detection of a urinary metabolite (£294,000 between April 1992 and March 1995 – figures for April 1991 to April 1992 unavailable); and biochemical approaches to the differential diagnosis of BSE in the live animal (£187,000 between November 1992 and March 1995).

iii. **Pathogenesis.** Major studies included the identification of infectivity in cattle tissue (starting in April 1990, and costing £498,275 between then and March 1996); the pathogenesis of experimental BSE in cattle (starting in April 1992 and costing £1,996,000 by 1996); and the attack rate experiment, which started in April 1992 and had cost £745,229 by 1996.

iv. **Transmission.** Major studies included the investigation of the comparative efficiencies of the bioassay of BSE infectivity in cattle and mice, costing £722,663 between April 1992, when the study started, and 1996. Embryo transfer studies began in October 1989, and cost £821,784 between April 1992 and 1996 (figures since the start of the project are unavailable).

### Department of Health

2.11 The total R&D budget for the Department of Health rose from £15 million in 1988 to £27 million in 1996. This budget was small compared with MAFF’s R&D budget (see Table 2.1 above), because DH did not fund basic biomedical research relating to human health. This was the function of the Medical Research Council, which obtained funds for this purpose from the Science Vote, an approval of expenditure by Parliament. However, DH had its own ‘Policy Research Programme’ to identify and fund applied research to provide a scientific basis for policy formulation and evaluation. It also funded the national Creutzfeldt-Jakob Disease Surveillance Unit in Edinburgh (see below).

2.12 Following the recommendations of the Tyrrell Committee in 1989 (see vol. 11: *Scientists after Southwood*), a CJD surveillance project was undertaken. The Committee’s Report separated the project into two parts:

- surveillance of Creutzfeldt-Jakob Disease (CJD) cases; and
- monitoring of groups with high exposure to bovine tissues.
The second part of the project was rated as low priority and, in the event, such monitoring was never undertaken, as it was considered that an analysis of the occupations of CJD cases would suffice to identify any correlation between exposure to bovine tissues and incidence of CJD.31

**Creutzfeldt-Jakob Disease Surveillance Unit (CJDSU)**

2.13 The CJDSU was formally established on 1 May 1990 to monitor the incidence and epidemiology of CJD cases, with a view to detecting any changes in the pattern of the disease, and to provide neuropathological validation of any clinical diagnosis. It was to build on the epidemiological work already carried out and originally funded by the Medical Research Council.32 Between 1992 and 1995 the Unit was also involved in investigating possible occupational links with CJD arising from the deaths of three dairy farmers.33

2.14 DH and the Scottish Office Department of Health jointly funded the Unit, with DH contributing approximately 90 per cent of the funding.34 The total level of DH funding for the CJDSU over the period 1990–96 was approximately £1.2 million.35

**Funding of other BSE/CJD research**

2.15 Over the period 1993 to April 1996 DH incurred expenditure on three discrete CJD-related research projects:

- **Strain Characterisation of CJD Agent by Transmission to Mice.** Studies began in 1994 at the Institute for Animal Health (IAH) and were based on six cases of CJD. Additional funding was provided from mid-1995 onwards for studies using tissue from young patients with CJD. Total funding (including these additional funds) for this project before April 1996 is estimated at £113,500.36

- **Prion Diseases Group Molecular Genetic Studies.** Funding was provided to St Mary’s Hospital in London to carry out molecular genetic studies of the human prion protein. Total funding for this project before April 1996 is estimated as £280,400.37

- **Scrapie Inactivation Study.** Funding was provided to the IAH for research into the potential for iatrogenic transmission of CJD through instruments used in ophthalmic and neurosurgery. Total funding for this project before April 1996 is estimated as £340,000.38

2.16 These projects all began before 1 April 1996, but in some cases were not completed by that date. Total expenditure until April 1996 on these three projects is estimated to be £733,900.39

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31 See vol. 2: *Science*
32 DH01 tab 5 p. 3
33 DH01 tab 5 p. 5. See vol. 8: *Variant CJD*
34 M32 tab 9 Annex 4
35 DH01 tab 27
36 DH01 tab 5 p. 5 Annex C
37 DH01 tab 5 p. 6 Annex C
38 DH01 tab 5 p. 6 Annex C
39 DH01 tab 5 Annex C
**Research Councils**

2.17 The Research Councils are non-departmental public bodies, established under the Science and Technology Act 1965. They receive a grant from the Science Budget administered by the Office of Science and Technology (OST). The Research Councils that have had responsibility for BSE-related research are the Biotechnology and Biological Sciences Research Council (BBSRC), the Agricultural and Food Research Council (AFRC, a body which was succeeded by the BBSRC) and the Medical Research Council (MRC).

**Biotechnology and Biological Sciences Research Council (BBSRC)**

2.18 The AFRC was succeeded by the BBSRC in 1994 and, for convenience, references in this volume to the BBSRC include its predecessor. This Research Council had the main responsibility for research related to BSE and scrapie. Total expenditure on TSE research over the period 1986–96 was almost £22 million. Figure 2.4 provides an annual breakdown of the funding levels. Funding grew significantly after 1989/90 and peaked in 1992/93.

**Figure 2.4: BBSRC expenditure on TSE research, 1986–96, at cash prices**

2.19 The BBSRC TSE research programme consisted of three distinct elements:

- research funded within the BBSRC core programme, which included 70 per cent of core funding of the Neuropathogenesis Unit (NPU) in Edinburgh;
- research funded under the Biology of the Spongiform Encephalopathies Programme (BSEP); and
- research funded at the Institute for Animal Health (IAH) by other sponsors such as MAFF and the Medical Research Council (MRC).

2.20 In 1989, because of widespread concerns about BSE and in order to implement recommendations by the Tyrrell Committee, the BBSRC was awarded additional...
Science Budget funds for research on TSEs.\textsuperscript{45} Part of this allocation was added to the core budget of the IAH in 1990/91.\textsuperscript{46}

**2.21** Further funds from this allocation were used to set up a new coordinated programme of research to investigate the Biology of the Spongiform Encephalopathies (BSEP I). The programme received £2 million in 1991/92 and £3.5 million in 1992/93. It also received funding from the MRC (see paragraph 2.26 below).

**2.22** The aim of BSEP was to develop a fundamental understanding of the molecular and cellular biology of the TSEs. It was to build on the existing work already done by the NPU and to complement work funded by MAFF. Funds were allocated in two phases, from April 1991 and from January 1992, and were available over a three-year period. They were allocated on a competitive basis to higher education institutes and the former AFRC institutes.\textsuperscript{47}

**2.23** The BBSRC was awarded a further £1.3 million per annum over four years in 1994/95 to fund a second phase of projects (BSEP II). The funds were allocated on a similar competitive basis, available to higher education institutes and former AFRC institutes, and were available over the four-year period.\textsuperscript{48}

**Medical Research Council (MRC)**

**2.24** The MRC was the main non-departmental public body through which biomedical research was funded. It was responsible for providing an independent source of expertise and advice on all aspects of research relevant to human health.\textsuperscript{49} A concordat existed between DH and the MRC to ensure that the two bodies worked together effectively.\textsuperscript{50}

**2.25** The MRC had a focused portfolio of TSE/CJD research. This was principally carried out at the Neuropathogenesis Unit (NPU). The MRC provided 30 per cent of the NPU’s core Research Council income. Its contribution amounted to around £300,000 in 1986/87 and rose to about £600,000 in 1994/95.\textsuperscript{51}

**2.26** The MRC also funded a small number of other TSE/CJD-related projects. For example, in 1994 a ‘strategic supplement of £274,000’ was awarded to the CJDSU over a three-year period for CJD-related transmission studies. The MRC also partly funded the first phase of BSEP, contributing £500,000 over a three-year period.\textsuperscript{52}

**2.27** Total expenditure over the period 1986–96 was approximately £5.6 million. The annual breakdown can be seen in Figure 2.5 below.

\textsuperscript{45} This extra funding is described in Chapter 6 of vol 2: Science
\textsuperscript{46} YB95/1.27/1.1
\textsuperscript{47} YB95/1.27/1.1
\textsuperscript{48} YB95/1.27/1.2
\textsuperscript{49} S53 Radda para. 3
\textsuperscript{50} DH01 tab 5 p. 2
\textsuperscript{51} YB95/12.00/1.4
\textsuperscript{52} YB95/12.00/1.4
Scottish Office

2.28 As noted above in paragraph 2.14, the Scottish Office provided funding during 1990–96 for the core costs of the CJD Surveillance Unit (CJDSU) based in Edinburgh. The Scottish Office contributions each year were determined after negotiations with the Department of Health in England. A pro rata contribution towards the core costs was not always sought by DH, which was responsible for the majority of funding. Over the period 1990–96 the Scottish Office provided £59,000.\(^{53}\)

Wellcome Trust

2.29 The Wellcome Trust was founded in 1936, and the will of Sir Henry Wellcome required the Trust to support, primarily, research in the medical sciences.\(^{54}\) While it is not a public body, it is included here as a major funder of research carried out by public bodies, such as universities.

2.30 Between July 1990 and March 1996, the Trust granted about £3.1 million to various TSE-related research projects.\(^ {55}\) These funds were mostly granted to universities. One of the Trust’s main outlets for TSE research was the funding of Professor John Collinge and his group at the Imperial College School of Medicine at St Mary’s Hospital in London. Approximately £2 million was provided for this purpose.\(^ {56}\)

European Union

2.31 All contributions by the European Union before 1996 were by way of grants that funded relevant research. During 1990–96 the EU spent about 4 million ECUs

\(^{53}\) DS01 tab 9
\(^{54}\) M11 tab 7 p. 1
\(^{55}\) M11 tab 9
\(^{56}\) M11 tab 9
(£2.9 million)\textsuperscript{57} on TSE research.\textsuperscript{58} The research programme on TSEs was organised at two levels:

- clinical research and surveillance of human TSEs; and
- basic biology of human and animal TSEs.\textsuperscript{59}

\textbf{2.32} Over the period 1990–91 the EU was involved in the organisation and financing of several BSE-related initiatives and workshops. These included two seminars and two diagnostic workshops.\textsuperscript{60}

\textbf{2.33} Research funding in the EU was allocated under ‘Framework Programmes’, which generally ran for four years. Under the Third Framework Programme (1990–94) four TSE-related projects were financed. These were:

- the surveillance of CJD in the EU;
- the study of the neuropathology, epidemiology and molecular genetics of human prion disease;
- the study of molecular neuropathogenesis and related neurodegenerative diseases; and
- the study of the characterisation of the BSE infectious agent.\textsuperscript{61}

\textbf{2.34} The UK was involved with some of these projects. For example, Dr (now Professor) Robert Will of the University of Edinburgh was the coordinator for the CJD surveillance project.\textsuperscript{62}

\textbf{2.35} The Fourth Framework Programme (1994–98) ensured research on prion diseases continued, and three additional projects were funded. One of these used animal models to address the issue of inter-species transmission and to assess the effectiveness of the species barrier in limiting the transmission of BSE to humans.\textsuperscript{63}

\textbf{Summary of BSE/TSE-related research expenditure}

\textbf{2.36} Figure 2.6 summarises the expenditure by various bodies on BSE/TSE-related research.\textsuperscript{64} As can be seen, MAFF accounted for 46 per cent of total research expenditure during 1986–96.
Part 2: Compensation schemes

2.37 Compensation schemes were designed to reimburse farmers for the losses they incurred when animals were slaughtered as suspected BSE cases. These payments were determined by reference to the ‘sound market value’ of the animal – that is, its value if it had not been sick. Payments in England, Scotland and Wales were funded by MAFF as described below. Separate arrangements were put in place in Northern Ireland and are described later in this chapter.

Ministry of Agriculture, Fisheries and Food (MAFF)

2.38 Between 1988 and 1996 three successive schemes were developed to compensate farmers in England, Scotland and Wales. These schemes were funded by MAFF. We summarise them below. Further details are given in Chapter 2 of vol. 6: Human Health, 1989–96

2.39 Under the first scheme, which was in effect from August 1988 to February 1990, compensation was paid to a farmer for an animal affected with, or suspected of having, BSE at an amount equal to 50 per cent of the market value of the animal or of an adjusted average market price for all cattle sold in the month two months before the animal in question was slaughtered, whichever was less. For an animal that turned out, on post-mortem examination, not to be infected with BSE, compensation was 100 per cent of the above.65

2.40 Under the second scheme, which took effect from 14 February 1990, compensation for an animal affected with BSE was paid at an amount equal to 100 per cent of either the market value of the animal or of the average market price for all cattle sold in the month two months before the animal in question was slaughtered, whichever was less.

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65 L2 tab 1B (The Bovine Spongiform Encephalopathy Compensation Order 1988, article 3); the adjusted average market price was 125 per cent of the average price of a bovine animal across a selection of national markets
For an animal subsequently confirmed as not affected with BSE, compensation was an amount equal to either the market value of the animal or 125 per cent of the average market price for all cattle sold in the month two months before the animal in question was slaughtered, whichever was less.\textsuperscript{66}

2.41 The third scheme was introduced from 1 April 1994. The main change was replacement of the average price with an ‘indicative’ market price. This was essentially a weighted average that distinguished between cattle less than seven years old when valued for slaughter as BSE suspects, and those aged seven years or more when valued. It was calculated using data in Great Britain relating to the month occurring two months before the date on which the market value was determined.\textsuperscript{67}

2.42 Total expenditure on compensation payments for 1986–96 is shown in Figure 2.7 below. As can be seen, payments tracked the curve of the epidemic, growing significantly from 1988 and reaching peak levels in 1993/94 (a year after the peak of the epidemic in England and Wales). Between 1994 and 1996 payments fell substantially. Total expenditure on compensation and \textit{ex gratia} payments\textsuperscript{68} over the entire period from 1988 to 1996 was £135 million.\textsuperscript{69}

**Department of Agriculture for Northern Ireland**

2.43 Compensation was first paid to farmers in November 1988, when the first recorded and confirmed case of BSE occurred. From that time until 20 March 1996 the total amount of compensation paid to farmers was £1.4 million. The compensation schemes applicable in Northern Ireland are set out in an annex to Chapter 2 of vol. 6: \textit{Human Health, 1989–96}.

**Part 3: Running costs and other expenditure**

2.44 Running costs are the everyday fixed operational overheads of a Government Department and include such things as rent, utilities, wages and equipment costs. In assessing the impact of an event on a Department, it is not uncommon to attribute to its costs a percentage of the Department’s total running costs based upon what portion of that Department’s time was devoted to responding to the event. The charge simply reflects the fact that the Department has marshalled a portion of its resources to respond to it. The funds would have been spent by the Department, albeit on different matters, even if the event had never occurred.

2.45 Running costs are also charged to an event if a Department actually increases its outlays to respond to it. These additional outlays might be incurred as a result of hiring additional staff or leasing additional space. The expenditure would not have been incurred if the event had not happened.

\textsuperscript{66} L2 tab 4A (The Bovine Spongiform Encephalopathy Compensation Order 1990, article 3); the average price was based on the returns for sales of commercial grade Friesian cows and heifers in milk and in calf (rather than on returns for bovine animals generally)

\textsuperscript{67} L2 tab 9A (The Bovine Spongiform Encephalopathy Order 1994, article 3)

\textsuperscript{68} An \textit{ex gratia} payment was considered where the owner of an animal suspected of being affected was not eligible for compensation in the following circumstances: the animal died whilst under movement restriction; the case was reported at a slaughterhouse; or the case was diagnosed as the result of a private submission of samples for testing following a negative clinical diagnosis. (DM01 tab 26)

\textsuperscript{69} This figure is for all of Great Britain (DM01 tab 26)
In considering the economic impact of BSE on various Government Departments, we have included both running costs which are attributable to the reallocation of existing departmental resources to respond to the crisis, and 'new money' that was specifically allocated as a result of the emergence of BSE. During a period of shrinking departmental budgets, most Departments responded by shifting resources to address the crisis rather than by obtaining additional funding.

The problem which arises in trying to reconstruct running costs after the event is that any such figure is invariably the product of a great deal of guesswork, particularly when the running costs are not 'new money'. The figures in the following paragraphs were provided by the various Departments themselves. Although there is no reason to believe that they are inaccurate, it should be borne in mind that they are estimates and not precise calculations.

**Ministry of Agriculture, Fisheries and Food (MAFF)**

*Running costs*

MAFF has estimated its running costs incurred in responding to the emergence of BSE from 1988 to 1996 to be £35.2 million. This figure includes BSE-related work undertaken by headquarters staff, the State Veterinary Service and the Chief Scientists Group. It does not include running costs incurred by the CVL, which are dealt with in the next paragraph. MAFF’s work included administering BSE compensation schemes. It also included the monitoring of BSE-related legislation and the servicing of expert committees, such as the Spongiform Encephalopathy Advisory Committee (SEAC).

*Diagnosis and surveillance*

MAFF provided the Central Veterinary Laboratory (CVL) and the Veterinary Investigation Centres (VICs) around Great Britain with funding for the diagnostic and surveillance work it was required to perform under the BSE Order 1988 and subsequent legislation. The Orders required veterinary inspectors who suspected BSE to perform tests upon or take samples from any animal or carcass on the premises for identification purposes. The payments MAFF made to cover CVL costs are shown in Figure 2.7 below. As can be seen, they grew significantly from 1988, and particularly between 1991 and 1993. Expenditure on diagnosis and surveillance totalled approximately £7.7 million over the period.

*Carriage, valuation and disposal of carcasses*

MAFF was also responsible in Great Britain for funding the carriage, valuation and disposal of BSE suspected carcasses, as required by the Bovine Spongiform Encephalopathy Order 1988, the Bovine Spongiform Encephalopathy Compensation Order 1988, and their successors. MAFF’s State Veterinary

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70 DM01 tab 26 attachment 1; for expenditure by the Meat Hygiene Service (a MAFF agency) see para. 2.65 below
71 It later became part of the Veterinary Laboratories Agency, in 1995
72 L2 tab 1 (The Bovine Spongiform Encephalopathy Order 1988, article 5)
73 'Premises' includes land with or without buildings but does not include any part of any premises used for the temporary detention of animals such as a market, sale-yard, fairground, slaughterhouse lair or place of exhibition (L2 tab 4B)
74 DM01 tab 26
75 L2 tab 1B (article 3 (3))
Service was responsible for arranging the removal of suspected cattle or carcasses from a property, valuing them, and the subsequent incineration of carcasses. Figure 2.7 below shows the expenditure pattern, which reflects the number of reported suspect cases. Total expenditure over the whole period was approximately £44 million.

![Figure 2.7: Selected MAFF expenditure on BSE-related costs, 1986–96, at cash prices](image)

**Department of Health**

**Running costs**

2.51 The cost of DH staff time spent on BSE/CJD-related activities during 1988–96 was approximately £820,000. This amount included staff salaries, accommodation and common services, and covered the servicing of SEAC. The estimate was based on the civil service graded pay structure and the percentage of staff time devoted to BSE/TSE-related activities. Estimates of the time dedicated to such activities were derived from witness statements, enquiries to individuals within Departments at the time and by comparison with other individuals who occupied the same post at a later or earlier date.

2.52 It was estimated that the running costs of the Medicines Control Agency (MCA) attributable to BSE/TSE during 1989–96 totalled approximately £1.7 million. The amount reflects the fact that the MCA dealt with the issue on a product-by-product basis, as well as servicing a number of relevant expert committees throughout the period.

**National Health Service**

2.53 The costs of caring for vCJD patients can vary considerably. Moreover, no overall data are available. In answer to a question in the House of Lords in January

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76 This estimate does not include the time of staff employed in the Medicines Control Agency/DH Medicines Division (see next paragraph)
77 DH01 tab 25
78 This was formerly the DH Medicines Division, but became a separate Agency in July 1991
79 DH01 tab 26
1998 about the overall costs to the NHS arising from CJD each year, Baroness Jay
(Leader of the House of Lords) replied: ‘There is no reliable information
available.’ Furthermore, during the relevant period the families tended to take on
most of the care of the patients in their homes.

2.54 Recently DH’s Economics and Operational Research Division based an
estimate of the cost of caring for vCJD patients on information given in witness
statements to the Inquiry. It concluded that the care costs may have ranged from
under £6,500 to over £40,000, depending on the type of care received by a specific
patient. The average cost per patient was about £20,000. However, the number of
patients considered was quite small and some aspects of care were not included in
the estimate.

2.55 Thus, while we recognise that there were costs incurred by the National Health
Service towards the end of the period under consideration in caring for those with
vCJD, these costs are too uncertain to be quantified.

Scottish Office

2.56 The estimated running costs outlined below are those of the Scottish Office
Agriculture and Health Departments and the Solicitor’s Office. They include the
cost of Scottish Office officials who supported MAFF’s State Veterinary Service
professional and technical staff based in Scotland. Both staff and accommodation
costs have been taken into account. These estimates are based on job descriptions at
the time, recollections by people within the Department, advice from finance and
accommodation divisions, and papers on file.

2.57 Over the period 1989–96 Scottish Office estimated running costs associated
with BSE activities totalled £461,000. Annual expenditure was highest in 1992/93
and 1993/94 at £104,000 and £106,000 respectively.

Welsh Office

2.58 The Welsh Office had some running costs associated with BSE activities
during 1986–96. These costs were difficult to estimate as no new posts were created
for BSE work in the animal and public health fields. However, based on the grades
of staff dealing with BSE, estimates of the average percentage of time spent on it,
and the average staff costs for each grade over the ten-year period, a ‘very rough
estimate’ was developed. Over the period 1986–96 the Welsh Office estimated
running costs associated with BSE activities to be between £350,000 and
£400,000.
Northern Ireland Departments

2.59 The Northern Ireland Departments funded BSE-related activities in the following areas: diagnosis and surveillance; carriage, valuation and disposal; and the associated running costs of these activities. 87

2.60 Veterinary staff in Northern Ireland were required to perform a number of tasks associated with diagnosis and surveillance of BSE. These tasks were regarded as a part of their daily duties and as a result it has not been possible to estimate the costs associated with such activities.

2.61 Over the period 1986–96 carriage costs for BSE-affected cattle were approximately £23,000. This was for the transportation of 989 cattle. There were additional costs for the carriage of 1,160 carcasses. However, no estimate of these is available. Valuation costs are also not available, since the work was undertaken as a part of daily duties by existing staff. Disposal costs were estimated to be £172,000, reflecting a charge of £80 for each animal.

2.62 An estimate of running costs associated with BSE-related activities is not available, because the additional work was subsumed in daily duties, in most cases without extra resources being employed. Consequently the Department of Agriculture for Northern Ireland (DANI) has not been able to estimate the proportion of running costs devoted specifically to BSE-related activities. 88

Local authorities

2.63 Local authorities had various roles under BSE legislation, including the inspection of animals and meat in slaughterhouses, and the enforcement of animal health and welfare provisions on farms, in markets and in transit. 89

2.64 No additional funding provided through the Revenue Support Grant system was identified at the time as relating to BSE. 90 We have been unable to quantify the costs incurred by local authorities in the period in question.

2.65 The Meat Hygiene Service (MHS) was launched on 1 April 1995 as an Executive Agency of MAFF and took over the meat inspection duties of some 300 local authorities. It was not established specifically to deal with BSE problems but did incur costs enforcing Specified Bovine Offal (SBO) controls. The MHS Annual Report for 1995/96 estimates that SBO controls cost the Service £434,000 in that year. 91

Summary: impact on the public sector

2.66 Total government expenditure on activities relating to BSE and other TSEs over the period 1986–96 was approximately £288 million. 92 The annex to this

87 DN01 tab 13
88 DN01 tab 13
89 S176 Ashley paras. 18–22
90 S176 Ashley
91 M22A tab 3 pp. 4 and 31
92 This figure includes estimated expenditures on running costs incurred in relation to the response to BSE as calculated by the individual Departments concerned
chapter gives a detailed breakdown of this expenditure. As can be seen, just over £250 million of the total was MAFF expenditure, with £135 million being spent on compensation schemes. Expenditure rose with the spread of BSE, peaking in 1993/94 at approximately £66 million. Table 2.2 below summarises the impact of BSE on the UK public sector.

Table 2.2: Summary of UK public sector impact, £ million

<table>
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<tr>
<th></th>
<th>Research</th>
<th>Compensation</th>
<th>Other expenditure</th>
<th>Total</th>
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<td>31.9</td>
<td>135.0</td>
<td>88.9</td>
<td>253.8</td>
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<td>21.8</td>
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<td>WD</td>
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<td>NI</td>
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<tr>
<td>Total</td>
<td>61.0</td>
<td>136.4</td>
<td>90.9</td>
<td>288.3</td>
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</table>

All figures taken from the Annex to Chapter 2 below.

93 This compensation figure is a Great Britain figure only (not UK)
# Annex to Chapter 2: Total BSE/TSE-related government expenditure, 1986–97, £'000, in cash terms

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| Total government expenditure | 1,115   | 1,252   | 5,512   | 11,570  | 23,976  | 42,146  | 42,614  | 60,760  | 66,408  | 42,486  | 30,768  | 288,417|

* This figure includes expenditure by DH and the Scottish Office on the CJDU

** This is a Great Britain figure

Source: M3210 tab 13, DM01 tab 26, DH01 tab 25, 26 and 27, DO01 tab 1, table 2, Scottish Office, DW01 tab 6, DN01 tab 13