

25/08/2016

Louise Pearce
Department of Agriculture and Water Resources
Biosecurity Policy and Implementation, Response
GPO Box 858
Canberra
ACT, 2601

Dear Louise,

Re: Horse Disease Response Levy Review

Ridley appreciates the opportunity to respond to the Horse Disease Response Levy Review, and we thank you for the time you gave us during the consultation process to discuss this issue in greater depth.

Ridley acknowledges the horse industry's requirement to collect a levy following a disease outbreak, however we oppose the current levy applied to manufactured feeds and horse wormers. This submission will highlight the reasons why we believe the current levy is inequitable and lacks transparency. We will endeavour to suggest alternative solutions for collection of the levy.

Ridley is Australia's leading commercial provider of animal nutrition solutions. We proudly manufacture premium quality feed for the dairy, pig, poultry, beef, sheep, laboratory, pet food, aquaculture and horse industries. We use Australian grown cereal grains to ensure world class solutions are produced for our customers. We have 21 manufacturing sites located in regional areas across Australia, and we employ nearly 700 employees across these sites.

We would like to raise the following points regarding the reasons why the current levy on horse feed and horse wormers are not the most "equitable options with limited leakage," as suggested in your review:

- The levy fails the Governments fundamental principles and guidelines. The review states that the levy options were considered against detailed criteria, in line with the Australian Governments Levy Principles and Guidelines. However, Principle 8 of these guidelines states that the levy collection system imposed *'must be efficient and practical. It must impose the lowest possible 'red tape' impact on business and must satisfy transparency and accountability requirements.'* By applying the levy to manufactured feeds and horse wormers only, the levy fails to meet this fundamental principle. There will be significant administration costs and resources required for businesses to implement and report this levy, particularly with the requirements for the levy amount to be GST free. There will also be a total lack of transparency due to the complexity of the supply chain- the levy payers will effectively be the wholesalers and/or distributors as the majority of feed is sold direct to these outlets, who then on-sell to stores, and then to individual horse owners. Application of the levy via this route is an indirect collection method. The methodology to administer such a system is not clear and there are a number of questions that remain unanswered. For example, how does the levy get carried and reported through to the end user, when there are multiple points of sale? How does the horse industry have transparency at the retailer point of purchase regarding what feed has had the levy applied, and how much has been applied?
- Applying the levy to manufactured horse feeds has the potential to significantly impact manufacturers through lost sales and revenue. The levy will not apply to feeds such as chaff, grain and unprocessed

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raw materials, and with the potential for feed to increase by as much as \$1/bag (or roughly 5-10%), some horse owners will cease feeding, or switch to alternative ingredients. This is also supported in the RIRDC 2011 report into options for the Horse Research, Development and Extension Levy, whereby they stated that a levy applied to manufactured feed *'may reduce the sales of manufactured feed and the returns for manufacturers.'* The stockfeed industry is already a very competitive market segment, and for manufacturers who rely heavily on horse feed sales for revenue, this could be detrimental to the viability of their business, and their ability to support local jobs in regional areas.

- Applying the levy to manufactured horse feed and wormers is not an equitable method of collection. Principle 6 of the Australian Governments Levy Principles and Guidelines states that *'levy imposition must be equitable between levy payers.'* The majority of large stables and studs do not purchase manufactured feed, and instead, mix their own ingredients on site. This will result in a large amount of the horse industry not paying the levy, and will leave smaller individuals who purchase manufactured feed to be left paying the levy. There is significant leakage in this system, and it is weighted against people who have limited access to pasture or are undertaking high workloads with their horses, and therefore are required to feed more.
- Application of the levy to manufactured feed and wormers is an ineffective use of resources that could otherwise be applied to a system that also increases the horse industries biosecurity plan. The Horse Disease Response Levy Review states that *'Biosecurity is a shared responsibility from which we all stand to benefit.'* Other than raising funds, there is no benefit from a biosecurity perspective of applying the levy to manufactured horse feeds and horse wormers. The Horse Industry needs to establish and take responsibility for a system whereby they can collect and understand horse numbers and horse movements to increase their preparedness and ability to respond to a Biosecurity issue.
- There is potential for significant welfare issues to arise if the levy is applied to manufactured horse feeds and horse wormers. An increase in feed price of 5-10% could encourage owners to feed less or not at all, resulting in animal nutrient requirements not being met, and potential malnutrition issues. Alternatively, the increase may also push people to mix their own feeds, which may not be formulated or balanced appropriate to the horses requirements. An increase of 80 cents per dose of horse wormers may also encourage owners to worm their horses less or not at all, or purchase worm treatments designed for other species, and thus avoid the levy. This issue has not been appropriately addressed in the current review.

Ridley would like to take the opportunity to propose three alternate levy collection points, which we believe are both equitable and transparent.

Option 1. Local Council Horse registration

Horse owners could register their animals via the local council system. Existing systems are already successfully in place for dog and cat registration, and this could also incorporate horse registrations. This could be introduced prior to an Emergency Animal Disease Response to enable the horse industry to gain valuable knowledge regarding numbers of horses and where they are. Collection of the levy would be at point of registration or renewal, monitored by local council, it would be equitable across all horse owners and would be transparent and efficient. The Queensland Government has recently introduced the requirement for all horse owners to register their horses with Biosecurity Queensland, and to log their horse movements. This Act puts Queensland in a much better position to prevent and respond to Biosecurity risks, and the data is potentially crucial to both policy makers and people involved in making industry marketing and investment decisions.

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Option 2. Electronic identification and Property Identification Codes (PIC)

A number of breed societies have already implemented the requirement for breeding animals to have microchips moving forward. A similar system could be used and managed by Government, and could be linked to PIC's. This system has already been implemented by the cattle and sheep industry, and would give the horse industry greater transparency of horse numbers and movement. The Horse Disease Response levy could be collected through these already existing systems, resulting in minimal collection points and a high level of transparency.

Option 3. Event registration fees

Collecting the levy fee in conjunction with event fees is a simple and transparent method of collection. Since the initial review in 2010, there has been a significant swing to the use of electronic event entry mechanisms, via providers such as 'Global Entries Online' and 'Nominate.' The levy could be collected using these already existing systems at the point of event application, there would be minimal collection points required using these providers, and no extra resourcing from volunteers to administer this system. The Racing Industry also already uses an electronic system, which could also be integrated to capture the levy. Both of these systems give the horse industry a high level of transparency of the levy and have been implemented across a wide range of horse events.

In summary, Ridley acknowledges the requirement for the Horse Disease Response Levy, however we are opposed to the current levy collection points remaining as they are, and we encourage the Government to take this opportunity to review these alternative options outlined above. It is Ridley's view that these options are the most effective and transparent alternatives, and would be the most equitable for all horse owners. The current levy should not be rolled over for another 5 years. We ask that if further investigation and information is required, the levy be extended for a further 12 months whilst the horse industry collects more information to decide on a more appropriate, equitable and transparent solution.

We thank you for the opportunity to respond to this review and we would welcome the opportunity to discuss the comments above if the need arises.

Yours sincerely,

A handwritten signature in blue ink that reads 'Tim Hart'.

Tim Hart
Managing Director and Chief Executive Officer
Ridley Corporation Limited

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