

## Department for Environment, Food and Rural Affairs

### Consultation on a new independent body for animal health: *A modern governance and funding structure for tackling animal diseases*

#### Annex 1 - Response to suggestions in December 2007 consultation process

1. The December 2007 Responsibility and Cost Sharing [consultation exercise](#)<sup>1</sup> presented a number of options for generating revenue and for ways in which responsibility sharing could be established. In addition to those options presented by Defra, stakeholders suggested a wide range of alternative options for sharing both responsibilities and costs. This annex sets out some of the reasons why particular proposals are being taken forward and why other ideas are not being pursued.

#### Responsibility Sharing

2. Defra presented four main options for consideration at regional workshops and which were also considered by the UK Responsibility and Cost Sharing [Consultative Forum](#)<sup>2</sup> Paper [UKRCSCF09April08](#)<sup>3</sup> sets out more details of the assessment of the relative merits of these options.
3. **Option A Full Partnership Working** - Industry represented on key Defra Boards. Ministers take decisions and retain responsibility. This option was widely supported throughout the consultation process. Stakeholders were keen that Government take advice from industry, feeling that this would inevitably result in better policy. Stakeholders were keen that this option be developed quickly. While some felt this would be sufficient many also felt that this option did not represent true responsibility sharing, because, although industry bodies would be consulted, Ministers would be under no obligation to accept their advice and final decisions would rest with Ministers.

**Government position:** This is being developed, as an interim step while further formal structures are put in place for responsibility sharing.

4. **Option B Statutory advisory non departmental public body** - New body gives formal advice to Defra and Ministers. Ministers take decisions and retain responsibility.

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<sup>1</sup> <http://www.defra.gov.uk/animalh/ahws/sharing/consultation.htm>

<sup>2</sup> <http://www.defra.gov.uk/animalh/ahws/sharing/forum/index.htm>

<sup>3</sup> <http://www.defra.gov.uk/animalh/ahws/sharing/forum/pdf/rss290408.pdf>

- Some consultees saw an advisory body as an improvement on the current arrangements, as Ministers would have access to advice from outside Government, including from the farming and food industries.
- But many considered this option did not go far enough in achieving true responsibility sharing as Ministers would be under no obligation to accept or act upon the body's advice, and industry input was likely to be limited.

**Government position:** This is not being pursued because, like full partnership working Ministers would still retain responsibility for all current decisions. The Government considers most of these decisions would sit better with an independent body with executive powers.

5. **Option C Independent body (Non Ministerial Department or Executive Non Departmental Public Body)** - New body fully responsible, takes decisions, carries them out.

**Government position:** This is the option being taken forward in the current consultation.

6. **Option D Industry Mutual organisation** - New body decides on level of industry funding, agrees strategies and actions with Defra. Defra and industry carry them out by mutual agreement. This option also received some support from consultees. It was seen as co-operative and inclusive of all industry interests.

- As with options A and B, a mutual organisation was not seen to be true responsibility sharing. Although it would decide industry's financial contribution, and have the power to agree how such funds should be spent the organisation would have no powers to implement policies. Ministers would still retain the final say and could act without the agreement of industry.

**Government position:** This is not being pursued because, like Options A and B Ministers would still retain responsibility for all current decisions. The Government considers most of these decisions would sit better with an independent body with executive powers.

## Cost Sharing

7. Defra presented four main options for consideration at regional workshops which are set out below. These and other options were also considered by the UK Responsibility and Cost Sharing [Consultative Forum](#)<sup>4</sup> Paper [UKRCSCF03May08](#)<sup>5</sup> sets out more details of the assessment of the relative merits of these options.

<sup>4</sup> <http://www.defra.gov.uk/animalh/ahws/sharing/forum/index.htm>

<sup>5</sup> <http://www.defra.gov.uk/animalh/ahws/sharing/forum/pdf/rgm080519.pdf>

8. **Option 1 Levy on livestock at slaughter, and milk delivered** – collected at slaughterhouses, hatcheries and dairies. A slaughter levy was attractive to many stakeholders due to its administrative simplicity and low running costs.

- It was widely viewed as a blunt instrument unable to influence or reward good practices within the industry.

**Government position:** The advantages of this option in terms of administrative simplicity are outweighed by the advantages of option 2 and 3 (registration and insurance) to influence risk managers and change behaviour -as set out below.

9. **Option 2 Periodic (annual) levy on producers based on numbers of animals kept** – through registration, licensing or declaration system. .

- Licensing was not attractive to many stakeholders Registration through self declaration was supported by many stakeholders as it would provide detail necessary to help deal with disease outbreaks without imposing too sizeable an administrative burden.

**Government position:** The registration option is being taken forward in the current consultation. This option would ensure that keeper details are available in the event of a disease outbreak, and would ensure that the principal beneficiaries of surveillance and preparedness work contribute appropriately to the costs of these activities. These advantages outweigh the greater administrative cost compared to Option 1.

Licensing (essentially setting minimum standards for registration) is not considered justified as part of this policy to share costs with risk managers and beneficiaries.

10. **Option 3 Product or service charge** - for example charging for animal identity passports or charge on sale of animal.

- This option was viewed by stakeholders as being too narrowly focussed. There was no one product or service common to all animals that are within the scope of responsibility and cost sharing; as such any charge would affect only part of the industry, or alternatively charges on a range of products or services would mean that some animals would be charged more than once.

**Government position:** This is not being pursued because set-up, administration and enforcement would be complex and expensive. It would be difficult to allocate costs sensibly between beneficiaries.

11. **Option 4 Insurance** – compulsory requirement or complementary support.

- A proportion of consultees were keen to see the insurance market develop to help industry address the risks of animal disease.

Insurance industry interests expressed a desire to operate more in this market.

**Government position:** Compulsory insurance to cover a proportion of the costs of an exotic disease outbreak is being pursued alongside a fee based registration system. The Government is continuing to work with the insurance industry to explore the role it can play, and we are keen to hear stakeholders views on this proposal .

### **Other cost sharing mechanisms**

12. In addition to the options presented by Defra above, many consultees suggested alternative ways of generating revenue (or of reducing current expenditure so that cost sharing becomes un-necessary). These options were provided in writing as responses to the December 2007 consultation exercise or at the 12 regional workshops held around England in February and March 2008.

13. The suggestions were wide-ranging and all have been considered. Most are not being pursued but some will be taken account of as the consultation proposals are developed. Details are set out in the table below but the key reasons for not pursuing many of them further include

- incomplete coverage of the industry in terms of risk managers and beneficiaries;
- practicality and administrative complexity; or
- raising revenue direct from sectors other than farming, or
- part of general taxation which could not easily be hypothecated..

<b>Suggested Revenue Generating Mechanism</b>	<b>Reason for not pursuing suggestion or how it will be considered further</b>
Charge for cattle passports	<ul style="list-style-type: none"> <li>• Only a small number of sectors/species are covered by existing mechanisms.</li> <li>• Developing a new system to catch all animals would incur significant cost; there would also be high running costs to such a system.</li> <li>• A passport system would create little or no incentive for behaviour change.</li> <li>• May create perverse incentives for non-identification or non-registration of animals, with an associated increased disease risk.</li> </ul>
Charge large farmers only	<ul style="list-style-type: none"> <li>• Does not address the risk posed by smaller producers.</li> <li>• However, collection from holdings with small numbers of stock may not be economic.</li> </ul>
Bolt on IPPC (environmental tax)	<ul style="list-style-type: none"> <li>• IPPC relates only to intensive poultry and pig production.</li> </ul>
Charges on breeders and fatteners	<ul style="list-style-type: none"> <li>• This would target only a proportion of the industry and would create little incentive for behaviour change beyond those targeted.</li> </ul>
Animal based product food stamp	<ul style="list-style-type: none"> <li>• We believe that this refers to putting a stamp a product on once the levy has been paid. This would be impractical and administratively burdensome.</li> </ul>
Use of HGCA long supplement	<ul style="list-style-type: none"> <li>• This is an arable producers' levy. Neither extending the rate of the levy nor redirecting a proportion of its current income would directly influence animal disease risk.</li> </ul>
Revenue raised from pharmaceutical companies	<ul style="list-style-type: none"> <li>• Would not influence livestock farmer behaviour.</li> </ul>
Subscriptions on arable acres	<ul style="list-style-type: none"> <li>• Would not influence livestock farmer behaviour.</li> </ul>
Food service sector charge	<p>Was considered by the UK Consultative Forum as a possible mechanism but rejected because:</p> <ul style="list-style-type: none"> <li>• it would not directly affect those best placed to manage disease risks and therefore it has few behaviour change drivers;</li> <li>• the number and range of food service companies would make enforcement difficult;</li> <li>• would not provide details of animal locations;</li> <li>• legal issues in relation to tax on imports and finished products</li> </ul>
Feed levy	<ul style="list-style-type: none"> <li>• Likely that costs would be passed back to the primary producer, but without incentives for improved behaviour by livestock keepers.</li> </ul>

Charges on ramblers and conservationists / access and land management accountability	<ul style="list-style-type: none"> <li>• Would be impossible to enforce and collect;</li> <li>• Would not affect farmer behaviour;</li> <li>• Disease risks posed by users of the countryside will need to be met by other control mechanisms.</li> </ul>
Revenue raised from animal welfare groups	<ul style="list-style-type: none"> <li>• Would not affect farmer behaviour;</li> <li>• Would be extremely difficult to apportion costs, and costly to enforce and collect.</li> </ul>
Pet food premium	<ul style="list-style-type: none"> <li>• Would not affect farmer behaviour.</li> </ul>
Movements tax on animals	<ul style="list-style-type: none"> <li>• Costly and administratively complex due to the high number of animal movements;</li> <li>• May create increased disease risk through non-reporting of movements;</li> <li>• Was considered by the UK Forum through the transactional charge approach.</li> </ul>
Market levy when animals sold	<ul style="list-style-type: none"> <li>• Difficulty in capturing all animal sales;</li> <li>• High set-up, running and enforcement costs;</li> <li>• Administratively complex;</li> <li>• May create unacceptable market distortions and perverse incentives through non-reporting of movements.</li> </ul>
Reduce Defra costs	<ul style="list-style-type: none"> <li>• Actively looking with the industry to improve efficiency and reduce bureaucracy.</li> </ul>
Consumer via a fair price	<ul style="list-style-type: none"> <li>• This is a matter for the market to determine.</li> </ul>
Farm aid	<ul style="list-style-type: none"> <li>• (<a href="http://archive.glastonburyfestivals.co.uk/farmaid.html">http://archive.glastonburyfestivals.co.uk/farmaid.html</a>)</li> <li>• It would be possible for the farming industry to introduce similar initiatives independent of Government.</li> <li>• Unlikely to provide a reliable or constant income stream.</li> </ul>
Research and Development to be self-financing	<ul style="list-style-type: none"> <li>• Industry and others could help to finance R &amp; D and could be on a commercial basis.</li> <li>• Does not cover the full costs of animal disease.</li> </ul>
British produced health and welfare	<ul style="list-style-type: none"> <li>• Would not affect farmer behaviour;</li> <li>• The industry already promotes the domestic market and will continue to do so.</li> </ul>
Penalty charges	<ul style="list-style-type: none"> <li>• It may be possible to impose civil penalties on those who do not comply with the legal requirements of a registration scheme, or those who fail to take out appropriate insurance. Such penalties would be extremely unlikely to be sufficient to fund all activity.</li> </ul>
Five raffles (sic)	<ul style="list-style-type: none"> <li>• Unclear what this means, though it may be related to the lottery idea.</li> </ul>
Sponsored badger culls	<ul style="list-style-type: none"> <li>• The Secretary of State has ruled that badger culling will not form part of the Government's TB Strategy.</li> </ul>
Monocultural economy	<ul style="list-style-type: none"> <li>• Does not fit with the Government's aim of a sustainable farming industry.</li> </ul>

Lottery funding	<ul style="list-style-type: none"> <li>National Lottery funding is allocated to Good Causes in the following way: Charities, Health, Education and the Environment 50%; Sports 16.67%; Arts 16.67%; Heritage 16.67%. Animal Health is not covered by these categories, so cannot be funded by the National Lottery.</li> </ul>
Privatise Defra	<ul style="list-style-type: none"> <li>Responsibility sharing proposals include ways to secure non-government involvement in animal health policy. Cost sharing will involve revenue generated from private sources to augment Government's financial contribution.</li> </ul>
MLC levy on health matters	<ul style="list-style-type: none"> <li>The MLC levy can be used for specific purposes only and these would need to be changed to accommodate this as part of a slaughter levy. Considered by the UK RCS Consultative Forum</li> </ul>
Charge horses and lifestyle animals	<ul style="list-style-type: none"> <li>The 2009 consultation looks at whether and how these animals should be included under the registration mechanism.</li> </ul>
Modulation on Single Farm Payments	<ul style="list-style-type: none"> <li>Links with the Single Farm Payment could be considered in future as a collection mechanism. EU may want to refocus its funding on implementing prevention measures rather than funding compensation payments in the event of a disease outbreak. As part of the wider programme looking at CAP reform, any attempts to reform the current system should not be done with the intention of providing additional subsidies.</li> </ul>
Levy on all relevant industries	<ul style="list-style-type: none"> <li>Levy possible on some parts of industry but in keeping with the overall rationale these parts of the industry would need to be able to manage the risks of animal disease.</li> </ul>
Broaden costings	<ul style="list-style-type: none"> <li>The exact scope of what is to be cost shared has yet to be finalised. This consultation gives further details.</li> </ul>
Local authorities/community charge	<ul style="list-style-type: none"> <li>Local Authorities already undertake animal health responsibilities, paid for by Defra and their own budgets.</li> <li>Does not lead to animal health and welfare improvements.</li> <li>Difficult to ringfence funds collected with Animal Health in mind.</li> </ul>
Tax on watching TV	<ul style="list-style-type: none"> <li>Does not lead to animal health and welfare improvements;</li> <li>Impossible to enforce, unless linked to existing TV Licence, in which case funds could not be ringfenced for Animal Health purposes;</li> <li>additionally TV licences operate across the UK</li> </ul>
Tax on packaging (including plastic carrier bags)	<ul style="list-style-type: none"> <li>Does not lead to animal health and welfare improvements;</li> <li>Could not operate on an England-only policy.</li> <li>Unlikely that funds could be ringfenced for Animal Health purposes.</li> </ul>

Tax on food miles	<ul style="list-style-type: none"> <li>• This could be viewed as a tax on imports, which is unlawful.</li> <li>• Would be extremely difficult to calculate rates, with associated enforcement difficulties and costs.</li> <li>• Could not operate on an England-only policy.</li> </ul>
Tax on vehicles imported	<ul style="list-style-type: none"> <li>• Legal advice is that an import tax would be illegal;</li> <li>• Would not influence livestock farmer behaviour;</li> <li>• Does not lead to animal health and welfare improvements;</li> <li>• Could not operate on an England-only policy.</li> <li>• Unlikely that funds could be ringfenced for Animal Health purposes.</li> </ul>
Travel tax on humans	<ul style="list-style-type: none"> <li>• Does not lead to animal health and welfare improvements;</li> <li>• Could not operate on an England-only policy.</li> <li>• Unlikely that funds could be ringfenced for Animal Health purposes.</li> </ul>
VAT on food	<ul style="list-style-type: none"> <li>• Does not lead to animal health and welfare improvements;</li> <li>• Could not operate on an England-only policy.</li> <li>• Unlikely that funds could be ringfenced for Animal Health purposes.</li> </ul>
Red diesel tax increase/ 2p on fuel duty	<ul style="list-style-type: none"> <li>• Unlikely that funds could be ringfenced for Animal Health purposes;</li> <li>• Could not operate on an England-only policy.</li> </ul>
Excise duty for livestock haulage re-directed	<ul style="list-style-type: none"> <li>• Would only cover a narrow part of the industry;</li> <li>• Loss of excise duty for original purposes would be resisted.</li> </ul>
Vaccination tax	<ul style="list-style-type: none"> <li>• Would act as a disincentive to vaccination.</li> </ul>
Supplement on rural hotel rooms.	<ul style="list-style-type: none"> <li>• Does not influence livestock farmer behaviour.</li> </ul>
General taxation	<ul style="list-style-type: none"> <li>• This will form one (although a reducing) strand of funding for animal health and welfare.</li> </ul>
Approval/operating fees for high risk activities (e.g. ABP processes)	<ul style="list-style-type: none"> <li>• Approvals already occur and these are often charged for.</li> <li>• Would not be sufficient to cover all costs.</li> </ul>
Inspection charge on freight	<ul style="list-style-type: none"> <li>• Already inspection charges for animal product import consignments. Would be difficult to justify extension to other areas of freight.</li> </ul>
Supermarkets food tax	<p>Was considered by the UK Consultative Forum as a possible mechanism but rejected because:</p> <ul style="list-style-type: none"> <li>• it would not directly affect those best placed to manage disease risks and therefore are few behaviour change drivers;</li> <li>• enforcement issues;</li> <li>• would not provide details of animal locations;</li> </ul>

	<ul style="list-style-type: none"> <li>• legal issues in relation to tax on imports and finished products.</li> </ul>
Food at ports tax/imports	<ul style="list-style-type: none"> <li>• There are already inspection charges for animal product import consignments. Additional charging to raise funds for wider animal health activity likely to be unlawful.</li> </ul>
VAT on food	<ul style="list-style-type: none"> <li>• Currently zero-rated. Would be difficult to collect and hypothecate.</li> </ul>
Service charges (importer pays)	<ul style="list-style-type: none"> <li>• Importers already pay for the inspection charges at border inspection posts.</li> <li>• Additional charging to raise funds for wider animal health activity likely to be unlawful.</li> </ul>
Land tax	<ul style="list-style-type: none"> <li>• Would not influence farmer behaviour.</li> </ul>
Charge on animal mortality	<ul style="list-style-type: none"> <li>• Administratively complex;</li> <li>• Lack of coverage of some sectors</li> <li>• May increase the frequency of illegal burial.</li> </ul>