

EADRA GUIDANCE DOCUMENT

Consistency in the calculation of proportional cost shares in the EADRA

INTRODUCTION

This guidance document is provided to Parties to the Emergency Animal Disease Response Agreement (EADRA) to facilitate a common understanding of the process used for calculating the proportional cost shares in the EADRA.

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1. PURPOSE OF THIS GUIDANCE DOCUMENT

The purpose of this guidance document is to facilitate a common understanding of the specific source(s) of statistics and data and the process used for calculating the Gross Value of Production (GVP) and other parameters in the EADRA.

This guidance document should be read in conjunction with the EADRA.

2. BACKGROUND AND DEFINITIONS

The general principles and funding of cost sharing are set out in **clauses 10 and 11** of the EADRA; the detail of the funding of cost sharing obligations, including the formulae for calculations of cost sharing, are set out in **Schedule 6**.

Government funding calculations that determine the funding split between government Parties are set out in **Schedule 6 Part 1**. Industry funding calculations are set out in **Schedule 6 Part 2**.

Apart from the formula for Category 1 diseases (which draws upon the human population census), the formulae for cost sharing include “Gross Value of Production”, “livestock population numbers” and “slaughterings”.

Gross Value of Production (“GVP”) is defined in **clause 2.1** of the EADRA:

“... means the Gross Value of Production in a particular Industry as calculated at 1 July 2000 and every 12 months thereafter as based on a rolling three year average, using the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecast for the current year and the ABARES results for the two preceding

years (or the most recently published Australian Bureau of Statistics [ABS] data, if ABARES data is not available, or an estimate agreed by the Relevant Parties).”

Other sources of statistical data to populate the formulas are set out in:

Schedule 6 Part 1 GOVERNMENT FUNDING

“Formulae explanation

For all values a mean of data for three consecutive years is used, and updated at 1 July each year, by Animal Health Australia, using ABS source data (including preliminary data for most recent year if available); or if ABS data is not available, an estimate agreed by the relevant Parties. The ‘Category 1’ formula will use figures from the latest human population census.”

Schedule 6 Part 4 DETERMINATION OF PROPORTIONAL SHARES

“Determination of proportional dollar shares at the Agreed Limit

At 1 July each year Animal Health Australia, using ABS source data (including preliminary data for most recent year if available); or if ABS data is not available, an estimate agreed by the relevant Parties and calculating a mean of the relevant data for three consecutive years will:

1. Determine the GVP for each of the relevant industries.
2. Calculate the aggregate GVP for the relevant industries.
3. Calculate the percentage set out in clause 10.5(a) (or such other percentage agreed in writing by the Affected Parties) of the aggregate GVP.”

Whenever there is a conflict between the clauses of the Deed and the provisions of the Schedules, the clauses in the Deed take precedence¹.

The specified sources for data for the formulae in **Schedule 6** are ABS and ABARES.

There is a hierarchy of data sources in the definition of GVP, which suggests that ABARES statistics should take precedence over ABS. This is in conflict with the other two directions for deriving data in **Schedule 6**, which refer to ABS statistics only.

The directions in the schedules have a more specific focus, with **Schedule 6 Part 1** focused on government funding and **Schedule 6 Part 4** on the determination of proportional dollar shares at the Agreed Limit.

It could also be argued that the directions in the definition of GVP relate only to this definition and not necessarily the sources of data for other parameters e.g. population numbers and slaughter data.

¹ EADRA Schedule 1 item (b)

In reality, much of the statistical reporting from ABARES is based on ABS data.

Some ABS data is broken down into State and Territory level data; ABARES only reports national data.

Data for the various parameters involved from both ABS and ABARES are published regularly at varying times during the year:

- a) ABS publishes only final statistics. Population and GVP data are published annually in November and slaughter statistics published quarterly.
- b) ABARES publishes quarterly² statistics, including actual data as well as estimates for the current year and forecasts for the upcoming year.

3. CONTEXT AND DISCUSSION

The EADRA Workshop in March 2013 agreed and endorsed the proposal that calculations of GVP and other parameters in the EADRA should be performed annually on the 1 July and that these calculations be used for the remainder of that financial year, without any updating during the year, until they are recalculated on 1 July of the following year.

Although the majority of workshop participants indicated a preference for the use of actual data, subsequent discussion and analysis determined that the most current data available on the 1 July each year, consists of estimates for the previous year and the current year and a forecast for the coming year. This combination most closely reflects the definition of GVP in the EADRA.

4. AGREED PRINCIPLES

- a) On 1 July each year, the most current statistics available from ABS will be used to calculate GVP and the proportional cost shares, and these values will continue to be used for the rest of the financial year.
- b) The most current data available on the 1 July each year consists of estimates for the previous year and the current year and a forecast for the coming year.
- c) Only officially published, publicly available data should be used, and the specific reference to the source of the data should be routinely quoted.
- d) Relevant Parties³ can agree on alternative estimates at the time NMG invokes cost sharing following advice from the CCEAD of an appropriate Emergency Animal Disease Response Plan (EADRP).
- e) Data sets in use at the time cost sharing is invoked are locked in and remain the basis for cost sharing throughout the period the EADRP is active⁴.

² Reporting period is three monthly, starting 1 July with reports issued in the last week of the period

³ "Relevant Parties" means, in respect of the taking of a decision or action, the Parties who are affected by the decision or action (clause 2.1)

⁴ As per EADRA Schedule 6 Part 5