

Title: Impact Assessment of the African Horse Sickness Regulations through the implementation of Directive 92/35/EEC IA No: Defra0113 Lead department or agency: Department for Environment, Food and Rural Affairs Other departments or agencies:	Impact Assessment (IA)	
	Date: 08/5/2012	
	Stage: Final	
	Source of intervention: EU	
	Type of measure: Secondary legislation	
Contact for enquiries: Richard Hopley 020 7238 6361		
Summary: Intervention and Options	RPC Opinion: Awaiting scrutiny	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out? Measure qualifies as One-Out?
£m	£m	£m	No NA
			No NA

What is the problem under consideration? Why is government intervention necessary?
 There are potential risks to the economy of not having the full range of powers available to us under EU legislation to stamp out an incursion of African Horse Sickness (AHS) without placing unnecessary burdens on business; and a risk of legal disputes over the level of compensation payable for owners of equidae that are killed but later found to have been healthy at that time. It is necessary to fully transpose this Directive 92/35/EEC so that we have effective and proportionate area controls in line with our disease control strategy. We also need to control government costs, to which a cap on compensation will contribute.

What are the policy objectives and the intended effects?
 The intention is to have regulations in place that enable Government and industry to meet Defra's policy objectives in its Contingency Plan for Exotic Notifiable Diseases of Animals and Directive 92/35/EEC, and to have a statutory cap on compensation payable to owners of healthy equidae that are slaughtered (currently uncapped). The intended effect is that we will have the legal powers to deliver a fast and effective response to disease outbreaks, where businesses and Government are clear on their roles, and compensation is fair to both owners and taxpayers, and is agreed up front to avoid lengthy and costly arbitration. We will also avoid infraction.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 Two broad options have been considered. Option 0 – continue to rely on numerous pieces of legislation to control any future outbreak of AHS. Option 1 – transpose the Directive.
 Option 0 would leave us with limited powers for controlling an outbreak, especially where area controls around infected premises are concerned, and would leave us with no compensation cap. Option 1 will provide Defra with the powers needed to control an outbreak of AHS in line with the requirements of the Directive and our own strategy for managing disease.
 The compensation cap of £2,500 (see paras 7.7 - 7.9) for a slaughtered animal that is subsequently proven to be disease free represents a fair balance between the taxpayer and the owner.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 02/2017					
Does implementation go beyond minimum EU requirements?				No	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: 0		Non-traded: 0	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: Date:

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

No costs are monetised. No costs arise from the proposal unless there is an outbreak, and experts assess this risk to be Very Low. Very limited actual or modelled data on outbreaks of AHS in Europe exist from which to estimate the scale and costs of an outbreak, and costs and benefits of controls measures. In the unlikely event of an outbreak, we expect costs will be lower under the new legislation than under the current legislation.

Other key non-monetised costs by 'main affected groups'

In an outbreak, costs will probably be incurred by directly and indirectly affected businesses and organisations, animal keepers, riders, the public who might attend equestrian events, and the public sector. However, it is anticipated that these costs will be lower under the new legislation than in the event of an outbreak under existing legislation. For example, the application of proportionate measures in various control zones under the new regulations will mean fewer unnecessary movement restrictions on animal keepers as a rule, and therefore less public sector licensing required to except animals from movement controls.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

Description and scale of key monetised benefits by 'main affected groups'

No benefits are monetised.

Other key non-monetised benefits by 'main affected groups'

The new Regulations will provide a clear definition of the control measures to be used in response to an outbreak of AHS, meaning that the parties affected are clearer about what will be done. The new and proportionate movement controls will result in more efficient imposition of movement controls and licensing of fewer exemptions compared to what the situation would be under the existing legislation. Government will therefore be better placed to act quickly and effectively to contain and eradicate disease, with less resources dedicated to the licensing process. This will benefit both business and the public sector. Any outbreak might be expected to be slightly shorter in that case. The new regulations will deliver our requirement to transpose the EU Directive.

Key assumptions/sensitivities/risks	Discount rate (%)
<p>The probability of an outbreak is assessed by experts as being Very Low. The key assumption is that the additional zones and measures provided for in the new regulations will be effective at containing and eradicating any outbreak of AHS at a slightly lower overall cost, and will enable a faster return to disease free status. The £2,500 cap on compensation payable to owners of healthy equidae that are slaughtered should also mean fewer costly disputes between Government and owners. This contrasts with the present situation where Government is legally required to pay compensation for slaughtered healthy equidae, but no cap is set in legislation.</p>	

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: Benefits: Net:	No	NA

1. Proposal

1.1 Following a consultation in 2009/10, this Final IA proposes to implement Option 1 (the previously Preferred Option), to introduce effective controls for stamping out incursions of African Horse Sickness (AHS) in England through transposition of Council Directive 92/35/EEC.

1.2 The transposition within England will be carried out through The African Horse Sickness Regulations 2012 made under section 2(2) of the European Communities Act 1972 to build upon the incomplete control measures currently available under existing and various pieces of legislation.

1.3 Option 1 will also introduce a £2,500 cap on the level of compensation payable when a horse or any equidae (which includes donkeys, mules, zebras and ponies) is killed as part of the control measures during an outbreak and is subsequently found not to have had AHS.

2. Purpose and intended effect of measures

2.1 The objective is to put in place clear Regulations that enable industry and Government to:

i) Eradicate any incursion of AHS as effectively and quickly as possible without placing unnecessary burdens on industry. A key way in which this objective will be met is through new area controls around infected premises, including a:

- **Control Zone** with a radius of at least 20km around an infected premises, in which:
 - all movement of equidae or associated equipment and genetic materials is prohibited unless under authority of a licence, and
 - steps must be taken to house equidae in parts of premises where they are less exposed to the midges that carry the disease.

The Control Zone will be that area in which equidae are at most risk of exposure to such midges;

- **Protection Zone** with a radius of at least 100km around an infected premises, in which:
 - premises with equidae are identified, but movements of horses between premises are allowed without licence, unless they present clinical signs;
 - movements of other equidae such as donkeys and zebras are not allowed without licence as they can carry the disease without presenting clinical signs at an early stage.
- **Surveillance Zone** with a radius of at least 150km around an infected premises, in which:
 - the same controls as in the Protection Zone apply, but
 - movements of horses into the Protection Zone are allowed, unless they present clinical signs.
 - Movements to areas outside of any zone is prohibited.

ii) provide a statutory maximum level of compensation of £2,500 for owners of equidae that are culled but subsequently confirmed to be disease free, thereby providing clarity to avoid compensation disputes which may increase the net costs of managing an outbreak. Under Option 0 (business as usual), Government is required to pay compensation for healthy equidae slaughtered for disease control, but there is no cap on the level of compensation at present. The market value of a horse can be very high (see paragraph 2.8), but given the ease of diagnosis and high fatality rate of up to 95% in horses, it is very unlikely a healthy horse will be slaughtered. Donkeys, mules and zebras are more resistant to AHS, but the market value is also much

lower, should any of these be slaughtered while healthy. Nevertheless, disputes over the level of compensation under Option 0 could be costly, while Option 1 will provide for a clear maximum level of compensation. Under both options, compensation is never payable for infected animals that are slaughtered.

2.2 Table 1 (page 8) contains an analysis of the key differences between the two options.

2.3 One such difference is that under existing legislation (Option 0) only a single zone can be established around an infected premises. The zone can be of whatever size the Secretary of State deems necessary. But significantly, any movement controls would apply uniformly across the entire zone. Expert epidemiologists recommend that such an area must have a radius of at least 150km given the wide range over which AHS can be spread by midges. However, because existing legislation is not tailored towards AHS, such a zone would have to impose strict movement controls and all other measures across the entire area unless premises are exempted individually by licence. Such area controls would be excessively burdensome as they would apply Control Zone-type measures to an area 55 times greater.

2.4 Option 1 will allow for three zones to be established around an infected premises (20km, 100km and 150km radiuses) with the strictest movement controls in the 20km Control Zone only. In the outer zones, restrictions would be less onerous (see paragraph 2.1)

2.5 The controls in Option 1 are consistent with our control strategy for other diseases (see Defra's *Contingency Plan for Exotic Notifiable Diseases of Animals*) that we have successfully stamped out in recent years.

2.6 Another key difference concerns the payment of compensation for equidae slaughtered for disease control purposes. The new Regulations clarify that the Secretary of State will only pay compensation for equidae killed for the purpose of controlling AHS which are subsequently shown, when the final test results come back, to have been uninfected. This situation is very unlikely to arise in practice. Where diseased equidae are killed under the order of the Secretary of State we clarify that no compensation is payable, as now, because equidae are highly likely to die shortly afterwards and therefore has no market value.

2.7 At present, compensation would be assessed on a case by case basis if a slaughtered animal were subsequently found to be healthy, as there are no provisions for prescribing rates of compensation for such animals in existing legislation.

2.8 It is difficult to give an average price for a horse in the UK, as this information is not on record. The average price of a racehorse sold at Tattersalls and Doncaster Bloodstock Sales in 2008 was £32,000, but this does not represent the majority of all equidae sales. The market price for native ponies is around £150, and for donkeys around £500, while thoroughbreds can be valued up to £10m.

Background

2.9 AHS is an exotic animal disease, which is internationally recognised as potentially causing severe damage to the equine industry through direct losses of susceptible animals, damage to related industries, and trade. Outbreaks have to be notified to the Office International des Epizooties (OIE) and other countries refuse to accept any exports that might pose a risk of disease spreading. International standards require the elimination of the disease and country freedom is not recognised until this has been achieved.

2.10 AHS is a fatal and infectious disease, which affects horses, mules, donkeys and other equidae. It is caused by an orbivirus, and there are nine strains of the virus. The disease is not directly contagious between equidae, and is present (endemic) in sub-Saharan Africa. The disease has spread as far north as Morocco and the Middle East. Zebras may be infected

without showing signs of disease. Dogs can also be severely infected by the virus, usually by eating infected horsemeat. Outbreaks in Spain between 1987 and 1990 were probably related to imports of infected zebras from Africa. This disease has never occurred in the UK.

2.11 AHS is transmitted by certain species of midges, most commonly *Culicoides imicola* (which is not present in northern Europe). It is uncertain whether *Culicoides* species native to the UK are capable of transmitting AHS Virus, but based on the northern European outbreak of bluetongue (caused by the related bluetongue virus) it is considered likely. The severity of disease depends upon the virus strain and host species. The fatality rate is extremely high in horses; infection will usually result in signs of severe clinical disease followed rapidly by death in 50-95% of those infected. Donkeys and zebras are relatively resistant to AHS and will generally show less severe clinical signs than horses. If an outbreak occurred in England the mortality rate in donkeys would be expected to be 5-10%. Mortality in zebras infected with AHS is unusual, but they can still act as a source of infection for more susceptible animals.

2.12 Annex 1 provides a detailed overview of the current state of the equine sector in England, including estimates of the size of the population, details of equine breeds and species, trade, and average price of equidae sold at certain auctions.

3. Options

3.1 Two broad policy approaches have been identified:

Option 0: Continue to rely on existing legislation

3.2 This option does not satisfactorily implement the provisions of Directive 92/35/EEC and would leave us in breach of Article 10 of the consolidated EU treaty and treaty establishing the European Community (which requires us to take 'any appropriate measure, general or particular, to ensure fulfilment of the obligations arising out of the Treaties or resulting from the acts of the institutions of the Union'¹). We have a Community obligation to implement the Directive thoroughly (and could be infringed otherwise), and we need to have appropriate controls for AHS.

3.3 If we proceeded with this option, we would also:

- a) only be able to impose a single 'Temporary Control Area', which would impose the highest level of controls on all premises in that zone. Epidemiologists would recommend we apply this zone to a wide area of at least 150km in radius - in the absence of separate Protection and Surveillance Zones - with **all** premises equally affected by movement controls.
- b) have no statutory limit on the amount of compensation payable where healthy equidae are slaughtered, risking lengthy and potentially costly disputes with owners over compensation for any equidae culled under AHS controls.

Option 1: Transpose the Directive and cap compensation that might be payable in some cases

3.4 We will transpose Directive 92/35/EEC rather than relying on several and generally applicable pieces of legislation. The basic principles of disease control (notification of suspect disease, veterinary investigation, stamping out of disease on infected premises and the imposition of movement controls where appropriate to reduce the risk of the spread of disease) will be set out in tailor-made Regulations. There will be consistency across exotic notifiable

¹ <http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/ce321/ce32120061229en00010331.pdf>

diseases by ensuring standard procedures are in place wherever possible. At present Government has no means for imposing separate Protection and Surveillance Zones around the main Control Zone (similar to what is called the 'Temporary Control Area' under existing legislation). The new Regulations are an integral part of Government's draft *AHS Control Strategy*, and have industry support following public consultation in 2009/2010. The key elements of the new Regulations and the existing piecemeal situation are compared in Table 1 below.

3.5 A statutory limit on compensation will be introduced for any equidae slaughtered as a control measure, where test results subsequently confirm that they were healthy. Compensation will be paid for healthy equidae at the market value just before slaughter up to £2,500. We have agreed this cap with industry. The statutory limit is designed to avoid potential costly disputed compensation payments, and to strike a reasonable balance between the risk of equidae being infected with AHS on any premises where slaughter is deemed a necessary control measure, and the cost to the taxpayer.

4. The proposed Legislation

4.1 Disease control principles apply regardless of the type of disease. The principles are the ones which have been used effectively in recent outbreaks of major notifiable exotics diseases (2007: Foot-and-Mouth Disease, Bluetongue Virus; 2008 Avian Influenza). They represent proportionate and fit for purpose controls building on best practice. Although most livestock farmers are familiar with these controls, the equine sector has not yet experienced a large scale outbreak of any exotic notifiable disease.

4.2 The preferred option will provide the Secretary of State with the power to declare a Temporary Movement Restriction Zone when disease is first suspected. Such a zone can be of any size depending on the risk of possible virus transmission. Within the Temporary Movement Restriction Zone no person may move any equidae or carcass to or from premises or any contaminated equipment off premises, except under the authority of a licence.

4.3 Should disease subsequently be confirmed (usually between 12 and 24 hours later), the preferred option will provide for the Temporary Movement Restriction Zone to be replaced by a Control Zone (with a radius at least 20km), a Protection Zone (with a radius at least 100km) and a Surveillance Zone (with a radius at least 150km) around the infected premises. These zone sizes are determined by Directive 92/35/EEC. In the Control Zone no equidae movements will be allowed except under the authority of a licence (eg. movement to emergency slaughter) and the occupier must implement practicable midge control measures as directed by a veterinary inspector. Equidae movements are allowed out of Protection and Surveillance Zones to an area outside of all zones under the authority of a licence only. Movements within either zone, and from the Surveillance Zone to the Protection Zone, are permissible, except where the horse shows clinical signs of AHS on the day of the move.

4.4 The preferred option also provides the Secretary of State with the power to kill equidae on infected premises and contact premises. Compensation (maximum of £2,500) can be paid for any equidae killed where the equidae was subsequently proven to be free of the disease (no compensation is payable for infected equidae).

4.5 The other measures put in place by the preferred option can be summarised as:-

On suspicion of disease:

- Requirement for notification
- Basic restrictions on suspect premises

- Requirement to sample and test suspect animals
- Possible Temporary Movement Restriction Zone (see 4.3)

On confirmation of disease:

- Possible killing of equidae infected with AHS and those showing clinical signs (see 4.4)
- Area controls (see 4.2 - 4.3)
- Practicable midge control measures

Table 1 provides a comparison between the key disease control measures in existing legislation (option 0) and proposed legislation (option 1).

Table 1

Disease Control Measure	Policy option 0 (business as usual)	Policy option 1 New Regulations	Comparison between option 0 and option 1
Notification of suspected disease	<p>Notification of suspicion of AHS required (under Article 3 of The Specified Diseases (Notification) Order 1996/2628).</p> <p>Under this option, the demarcation between suspicion and confirmation of suspicion is not clear. The measures available for suspect premises (see immediately below) could be applied at this stage.</p> <p>Under The Movement of Animals (Restriction) (England) Order 2002/3229, a veterinary inspector <i>may</i> serve notice on a person in charge of premises or transport if disease is suspected, prohibiting the movement of animals, carcasses or any ‘other thing’.</p>	<p>Notification of suspicion of AHS required (under Article 5 of the new Regulations).</p> <p>Upon notification, no equidae or carcase, or equipment or genetic material, must be moved from premises; if required and practicable to do so, equidae must be moved away from those parts of the premises where the risk of disease spread is greatest (e.g., isolated in a barn where there is less risk of midges getting to them).</p>	<p>Option 1 provides more certainty for owners and regulators as to what provisions will be put in place at various stages (e.g. notification, confirmation of suspect premises and infected premises).</p> <p>Option 1 complies with EU legislation.</p>
Restrictions once premises are confirmed as suspect premises	A temporary control area, of ‘such size as the Secretary of State thinks necessary in order to prevent the spread of disease’ may be established on suspicion of disease under The Movement of Animals (Restriction) (England)	<p>A Temporary Movement Restriction Zone, of such size as the Secretary of State considers necessary, may be declared once premises are confirmed as suspect premises.</p> <p>In this area, no person may move any equidae or carcase to or from any premises, or any</p>	The area controls under options 0 and 1 are similar, although option 1 provides clarity on when area controls start to apply, as this approach outlines the different stages in disease control.

	<p>Order 2002/3229, as amended by The Movement of Animals (Restriction)(England) Order 2007/2809.</p> <p>In this area, the movement of any animal or thing capable of spreading disease is prohibited, into or out of the area, and onto or from ANY premises in the area, except under a licence granted by a veterinary inspector.</p>	<p>equipment or genetic material off premises, except under a licence granted by a veterinary inspector.</p> <p>Additional record keeping is required of the main occupier (equidae that have died, shown clinical signs, etc.), and the main occupier must implement such practicable vector control measures as a veterinary inspector may require.</p>	<p>The approach under option 1 could apply directly after notification, as stated above.</p> <p>Option 0 provides for ‘such other measures...necessary in order to prevent the spread of disease’, but does not elaborate on what these could be.</p> <p>Option 1 complies with EU legislation.</p>
<p>Requirement to sample and test suspect animals</p>	<p>Where the Secretary of State considers it necessary, a veterinary inspector <i>may</i> carry out inquiries, examinations, testing and sampling under The Movement of Animals (Restriction)(England) Order 2002/3229.</p>	<p>Clear requirements for testing are set out for suspect premises, with separate specific arrangements for “contact premises” that have an epidemiological connection with infected premises.</p> <p>If equidae at contact premises are showing clinical signs of AHS, the veterinary inspector must take samples and have them tested. If no equidae on the premises has clinical signs of AHS, the veterinary inspector must monitor equidae for the relevant period (established at the time by Defra’s Chief Veterinary Officer as the necessary period for establishing whether AHS is present on a premises) and may take samples. If no equidae on the premises shows clinical signs during the relevant period and the veterinary officer is satisfied it is no longer appropriate for the premises to remain designated as suspect premises, this designation must be revoked.</p>	<p>Option 0 requires testing to be carried out, but does not include specific provision for contact premises, which is included in option 1. The benefit of the approach in option 1 is the clarity it offers veterinary officers, ensuring that measures at contact premises are proportionate.</p> <p>Importantly for industry and regulators, option 1 also gives detailed provision on when such premises can exit the restrictions. Restrictions under option 0 apply until the Secretary of State revokes the temporary control area, with no detail on the conditions for such a revocation.</p>

<p>Killing of equidae to control spread of disease</p>	<p>The Secretary of State can slaughter equidae as a disease control measure under The Specified Disease (Notification and Slaughter) Order 1992/3159 that applies the slaughter provisions available under section 32 of the Animal Health Act 1981. This is a general power to slaughter equidae that are 'affected or suspected of being affected', and does not apply only in zones.</p>	<p>The Secretary of State can slaughter equidae as a disease control measure, with specific exemptions possible for equidae in zoos and wildlife parks, and rare breeds used for research, to avoid being slaughtered in exceptional circumstances.</p> <p>The slaughter provision applies to infected premises and suspect premises that are also contact premises, not related to zones, which gives an additional tool the Secretary of State may use. The condition for slaughter is that equidae have AHS or present clinical signs: similar condition to that under option 0.</p>	<p>Both options enable equidae to be culled as a disease control measure.</p> <p>Option 0 does not include legislation with explicit reference to wildlife, zoo, and rare breed equidae but the Secretary of State is not obliged to order culling. Option 1 clarifies this and explicitly transposes the exemptions available under the Directive.</p>
<p>Establishing Zones around infected premises (i.e. following confirmation of disease).</p>	<p>There are no additional area controls beyond the temporary control area noted above, and no power to declare other types of zone.</p>	<p>As well as the Temporary Movement Restriction Zones, there is provision for Control, Protection and Surveillance Zones (which the Secretary of State must advertise).</p> <p>Around the infected premises, the Control Zone must have a radius of at least 20km; the Protection Zone at least 100km radius; and the Surveillance Zone at least 150km. Proportionate control measures are applied in the different zones, according to the distance from the infected premises: In the Control Zones, no equidae or genetic material may be moved, and extra record keeping is required. Equidae may move within Protection and Surveillance Zones, and from Surveillance Zones to Protection Zones, unless directed otherwise or clinical signs are shown. No equidae may move beyond the Surveillance Zone.</p>	<p>Option 1 provides for the additional zones required by the Directive and in line with established practice for controlling other diseases.</p> <p>Option 0 only enables Government to establish 1 zone where the same controls apply to all premises. Vets are most likely to recommend a Temporary Control Area with a radius of at least 150km in order to control disease, so business and individual equidae owners will be impacted more (and unnecessarily) than under option 1, since controls similar to those in a Control Zone under option 1 would be applied uniformly throughout the wider zone.</p>

<p>Compensation to owners of equidae killed that are subsequently shown not to have been infected with AHS</p>	<p>Compensation has to be paid under section 32 of the Animal Health Act 1981, but there is currently no determination of the levels of compensation.</p> <p>Compensation is not currently payable for diseased equidae that are slaughtered.</p>	<p>Compensation is payable for the market value at the time of death, up to a value of £2,500. No compensation is paid for diseased equidae that are slaughtered.</p>	<p>Option 0 might leave us open to lengthy and costly legal disputes over compensation, with cost implications for owners and the taxpayer. It might also result in higher levels of compensation being payable if high value equidae were culled and found to be uninfected, since full market value might be the solution determined in court.</p> <p>Option 1 does not alter the overall loss, but alters the distribution of that cost. It provides a cap that's acceptable to industry and avoids burdening the taxpayer with excessive liability. This situation is very unlikely to arise in practice.</p>
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5. Will implementation go beyond EU requirements

5.1 The legislation does not introduce any disease control powers above the requirements of the Directive.

6. Business sectors affected

Businesses affected when there are no outbreaks of disease

6.1 The legislation has requirements that only take effect when disease is suspected or confirmed.

Businesses affected in a suspected or confirmed outbreak

6.2 The types of businesses affected or potentially affected by the legislation include the full equine sector (leisure, sport, thoroughbred racing, breeding) and related industries (meat and meat products etc), the export industry, zoos containing other equidae such as zebras, laboratories, border inspection posts, quarantine stations and the agricultural supply industry (eg. feed manufactures and merchants) or other type of business that regularly visit premises where equidae are kept.

6.3 The costs under option 1 are likely to be less than under option 0 due to the more proportionate zone controls, which should impose less of an impact on businesses beyond the Control Zone than would arise under current legislation. The equine sector will have costs arising from movement restrictions, and the scale of these costs will depend on outbreak specific factors such as the length and size of the restrictions, the location of the outbreak and the sector of the Industry affected. The new and proportionate movement controls will result in more efficient imposition of movement controls, and mean that fewer exemptions from these will need to be licensed under option 1 compared to option 0.

6.4 The British Horseracing Authority (BHA) were consulted on the estimated revenue loss to the horse racing industry (which accounts for approximately 50% of the economic impact of the whole sector) of the AHS disease control measures. Taking into account inputs into race meetings (admissions, catering, on-course betting, sponsorship, commercial revenue, media and betting levy) the BHA estimates the revenue loss as follows

- The revenue loss of all racing being closed down for one week because of AHS restrictions. £ 9 Million
- The revenue loss of all racing being closed down for one month because of AHS restrictions. £40 Million

6.5 The BHA were also consulted on the estimated revenue loss to the horse racing industry should a Temporary Movement Restriction Zone result in the cessation of racing. This measure would incur costs to the whole sector if such a zone were declared as no horse movements would be allowed for a short period of time, potentially over a large part of the country. The cost of not moving horses (or horse products) for a short time, probably as short as 24 hours pending official investigation, is insignificant compared to the total cost of an **outbreak** in the worst case scenario.

6.6 Taking into account inputs into race meetings (admissions, catering, on-course betting, sponsorship, commercial revenue, media and betting levy) the BHA estimates their revenue loss as follows:

- The revenue loss of a national standstill occurring on a day which prevented the very biggest/blue ribbon racing events from taking place - £32 Million
- The revenue loss of a national standstill occurring on a normal race day - £1.2 Million

6.7 The figures above do not take account of indirect losses, such as trainer's incomes and off course expenditure such as betting. Research carried out by the University of York in 2007¹ estimated that York Racecourse attracted almost 347,000 visitors from outside the city boosting spending in the region by almost £26m.

6.8 There are no provisions for the Secretary of State to close footpaths. We will have an "open England" approach with the countryside still being open to the public, although tourism may be adversely affected due to a perceived potential health risk, arising from the outbreak of disease itself and not the measures in the legislation. It is not a zoonotic disease, so cannot be passed to humans.

6.9 Animal show organisers and zoo owners may lose revenue if they can no longer exhibit horses and other equidae at shows, zoos and gatherings in the zones. There may also be a loss of revenue for the horse racing industry, and the related betting industry if race meetings are restricted as a result of the control zones and movement restrictions.

6.10 No direct compliance costs are anticipated for charities or voluntary organisations unless they possess and move equidae and fall within a zone during an outbreak.

Economic and social benefits

Option 1 (Transpose) – Benefits

6.11 There is no economic impact unless disease is present. If disease were present, costs would arise from the disease and the controls applied under business as usual (option 0). The main benefit of option 1 compared with option 0 is that the cost and duration of a disease incursion is likely to be slightly less. Although we are unable to quantify the *changes* in these costs, we consider the costs of an outbreak in the next section. The new legislation will make the control strategy clearer and fit for purpose.

6.12 The most stringent movement restrictions and record keeping in the Control Zone around the infected premises (where infected midges are most likely to be found) will help reduce the risk of disease spread, and heightened surveillance and testing in the surrounding zones will be a proportionate and useful approach to help contain the disease. Business and the taxpayer will benefit through less resource-intensive licensing under option 1 compared to option 0. Epidemiologists advise that the new Regulations should contribute to better containment of the disease and faster eradication than we might expect under current piecemeal legislation.

6.13 A better controlled disease outbreak limits the stress and psychological trauma on horse owners and other related industries. This includes those whose premises are infected and those who are worried that infection may reach their premises or that their businesses will be affected.

7. Costs

(i) Compliance costs to business

Costs when there are no outbreaks of disease

7.1 When we are disease free there is no impact on businesses and thus no new costs to industry.

¹ <https://www.yorkracecourse.co.uk/news/2009/03/independent-economic-impact-study-of-york-racecourse>

Costs in a suspected or confirmed outbreak of Disease

7.2 Outbreak costs are difficult to quantify and depend very much on the nature of the outbreak, and the range of different scenarios for a confirmed case of disease is very wide. A confirmed case of disease contained on one holding would impose restrictions on horses and other equidae premises in a 20 km zone. At the other end of the scale would be rapid spread of disease across the country with multiple infected areas. Costs to business of disease plus controls are likely to be less under option 1 than under option 0, in particular for those premises outside the Control Zone. This is because, under option 0, restrictions similar to those in the Control Zone in option 1 are likely to be imposed across a much larger area (with a radius of at least 150km compared to the Control Zone's minimum radius of 20km – an area that is 55 times larger). The cap on compensation will mitigate tribunal costs.

7.3 There have been no recent outbreaks of AHS in Northern Europe (never in the UK) from which costs could have been estimated. The last outbreak within the EU was in Spain and Portugal between 1987 and 1990. Estimates of the total cost vary, but the Portuguese Government estimate² a cost to the Government of the eradication programme of approximately £2million (in today's prices) which excludes indirect costs to business (which have not been quantified). The Food and Environment Research Agency (Fera) have worked with Defra experts to estimate the range of median outbreak costs (to government only) of AHS. The median is likely to fall in the range of £4million (minor outbreak) and £35million (major outbreak) with weighted average cost of £26million (according to the probability of minor versus major outbreaks). This work is very tentative and Defra intends to revisit and update it in the coming years. A similar exercise, also very tentative, considered the non-government costs of various disease outbreaks, although not AHS specifically. It indicated that across the diseases in question industry costs might add average of 80% to government costs in an outbreak. Applying that proportion here, to illustrate, suggests a median overall cost to all parties of an AHS outbreak of around £47m, however a robust figure is not available. Although we are unable to identify the marginal reduction in costs that the new Regulations might bring about, compared with business as usual costs, our assessment is that the combined cost to government and business of an outbreak and controls is likely to be less under the new Regulations than under existing legislation.

7.4 Movement controls have the potential to impact on the racing industry and others. Movement controls also have the potential to impact on producer profits because of increased costs associated with keeping or losing excess stock.

7.5 Export restrictions are likely to be put in place until disease is eradicated. Restrictions have the potential to impact on the horsemeat export industry, which in 2007 was worth approximately £2.4 million. It is unlikely that these producers would be able to sell this meat for human consumption in the domestic market, so there would be a direct cost in the form of lower revenue. There would also be some impacts on live horse exports (worth over £260m p.a.) and semen exports. However, these costs would occur under option 0 as well. Export restrictions are removed once we return to disease free status, which would be at least 12 months after the last case of AHS under EU legislation.

7.6 There is also the benefit to stakeholders in that legislation for AHS will be up to date and much clearer. We will work with our key stakeholders and specialist media to ensure the Control Strategy related to the new legislation is properly disseminated.

² Portas M *et al* (1999) African horse sickness in Portugal - a successful eradication program. *Epidemiol Infect* 123 (2), 337-346.

Compensation

7.7 Compensation is a transfer of funds from taxpayers to owners, to offset some direct losses that the owners bear. It should provide incentives for equidae owners to comply with necessary culling measures, even before a test result has been confirmed. The new Regulations retain the current position that the Secretary of State must pay compensation for equidae killed for the purpose of controlling AHS where it subsequently transpires that they were not diseased, and will not pay compensation for slaughter of diseased equidae.

7.8 Some stakeholder organisations during the consultation argued for full market value compensation for any animal slaughtered, regardless of whether the animal was infected or slaughtered on suspicion and was subsequently proven to be disease free. With 2.5% of the estimated GB horse population (approximately 1 million) being classified as *thoroughbred*, some of which are valued at in excess of £10 million pounds, such a policy could burden the taxpayer with compensating for high value animals. However, the risk of equidae being infected with AHS on a premises where slaughter has to be used as a control method is very high. In the unlikely event that an animal is culled and subsequently found to be have been disease free, compensation is payable, and the £2,500 cap is seen by industry and by Defra as striking the right balance between the risk that equidae owners face (equidae that is not slaughtered is at risk of later being infected with AHS anyway, and would then have no market value) and the potential burden on the tax payer. We understand that equidae owners are able to insure their animals against dying from AHS or being put down on welfare grounds as a result of contracting the disease, although not against Government ordered culling.

7.9 Having considered the views of stakeholders in response to the consultation, Defra believes it would not be appropriate to pay compensation for equidae that have been killed by the State and have subsequently tested positive for the disease, because veterinary evidence indicates that the vast majority of horses will die within the first week of becoming infected. Most infected equidae will deteriorate in health and die from the disease, or need to be destroyed for welfare reasons. It would not be appropriate for the taxpayer to shoulder the burden of compensation payments where the disease has such a high rate of mortality.

(ii) Other costs

a. Costs to the public

Costs to the public when there are no outbreaks of disease

7.10 No costs arise when we are disease free.

Costs to the public in a suspected or confirmed outbreak

7.11 The costs should be no more than they would be under present legislation. Movement controls may impact on the public wishing to attend equestrian events that are cancelled, but movement controls under option 1 are more proportionate than under option 0. The cost to the public of Government administration should also be less, given that the more proportionate area controls under option 1 will mean fewer licences are required to exempt certain premises from the more disproportionate area controls under option 0.

b. Costs to the public sector

Costs to the public sector when there are no outbreaks of disease

7.12 There will be no new costs to the public sector when there are no outbreaks of disease.

Costs to the public sector in a suspected or confirmed outbreak

7.13 The cost to the public sector when an outbreak is suspected or confirmed will be no greater than under present legislation, and may be less if the new Regulations reduce the net cost of compensation. The time spent on licensing to exempt premises from movement controls should also be less under option 1 than under option 0, reducing the cost to the public purse. The government burden will depend on the nature of the outbreak and the extent that it has spread. Legislation fully transposing the Directive will be easier for public sector staff such as Defra officials, Animal Health and Local Authorities to enforce. Option 1 should also reduce time spent explaining the policy and legal requirements to non-experts.

7.14 The UK Government is already committed to expenditure in an outbreak of disease including:

- Slaughtering of animals for disease control purposes and disposal costs for these animals;
- Surveillance and monitoring by Animal Health in the infected area and undertaking epidemiological tracings;
- Administrative costs such as implementing Declarations, running disease control centres and setting up a communications programme;

c. Expected environmental and social costs

7.15 There will be no additional costs, compared with the position under current legislation, in disposing of carcasses and other contaminated materials and treating waste waters. A significant impact on tourism is not anticipated, and it is not a zoonotic disease.

8 Outcome of other Impact Tests

a. Legal Aid

8.1 Existing disease control legislation already contains criminal sanctions and penalties and the new legislation will maintain these. In view of this there are no implications for legal aid.

b. Carbon Impact Assessment

8.2 The proposal will have no effect on carbon / greenhouse gas emissions, compared with current legislation, as it does not alter the nature and scale of the livestock and related industries. There will be individual winners and losers in terms of increased or reduced trade opportunities when there is a disease outbreak, and therefore some change to the carbon footprint of individual businesses, but the overall impact for the industry as a whole is unlikely to be substantially different from what it would be under an outbreak with current legislation.

c. Other Environmental Issues

8.3 The proposal has no implications in relation to climate change, waste management, landscapes, water and floods, habitat and wildlife or noise pollution.

d. Health Impact Assessment

8.4 The proposal will not directly impact on human health or well being and will not result in health inequalities. There will be indirect benefits, as the effective control of disease may lead to restrictions being in place for a shorter period, reducing stress on equidae owners.

e. Race /Disability/Gender

8.5 Whilst the gypsy and traveller community has an historical relationship with equines, this proposal will not impose disproportionately on this group.

f. Human Rights

8.6 The proposal is consistent with the Human Rights Act 1998.

g. Rural Proofing

8.7 The majority of the equine industry is based in rural area. The policy does not impact disproportionately on the rural community, compared with outbreaks controls that would arise under current legislation; indeed the proposal is designed to facilitate their activities.

h. Small Firms/Third Sector Impact Test

8.8 In the event of a suspected or confirmed outbreak of disease, the proposal will affect small businesses and other firms (e.g animal sanctuaries), but to no greater degree than the current legislation would in an outbreak.

9. Competition Assessment

9.1 The proposal is not expected to have a negative impact on competition, compared with current legislation. The new legislation applies equally to all new and existing businesses and is similar to existing requirements for other serious diseases of livestock. It will have a minor impact on competition in the markets directly affected by an outbreak and controls, and possibly in other sectors of the rural economy, such as the tourism industry, that may be indirectly affected.

9.2 Of the markets directly affected by the legislation, all are characterised by low levels of concentration; no firm has 20% market share and no three have 50%. Whilst there is geographical concentration in the racehorse training industry, with the industry concentrated in Newmarket, Lambourn, Middleham and Malton, the industry is characterised by a large number of small trainers. In the event of an outbreak, the legislation would affect some firms substantially more than others, but this would be the same under today's legislation.

10. Enforcement and Sanctions

10.1 In the event of a disease outbreak, Animal Health and Local Authorities would enforce the legislation as they do at present; there are no new burdens on these enforcement agencies.

11. Monitoring and review

11.1 Monitoring of the effectiveness of the legislation will arise from regular National Contingency Plan reviews and lessons learned following an outbreak of disease. The Regulations will also be reviewed if any further EU legislation is made. There are review provisions included in the Regulations. A review will be conducted within 5 years of the date they come into force.

12. Consultation

12.1 The Devolved Administrations would not have been consulted during the negotiation of Directive 92/35/EEC, as they were not in existence. However, we have worked with them during the consolidation / transposition phase and they will be implementing similar legislation.

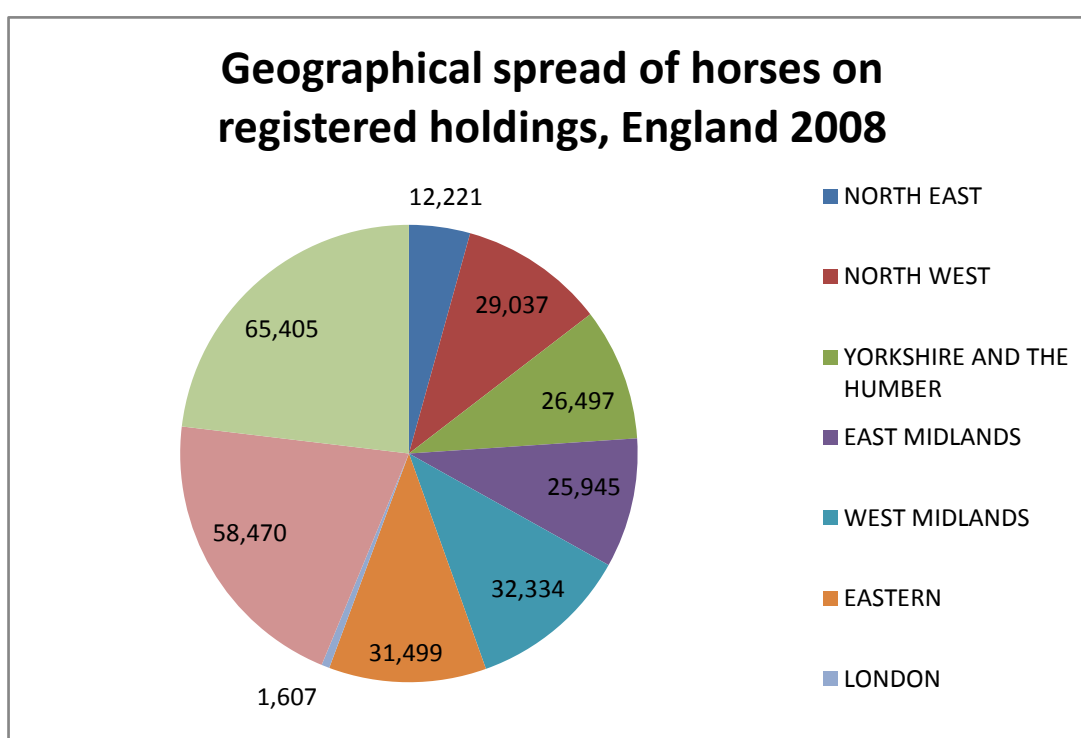
13. Summary

13.1 We propose to implement Option 1, the transposition of Directive 92/35/EEC, as this includes all the essential measures for the control of AHS, in line with our disease control strategies for other exotic notifiable diseases. The new legislation is also in line with better regulation and Hampton principles.

ANNEX 1: AHS - Equine Industry Overview

1. The equine industry is a sizeable and significant component of the national, especially rural, economy and community. There are around 650,000 horses in England and 4.3 million riders in Great Britain.³ The horse industry's total economic impact is approximately £7 billion per year, and it directly or indirectly employs 250,000 people.⁴ This is approximately equal to the number of farming employees.
2. In 2004, 280,000 of all equine species in the UK were of known breeding. The remaining 600,000 to 1 million equidae were of no known breeding.⁵
3. Although data is not obtainable about the geographical spread of all equines in the UK,⁶ information is available about the distribution of horses on registered holdings, which account for around 40% of all horses in England. As shown in diagram 1, horses are primarily kept in rural areas.

Diagram 1



Source: February 2009, Defra. © Crown Copyright

4. The geographical spread of horses on registered holdings has stayed approximately constant over the five years to 2008. The largest proportions of horses on registered holdings have been located in South West and South East regions throughout the period.

³ <http://www.telegraph.co.uk/news/uknews/5795939/Horse-owners-to-be-charged-to-register-animals-to-tackle-disease.html>, July 2009

⁴ <http://defraweb/wildlife-pets/pets/horses/index.htm>, September 2009

⁵ Horse Passports (England) Regulations 2004 RIA

⁶ A study mapping the movements of horses in the UK is currently being undertaken by the University of Glasgow, and their results are due to be published in 2011.

Breeds and Species

Dartmoor Hill Ponies

5. In 2008, there were close to 1,400 ponies on Dartmoor.⁷ There are three recognised types of Dartmoor Hill pony – ‘native,’ ‘registered,’ and Shetland ponies. ‘Native’ ponies are mixed breed ponies, whose number has declined in the second half of the twentieth century and is registered as a rare breed.⁸ The breed will be considered extinct when ‘native’ ponies are lost from Dartmoor. ‘Registered’ ponies are pure-bred ponies, which are used in a range of leisure activities and agricultural shows. They are not typically kept on Dartmoor as they are too valuable. Shetland ponies were imported to Dartmoor in the twentieth century.
6. The market for ‘native’ ponies has diminished in recent years, due to decreased demand for pit ponies and pony meat; the current market price is around £150.⁹ All ponies grazing on Dartmoor receive financial support as part of an agri-environmental scheme¹⁰ in recognition of value as conservation grazers, the total value of this support is £50,000 per annum.¹¹

New Forest Ponies

7. Currently there are 3,000 to 4,000 ponies in New Forest National Park.¹² These ponies graze on approximately 37,500 hectares of open forest and health checks are carried out annually during the autumn ‘drifts.’ The New Forest pony is a registered breed, although many outside breeds have been introduced to improve the bloodline for both general activities and trade. In 2005, the average price for a New Forest pony was £128, which had increased by 270% from 2002, although fewer ponies were sold in 2005 which may account for this price rise.¹³

Donkeys

8. There are approximately 10,000 donkeys in the UK.¹⁴ The population has remained relatively constant for the past fifty years, as donkeys are kept for social rather than economic reasons. Over half of the donkeys in the UK live on 8 farms run by The Donkey Sanctuary, a registered charity.¹⁵ In addition, there are approximately 100 donkeys in the New Forest National Park and an estimated 850 donkeys working on beaches throughout the UK. The market price for a donkey foal is around £500.¹⁶

Zebras

9. There are approximately 300 zebras in the UK, which are mainly kept in safari parks and zoos. No further data has been obtainable about the value or spread of zebras in England.

⁷ 1012 registered with Dartmoor Hill Pony Association, plus 10% Dartmoor ponies registered elsewhere and 25% replacements.

⁸ <http://www.dartmoor-npa.gov.uk/lab-poniesondartmoor> , September 2009

⁹ <http://dartmoorponysaleslist.blogspot.com/>, September 2009

¹⁰ currently the Environmentally Sensitive Area scheme but this being phased out and replaced by the Environmental Stewardship scheme

¹¹ <http://www.dartmoor-npa.gov.uk/lab-poniesondartmoor> , September 2009

¹² <http://www.newforestpony.com/forestbred.html>, September 2009; http://www.newforestnpa.gov.uk/index/livingin/common_rights/donkey.htm, September 2009

¹³ Trends in New Forest Pony Sales 2002-2006, October 2006 <http://www.southernhorse.co.uk/ppg/PPGReportSAIFinal231106.pdf>

¹⁴ <http://www.defra.gov.uk/foodfarm/farmanimal/diseases/vetsurveillance/species/horses.htm>

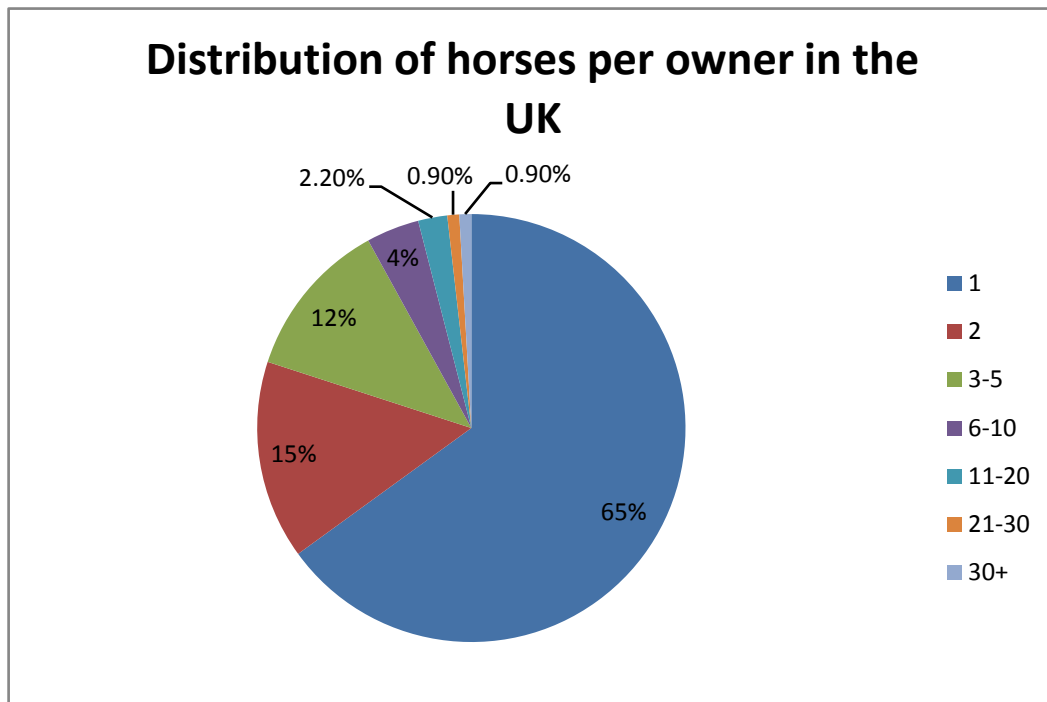
¹⁵ Starkey, P. And Starkey, M., Regional and world trends in donkey populations, <http://www.atnesa.org/donkeys/donkeys-starkey-populations.pdf>

¹⁶ http://www.newforestnpa.gov.uk/index/livingin/common_rights/donkey.htm, September 2009

Equine Ownership

10. The British Horse Industry Confederation (BHIC) estimates that most horse owners in the UK (65%) own one horse; these owners often keep one horse for many years for leisure purposes. On average, an owner owns 1.8 horses. The distribution of horses per owner is shown in diagram 2.

Diagram 2



Source: British Horse Industry Confederation (BHIC), June 2009

11. 1.36 million Passport records have been supplied to the National Equine Database (NED) in the UK. Some of these will almost certainly be duplicates. In addition not every horse has a passport, some horses with passports will have died but this information is not reliably provided to NED, and NED does not contain details of all horse residents in the UK with valid passports from other EU member states. In 2008, 49,000 passports were issued to horses with a 2008 birth date. From NED statistics it is estimated that in the UK there are 4.3 horses for every 1 km².¹⁷

Trade

Live Horses

12. Trade in live horses for both pure bred breeding and other purposes accounts for the majority of equine trade. In 2011, 5,922 live horses were imported and 3,060 were exported from the UK, at a value of £259 million and £261 million respectively. Looking more closely at live horse exports, over the past 5 years the UK does not appear to have a main market, but exports to both the EU and the rest of the world.

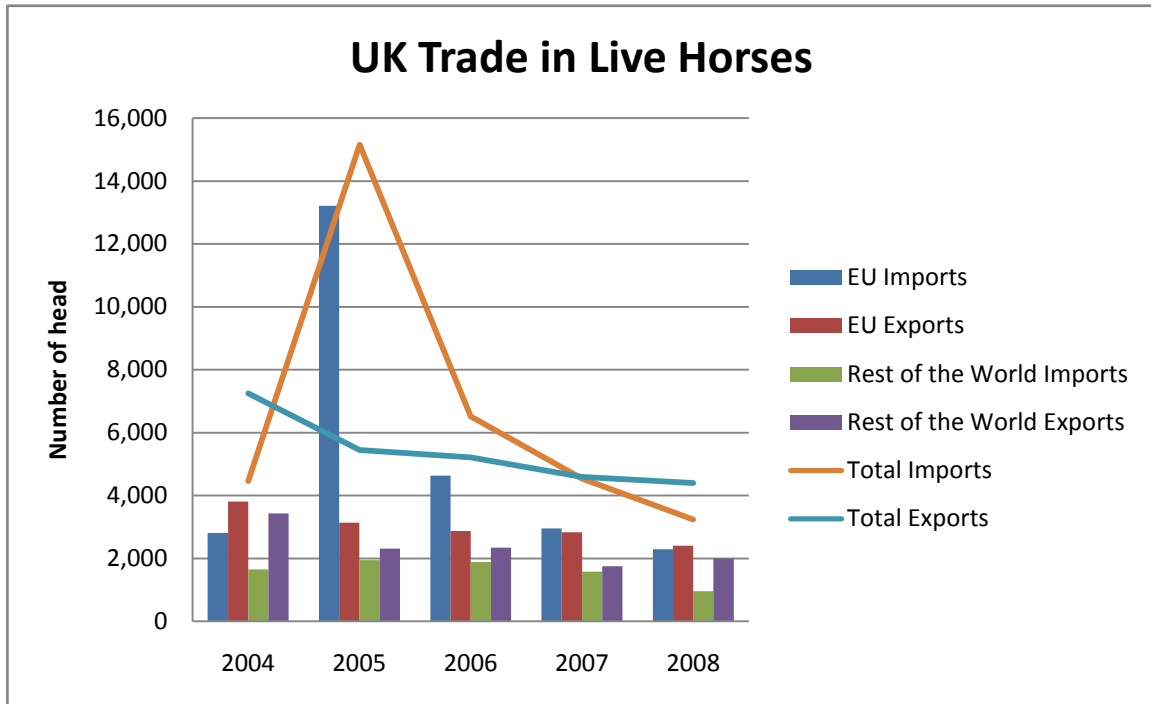
¹⁷ <http://www.bhic.co.uk/downloads/sizescope.pdf>, June 2009

UK trade in live horses, asses, mules and hinnies; 2004 - 2011																				
Flow	Type	Com Description	EU/Non EU	2004		2005		2006		2007		2008		2009		2010		2011		
				(£000s)	No. of Head	(£000s)	No. of Head	(£000s)	No. of Head	(£000s)	No. of Head	(£000s)	No. of Head	(£000s)	No. of Head	(£000s)	No. of Head	(£000s)	No. of Head	
Imports	Live horses	Live horses: pure bred breeding animals	EU	149,565	2208	147,607	2106	208,066	2657	226,672	2606	207,989	2165	212,492	16638	215,726	2387	212,558	5542	
			Non EU	168,948	908	236,536	1278	236,162	1319	159,304	986	118,431	721	105,896	663	101,573	583	42,029	257	
		Live horses: nes	EU	463	331	25	47					0	0							
			Non EU	3,579	509	4,559	11036	3,125	1924	4,349	270	1,823	17	2,100	539	1,073	16	2,622	39	
	Live mules, asses and hinnies	Pure bred breeding asses, mules and hinnies	EU	921	47	932	11	8	0	352	6	14	19			6	8	230	1	
			Non EU	32	6	45	8	590	35	35	70	240	90	3	6	6	3			
		Mules and hinnies	EU	38	1			0	3	7	5574	15	196	3	2					
			Non EU							1	1	7	1							
		Asses	EU			1	2	3	19			0	1							
			Non EU									11	24						4	5
Imports Total				327,549	4506	395,646	14887	455,837	6302	400,764	9727	331,663	3321	321,596	17899	321,097	3079	259,018	5928	
Exports	Live horses	Live horses: pure bred breeding animals	EU	131,105	1634	140,247	2335	138,662	2215	186,027	2350	178,544	1948	178,836	1648	148,813	1721	159,005	1826	
			Non EU	141,309	2292	159,078	1088	126,624	1021	138,873	744	136,231	1127	135,946	866	76,300	411	83,316	674	
		Live horses: nes	EU	857	560	538	369	802	223	63	56	520	112	356	47	483	185	837	180	
			Non EU	11,624	508	10,618	434	8,919	443	6,333	308	8,321	204	13,052	427	18,732	335	18,035	380	
	Live mules, asses and hinnies	Pure bred breeding asses, mules and hinnies	EU	28	0					3	30							12	1	
			Non EU	137	26	126	5	132	29	88	17	726	6255	191	659	285	2560	28	0	
		Mules and hinnies	EU			0	0	76	576	2	428									
			Non EU	3	1					3	1	58	3	38	6	27	1			
Asses	EU																			
	Non EU					3	1	49	19											
Exports Total				285,064	5021	310,608	4231	275,218	4508	331,441	3953	324,413	9649	328,419	3653	244,640	5213	261,233	3061	
© Crown Copyright																				
Source: HM Revenue and Customs																				
Data prepared by Trade Statistics, Economics and Statistics Programme, DEFRA																				
2011 data is subject to amendments																				
EU data based on EU 27																				

Table 1: Horse trade in the UK

13. As shown in graph 1, exports and imports of live horses have been decreasing since 2005, although exports have been decreasing at a slower rate.

Graph 1

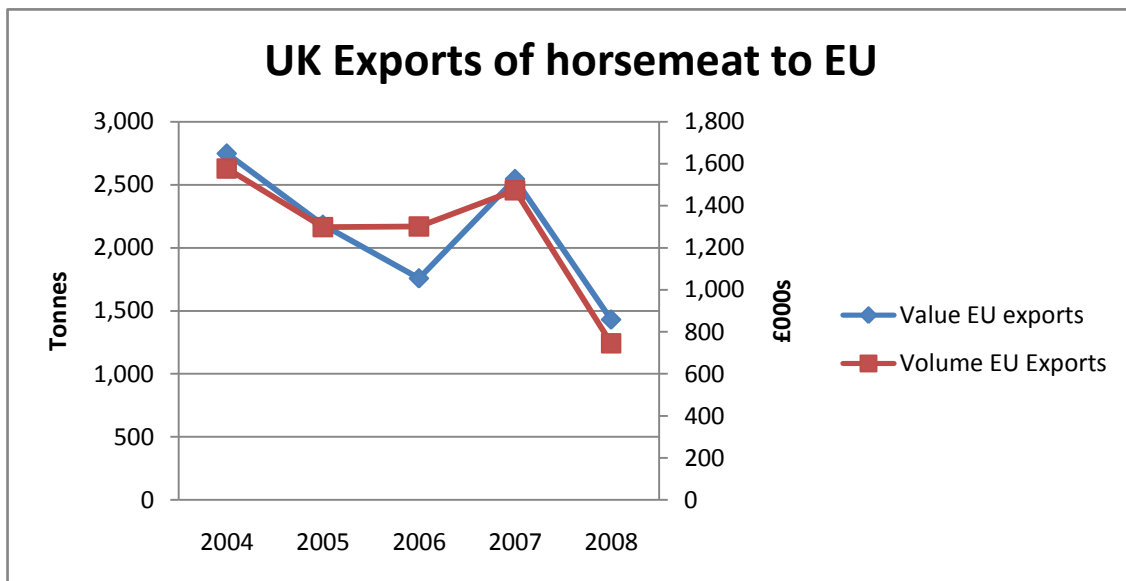


14. In addition, over the past few years the UK has occasionally traded live horses for slaughter. The volume of this trade is relatively smaller: 1 tonne exported (all in 2005), and 245 tonnes imported (217 in 2004, 28 in 2005).
15. There is also a small amount of trade in donkeys (asses), mules and hinnies (cross-breed between horses and donkeys). Between 2005 and 2008, 47 donkeys were imported and 20 were exported. The main trading market was the rest of the world. In addition, 5,776 mules and hinnies were imported and 1,848 were exported between 2005 and July 2009. The export market was split almost equally between EU and the rest of the world, but the EU was the main market for imports. H M Revenue and Customs estimate that the total value of imports and exports were £45,000 and £205,000 respectively.¹ These figures may underestimate slightly the total volume and value of trade in live donkeys, mules and hinnies.

Horsemeat

16. Approximately 4200 horses are slaughtered in the UK each year for human consumption. In 2007, approximately 1,473 tonnes of horsemeat was exported to the EU in 2007, with a value of about £2.5 million. From graph 2 there does not appear to be any consistent trend in horsemeat exports over the past few years.

Graph 2



Source: H M Revenue and Customs, July 2008 □ Crown Copyright

17. Over the same period of time the average horsemeat price was £1,684 per tonne and there does not seem to be a consistent trend in this price. Within the EU, the main market for horsemeat is France: in 2007 the value of horsemeat exported to France was £2.48 million (97% total EU horsemeat exports). Finland, Greece, the Irish Republic and Latvia are also export markets.
18. There is a very small market for horsemeat in the UK. This means that a closure of the export market for horsemeat following an animal disease outbreak might cause UK horsemeat producers to lose all this revenue as horsemeat cannot be absorbed on the domestic market. This highlights the importance of maintaining high animal health standards in order to prevent and contain economic damage associated with a disease outbreak.

¹ Source: H M Revenue and Customs, October 2009.

Sub-sectors and economic activity

Agriculture

19. The June 2008 Agricultural and Horticultural Survey estimated that there were approximately 283,000 horses on agricultural holdings in England in June 2008. This represents a 4% fall from June 2007.
20. Horses are also used in agricultural and country shows. The Association of Show and Agricultural Organisations estimate that around 6 million people attend these shows annually.² The majority of these shows contain equestrian activities, of which many are solely equestrian based.

Horse riding

21. There are around 4.3 million riders in Great Britain, accounting for over 7% of the population, and the number of people involved in horse riding is increasing. Over 2 million of these ride at least once a month and horse riders are drawn from all sectors of the community. There is an equal split between urban and rural riders, although the activity is primarily rural based.
22. Excluding horseracing, the total expenditure within the equestrian sector is approximately £4.6 billion per annum. This includes direct spend on keeping horses, riding lessons plus the value of indirect expenditure on associated products by and for rider. In 2006, the average selling price of riding horses in the UK was £2,150.³ (This excludes around 15,000 racehorses and other high value breeding animals).
23. These figures do not include expenditure in areas such as equestrian events, for which the leading British three day events have a combined annual turnover of over £6 million. In 2007, there were 84,100 sporting horses (excluding horse racing), as shown in the following table, and a further 52,000 horses whose primary use was hunting.⁴

Table 2: Primary use of sporting horses

Sporting horse by sector	Horse Trials	Show Jumping	Dressage	Hunting
Number of horses	7,800	17,900	6,400	52,000 (a)

Source: British Horse Industry Confederation, 2007 –

(a) Excludes an additional 169,000 horses used for hunting in addition to other activities

24. There are an estimated 19,000 businesses active in the equestrian sector, providing over 28,000 full time jobs. These businesses include 1000 licensed riding schools, 800 livery yards (typically housing 10-40 horses), 2600 registered farriers with an additional 451 approved farrier apprentices in training,⁵ and 1,000 saddlers/harness makers.⁶

² <http://www.asao.co.uk/>, October 2009

³ British Equine Trade Association, National Equestrian Survey, 2006. This was calculated from a sample of 828 horse owners.

⁴ British Horse Industry Confederation, 2007

⁵ The Farriers Registration Council, September 2009. In addition to the 2600 registered farriers there are an additional 79 farriers registered but not entitled to practice for trade or reward.

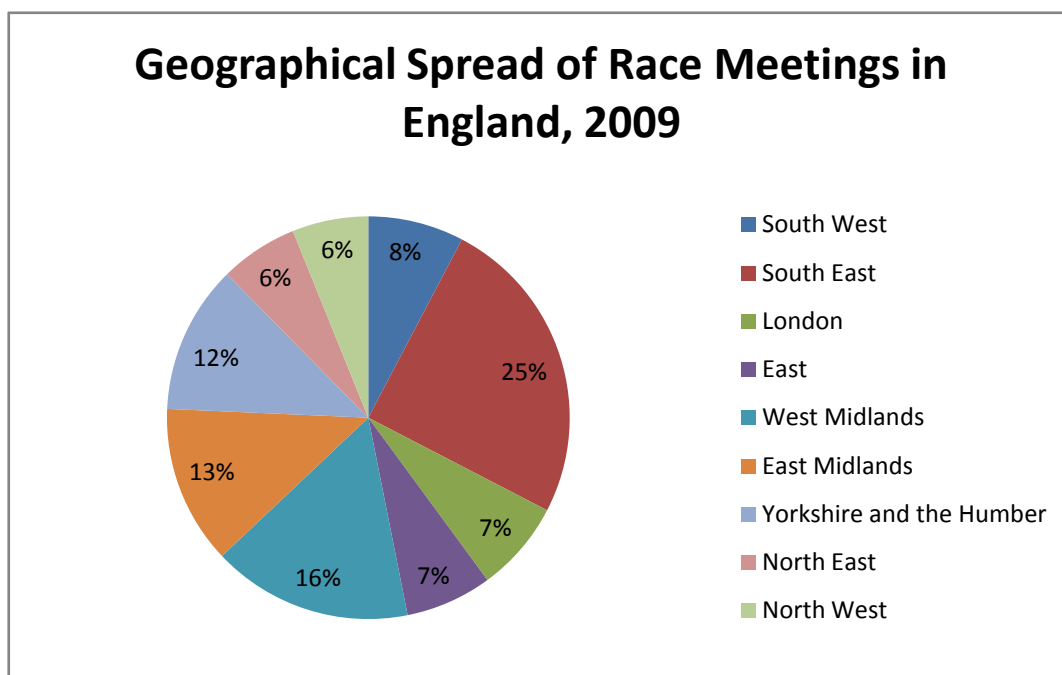
⁶ <http://www.homeofrestforhorses.co.uk/News2007/Facts--Figures-of-the-UK-Equine-Industry/> October, 2009

25. Within the equestrian trade there are nearly 5,000 businesses providing over 20,000 direct full time jobs. These businesses include retailers, manufacturers and wholesalers of equestrian supplies and are predominantly rural based.

Horseracing

26. Horseracing is Great Britain's second most popular spectator sport after football, with 5.7 million race goers and a total economic impact of £3.7 billion in 2008. Approximately 1,300 race meetings are held annually in England at 51 racecourses. From Diagram 3, race meetings were held throughout England and 25% of all race meetings were in the South East in 2009.

Diagram 3



Source: The Racecourse Association,⁷ October 2009

27. Horseracing industry statistics are not available for England alone, so those for Great Britain have been presented. As a guideline, 85% of British racecourses are and the four main training centres are located in England.
28. Estimates of the number of horses involved in racing in Great Britain vary, but on average 15,349 horses were in training in 2008. This represents an increase of 16% since 2002, and 5% from 2005. Weatherbys estimated that over 25,000 horses were in training at some point during 2008 (excluding 3,750 Point-to-Point horses) and 18,000 British trained horses competed this year. The differences are due to the natural flow of horse in and out of the industry, injuries and younger horses which have not started racing.⁸
29. There are a significant number of breeding horses in Great Britain. In 2008 there were 10,740 broodmares, 345 stallions and 5,920 foals were produced. There are

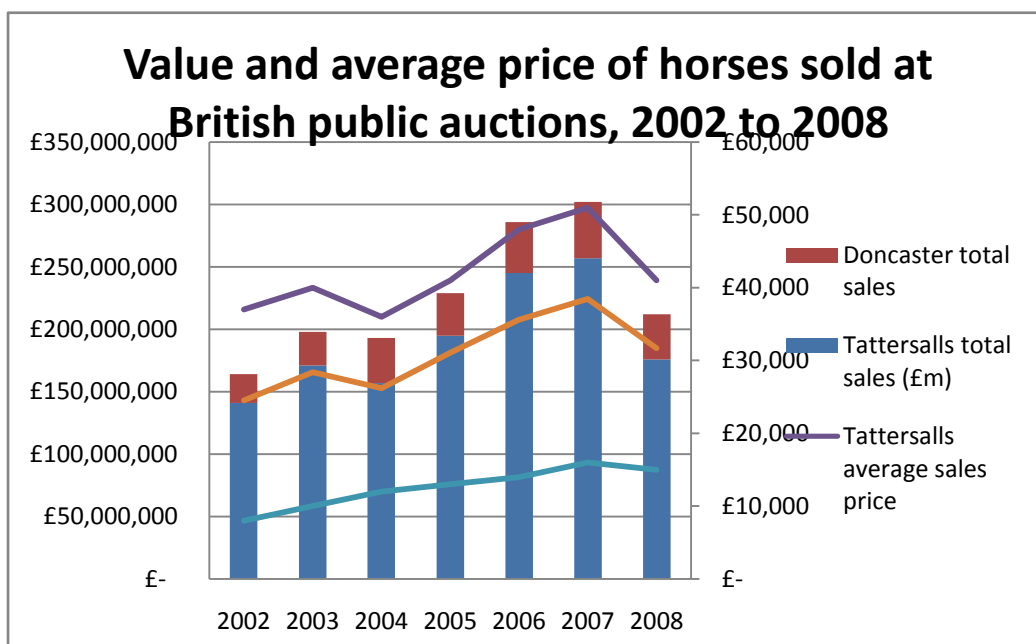
⁷ http://www.britishracecourses.org/course_list.php, October 2009

⁸ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

approximately 300 full-time stud farms and an additional 4,400 part-time breeders who only own broodmares.⁹

30. The average price of a racehorse, sold at Tattersalls and Doncaster Bloodstock Sales in 2008 was £32,000. From graph 3, between 2002 and 2007 the value of total horse sales rose by 84% and the average horse price rose 57%. The fall in total sales and the average price in 2008 have been attributed to the global economic downturn.

Graph 3



Source: BHA/Deloitte Economic Impact of British Racing; Tattersalls; Doncaster Bloodstock sales¹⁰

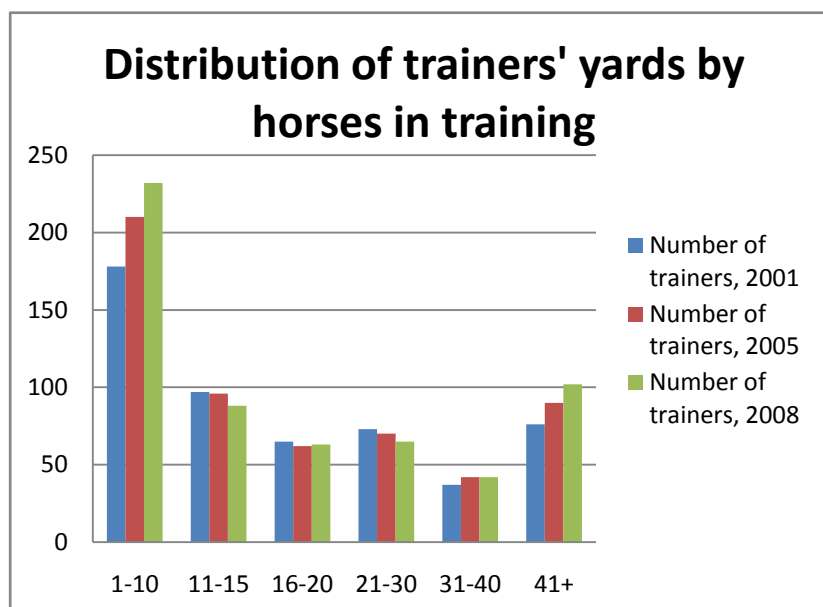
31. In 2008, there were 9,539 recorded owners of racehorses which 6,994 (73%) were involved in some sort of shared ownership arrangement. An estimated further 30,000 are involved in partnerships and ownership clubs. Around 80% of owners own 1-2 horses; but the number of owners with more than 20 horse is increasing and was 92 in April 2009 (44% increase from 2006).¹¹
32. There are 592 licensed trainers' yards, with an additional 126 permit holders and 276 trainers of hunter chasers in 2008. Trainers are concentrated around Newmarket in Suffolk, Lambourn in Berkshire, and Middleham and Malton in North Yorkshire. The following graph shows the disaggregation of licensed trainers' yards by size since 2001.

⁹ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

¹⁰ These figures include overseas horses sold in Great Britain, as horse nationality is not identified in the auction house statistics. They exclude private sales for which data is unavailable. Private sales have declined in recent years but generally account for significantly lower total sales but have a higher average price.

¹¹ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

Graph 4



Source: BHA/Deloitte Economic Impact of British Racing, September 2009

33. The increasing concentration of trainers' yards and the growing number of large yards has important implications in terms of animal health risks. Large scale trainers generally tend to have a greater capacity to exploit cost efficiencies, and on the basis of their more substantial financial and capital resources, more likely to be capable of adopting and implementing higher biosecurity standards. Nonetheless, in the event of an outbreak occurring on such trainers' yards, they could be exposed to a higher risk of the disease spreading due to the concentrated nature of production.
34. The BHA/Deloitte Impact of British Racing study estimated that in 2008 total expenditure related to horseracing in Great Britain was £3.71 billion. This is divided into core industry expenditure (racing consumers, betting, trainers, owners, and breeders) which accounted for £1.046 billion of total expenditure, an increase of 20% from 2005; and £2.342 billion of secondary expenditure.¹² The compound annual growth rate of expenditure in the horseracing industry was 6.3% per annum.¹³
35. The contribution of the horseracing industry to the British economy can be estimated by isolating businesses' profits and wages to obtain the gross value added (GVA). In 2008, the total GVA was around £1.73 billion, of which approximately £474 million was from core industry activities.¹⁴
36. In 2008, British racecourse revenues totalled £456 million. 3 firms (Jockey Club Racecourse, Arena Leisure and Northern Racing) accounted for 58% of these revenues, which were generated by 30 racecourses (28 in England, 2 in Wales). Racecourses made significant capital expenditure over the 5 years to 2008 to improve racecourse

¹² This can be divided into £222 million of off-course activity by racegoers and £2.12 billion of expenditure generated in the wider economy as a result of the initial expenditure.

¹³ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

¹⁴ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

facilities, approximately £560 million in total. This represents 80% of total capital expenditure in the racing industry during the period.

37. Horseracing has important economic links with the betting industry, with the gross win from for the horseracing betting industry since 2002 exceeding £7.5 billion. 10% of this is redistributed to racing through a statutory Levy.¹⁵ However, the relative economic impact of this subsector has been diminishing since the 1990s as off-shore betting has increased and bookmakers have diversified their betting product away from horseracing. This is illustrated by the fall in British horseracing's proportion of the British betting industry's gross win as fallen from a peak of 45% in 2003/04 to 28% in 2008/09.¹⁶
38. Employment in the core British horseracing industry is approximately 18,600 full-time equivalent jobs - 14,000 full time jobs, 8,000 part time jobs and 2,500 full-time equivalent jobs from raceday activities. Together, breeding and training employ the largest proportion – around 9,500 full-time and 7,400 part-time employees. In addition, secondary activities (excluding the betting industry) employ approximately 29,500 people, of which 2,800 work in activities directly related to horseracing (vets, farriers etc.). The total British betting industry employs 52,000 full-time equivalent jobs, although data is not available for the proportion of these solely dedicated to horseracing.
39. Point-to-Point horseracing, amateur horseracing for hunting horses, is a subsector of the British horseracing industry. There are around 200 meetings at 117 courses and in 2008 approximately 3,750 horses were involved in Point-to-Point horseracing. These race meetings were attended by around 630,000 people. The average cost of owning a Point-to-Point horse is £6,000 and in total direct expenditure by the subsector was £30 million in 2008.

General Implications for Exotic Disease Risk

40. The structure of the equine industry in England has important implications in terms of exotic animal disease risks.
41. Information about the specific geographical distribution of horses across England has not been obtainable. However, the geographical spread of horses on registered holdings is relatively even throughout England and riding schools and livery yards are located throughout England. Within the horseracing industry there are increased concentrations of horses around the four main training areas. The implication for exotic animal diseases is that in the event of a disease outbreak there is a risk of the disease spreading in every region; but if an outbreak occurred in one of training areas, they could be exposed to a higher risk of the disease spreading due to the concentrated nature of their premises.
42. The horseracing industry (including point-to-point racing) and sporting horses contribute a sizeable proportion of the total economic impact of the equine industry. These sub-sectors are particularly relevant to exotics animal disease risks as there is a higher propensity for horses to engage in extensive long-range movements¹⁷. This means that in the event of a disease outbreak there may be an increased risk of disease spreading. In addition, potential movement controls may cause a loss of revenue for the affected sectors although this would depend on the size and length of movement controls.

¹⁵ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

¹⁶ BHA/Deloitte Economic Impact of British Racing 2009, September 2009

¹⁷ Information about the movement of horses around England is currently unavailable, but a research project mapping these movements is being carried out in 2010 and 2011 by Glasgow University.

Nonetheless, the larger scale stakeholders within this sector may have more substantial financial and capital resources, which mean they are more likely to be capable of adopting and implementing higher biosecurity standards.