

# **Environment, Planning and Countryside Committee**

## **EPC(2) 04-06(p5)**

### **The Cattle Compensation (Wales) Order 2006**

#### **Purpose**

At the request of the Business Committee, this paper brings the above Order to the attention of Members of the Environment, Planning and Countryside Committee.

#### **Background**

At present, the level of compensation for notifiable animal diseases is, to some extent, dependent on the nature of the disease and the disease status of the animal. It does not in all cases reflect full market value. This has resulted in fragmented and inequitable compensation payments. Under some compensation schemes, e.g. for BSE (for some suspects and beef animals), the level of compensation may be less than the animal's actual market value, while under other schemes, such as bovine TB, reliance on valuations of individual animals before slaughter has sometimes resulted in compensation payments which significantly exceed the market value of the animals.

For TB, the evidence for above-market-value compensation is extensive. It includes the National Audit Office (NAO) (Wales) report on TB compensation in Wales which noted that compensation in 2002 was at least 50% higher than the underlying market value for both commercial and pedigree animals, and in some cases 100% higher. Further evidence has come from Defra internal audits in England. TB compensation costs for 2004/05 totalled £9.8 million for Wales and there is increasing pressure to ensure that compensation paid to farmers is in closer alignment with prevailing market prices.

The current system, which requires on-site valuation of cattle, also affects the efficiency of disease control measures. Delays in removing infected animals may be caused by the need to arrange and agree individual valuations. Increasing the efficiency and speed of settling compensation will help to reduce the spread of disease. It will also reduce the risk of animals dying before a valuation could be carried out (in such cases farmers receive no compensation). For BSE compensation, the new arrangement will ensure that farmers will receive compensation which is based on the same category of animal as that which has been slaughtered. This should address the problems seen recently with under-compensation of good quality beef cattle.

#### **Consultation**

The Assembly Government issued a consultation document in November 2004 outlining proposals for a new cattle compensation system using table valuations. Defra and the Scottish Executive consulted separately on similar lines. The consultation in Wales closed on 31 December 2004. In light of the responses received, the Welsh Assembly Government Minister for Environment, Planning and Countryside decided that the introduction of a new cattle compensation system should be deferred until more robust market price information was available and to address industry concerns about the proposed cattle categories. Following this further work, including increasing the number of categories from 29 to 47, the Assembly Government announced on 15 December 2005 that it had decided to introduce a new cattle compensation system in Wales using table valuations.

## **Legislation**

**The new system will be introduced in respect of bovine TB, Brucellosis and Enzootic Bovine Leukosis by way of subordinate legislation in the form of the Cattle Compensation (Wales) Order 2006. The new system in respect of BSE will be introduced via the TSE (Wales) Regulations 2006. Defra introduced the new cattle compensation system using table valuations in respect of bovine TB, Brucellosis and Enzootic Bovine Leukosis in England on 1 February 2006 and will introduce the new system for BSE by way of separate subordinate legislation at a later date.**

## **Financial Implications**

A Regulatory Assessment (RA) has been prepared which sets out the costs and benefits associated with each of the 3 options considered. For option 2 of the RA – table values for all cattle categories with compensation rates for commercial and pedigree cattle to be published monthly - there would be an estimated reduction in compensation payments and a consequent redistribution of income from farmers to taxpayers of between £3.3m and £4.7m per annum (based on 2004 figures). The costs of procuring the sales data and those associated with informing the industry of the change in the compensation system will mainly fall to Defra and the State Veterinary Service.

## **Press and Publicity**

Publicity for the new cattle compensation system using table valuations in Wales will build on and utilise that already in place by Defra and the State Veterinary Service for the earlier introduction of the system in England. Specific Wales publicity arrangements will include the Welsh Assembly Government GWLAD magazine, which is circulated to farmers in Wales on a monthly basis.

## **Compliance**

The Order is to be made under sections 32(3) and section 34(7) of the Animal Health Act 1981. Responsibility for issues relating to the contents of the Order has been delegated to the portfolio of the

Minister for Environment, Planning and Countryside. The policies supporting the Order are consistent with the Government strategic framework for the sustainable control of bovine tuberculosis and with the aim of rationalising compensation for notifiable disease control. There are no issues of regularity or propriety.

**Carwyn Jones AM**  
**Minister for Environment, Planning and Countryside**