

Regulatory Triage Assessment

Title of regulatory proposal	Changes to cattle measures controlling Bovine TB
Lead Department/Agency	Defra
Expected date of implementation	Spring/Summer 2018
Origin	Domestic
Date	17.07.2017
Lead Departmental Contact	carol.hawke@defra.gsi.gov.uk
Departmental Triage Assessment	Low-cost regulation (fast track)

Rationale for intervention and intended effects

In England owners of beef or dairy cattle herds, Approved Finishing Units (AFUs) and auction markets are required to undertake TB testing and/or comply with specified bio-security 'rules' under existing legislation provided by the Tuberculosis (England) Order 2014. Other than a relatively small number of private pre and post-movement tests (which are paid for by herd-owners) government currently pays for all surveillance testing in England.

Where farms voluntarily engage in business practices that increase the risk of disease spread (e.g. by regularly sourcing cattle from high TB risk herds) they currently face no additional costs for doing so.

TB testing and other control measures address a market failure caused by the under provision of disease freedom in the free market. They provide a requirement for farmers to regularly test their cattle (paid for by Defra) for TB and to apply certain controls, thus preventing individual businesses to free ride on the disease control efforts of others. However, there is scope for improving the provisions of the Tuberculosis (England) Order 2014 to enhance disease control benefits through passing on the testing costs generated by businesses who engage in riskier business practices.

Introducing on-site private accredited vet assessments in specific circumstances provide a more reliable set of information on which government can approve risk based business applications for operating licences in the High Risk Area (HRA). This will reduce the current risk associated with making decisions based on incomplete information. It will better ensure major biosecurity risks are identified and resolved thereby reducing the likelihood of future TB breakdowns.

Viable policy options (including alternatives to regulation)

Policy Option 1: Do Nothing

Policy Option 2: A package of limited cost sharing Cattle Measures for farms engaging in risky behaviour

- Dairy farmers in the Low Risk Area (LRA) that produce raw/ unpasteurised milk for human consumption to pay for routine surveillance testing.
- Make the keepers of wild/untestable cattle meet the necessary slaughter costs.
- Increase the maximum time period that in-calf TB test positive animals can stay on farm from 28 days to 2 months, subject to privately organised and accredited on farm isolation facility approval and frequent inspections. With the veterinary costs met by the herd owner.
- Introduce an enhanced Veterinary Risk Assessment (VRA) to inform decisions on whether to permit the restocking of TB breakdown herds. Specifically, the herd-owner to be required to engage (and pay for) an accredited private vet to complete an assessment (including a visit to the holding) to support the VRA completed by APHA.
- Require assessment reports from accredited private vets to inform APHA decisions on whether to approve TB restricted auction markets, to be paid for by the market operator
- Decisions on applications for new AFUs to be informed, in part, by a VRA completed by an accredited private vet, paid for by the prospective AFU operator.
- Pass the cost of surveillance testing in grazing Approved Finishing Units (gAFU) from government to AFU operator.
- No longer award licences for Red Markets in the Low Risk Area.
- Cleansing and Disinfection notices to include requirements to control Bovine TB infection through the spreading of slurry

Initial Assessment of Business Impact

The total impact of the package of measures outlined in option 2 in terms of increased annual cost to business is estimated at **£613,000** p.a. This can be split into three groups, new costs, costs transferred from Defra to farmers and benefits to farmers.

New costs: £412,700

- Requiring a private vet report for herds restocking after a breakdown: £340,400
- Requiring a private vet report to inform granting licences for TB restricted markets: £6,600
- Decisions on applications for new AFUs and yearly AFU audits to be informed, in part, by a site visit completed by an accredited private vet, paid for by the AFU operator: £65,500
- Stop awarding licences for Red Markets in the Low Risk Area: *Unable to estimate.*
- Cleansing and Disinfection notices to include requirements to control Bovine TB infection through the spreading of slurry: *Unable to estimate.*

Transfer of costs from Defra to Business £200,825

- Farms producing unpasteurised milk for human consumption in the LRA to

pay for surveillance testing: £29,325

- The keepers of wild and untestable cattle to pay for their animals' slaughter: £8,000
- Pass the cost of surveillance testing in gAFUs from government to AFU operator: £163,500

Benefits to Business: *Unable to estimate*

- Increase how long in-calf reactors are allowed to be kept on farm from 28 days to 60 days: *Unable to estimate*

One-in, Three-out status

This is a qualifying regulatory provision under the BIT. The cost to business of Option 2 (the preferred option) is estimated to be £0.613m a year. Using the EADNCB cost calculator the EANDBC is £0.6m and the business NPV is -£5.28m.

Rationale for Triage rating

The measure is low cost and will fall well below the £1m (gross per annum) threshold for Fast Track approval.

Departmental signoff (SCS):

Economist signoff (*senior analyst*):

Better Regulation Unit signoff:

Assessment of Business Impact for Cattle Measures in Option 2

Dairy farmers in LRA that produce raw/ unpasteurised milk for human consumption to pay for their routine surveillance testing

Farms can sell unpasteurised milk and cream under a licence from the Food Standards Agency. Pasteurisation has been extremely important in reducing the human health risk of TB, as the process effectively removes it from dairy products. As an additional safety precaution, milk from infected animals cannot be sold even with pasteurisation. Farms producing raw milk in the LRA are surveillance tested annually (rather than every four years) to reflect the increased risk associated with the public health risks posed by unpasteurised milk from TB infected cattle. Farms in the HRA or Edge areas are tested annually so do not face any increase in testing if they are licenced to sell unpasteurised dairy products.

Passing on the surveillance testing costs to farms producing raw milk will shift the increased cost of risky behaviour from the government to the business operator. There are currently 65 farms producing raw milk in the LRA¹ (FSA published list of farms) with an average testing cost of £601 per farm (the average herd size of these 65 farms is 220). The total cost passed to farmers for testing is therefore estimated to be £39,100².

For equality purposes, the government will provide funding for one test every four years. This equates to a cost of £29,325 p.a. to industry. The remaining cost of £9,775 p.a. will be financed through government funding.

Estimated cost to industry: £29,325 p.a.

Introduce new private veterinary assessment of restocking TB breakdown herds to be completed by accredited private vets following a visit to the holding in order to apply for a restocking licence. Only one assessment is required per breakdown. The cost should be paid for by the herd owner.

Following a breakdown a herd owner may be allowed the option to bring in replacement cattle (i.e. re-stock) following the first Short Interval Test (SIT)³. Bringing in new cattle from an uninfected herd to an infected herd represents an increased disease risk. This disease risk is managed by an assessment of the scale and extent of the TB breakdown and an assessment of the farm to ensure adequate measures are in place to reduce the risk of infection being passed to the new cattle. Currently a desk based Veterinary Risk Assessment (VRA) completed by APHA is required before restocking can begin, but the lack of a farm visit in the current system means that the assessment may not fully reflect the true level of risk. This is an informational failure which can lead to applications to restock being approved despite required precautions not being taken on site.

¹ The FSA publishes a list of all farms licenced to produce raw milk: <https://www.food.gov.uk/science/raw-drinking-milk-and-cream>

² Rounded up from £39,065

³ A Short Interval Test is conducted every 60 days on a farm following a breakdown (which occurs when at least one animal tests positive for bTB). Once a farm passes two SITs in a row it is considered TB free and movement restrictions are lifted.

Having an accredited private vet carry out an assessment on site will overcome this information failure by enabling APHA to make more informed restocking decisions. This will reduce the risk that cattle are brought into a breakdown herd and subsequently become infected.

The cost of a private assessment should be met by the herd owner because by choosing to restock before being declared TB free they are knowingly engaging in a more risky business practice that may spread the disease. The herd owners doing this should therefore share some of the cost of assessing the risk posed by bringing in non-restricted cattle.

In 2016 APHA data showed there were 1,922 herds that restocked while under TB restrictions. This included 2520 herds classed as “persistent breakdowns” (those that have been restricted for more than 18 months). Only one private vet assessment will be required per breakdown so these persistent breakdowns would not be affected. This policy will therefore affect an estimated 1,702 farm businesses⁴. Based on veterinary estimates we estimate the average cost of an assessment by an accredited private vet would be £200. During this consultation we are asking for input on this estimate so we can accurately determine a market average. Our current best estimate of the cost to business of this proposal is £340,400 per annum.

Estimated cost to industry: £340,400 p.a.

Introduce reports from accredited private vets as a required measure for APHA to approve TB restricted auction markets and collection centres, to be paid for by the market operator

A TB restricted auction market is a market licenced by APHA where farmers can sell cattle from herds currently under TB restrictions i.e. experiencing a TB breakdown. Other than direct to slaughter these cattle cannot be sold through any other means until the restrictions on the herd are lifted.

The bTB control risks posed by slaughter gatherings for the sale of TB-restricted Cattle are two-fold. Firstly, the risk of infection from undetected infected cattle from TB-Breakdown herds moving into new herds and spreading disease. Secondly the spread of TB from restricted herds to unrestricted herds through a number of vectors (close contact between cattle, indirect contact via surfaces that are not properly disinfected, etc.).

Currently APHA require a desk based assessment of risk be completed before approving restricted markets. This is largely based on forms filled in by the market operators. The addition of a report from an accredited private vet will provide a greater level of information and allow APHA to make a more accurate assessment of risk. This will result in approval not being given where guidance has not been followed for a restricted auction (where otherwise it might have been) and lower the disease risk associated with these markets. The market operator can take steps to ensure the appropriate guidance has been followed and so operate a market with lower disease risk.

⁴ (1,922 herds restocking – 220 persistent breakdowns = 1,702 herds that would need to pay for a private veterinary assessment)

The cost of this report should be borne by the market operator as they are choosing to operate a riskier market and so should bear the associated cost of doing so. In situations where infection is spread as a result of disease risks not being properly handled the market operator would not incur this cost despite causing it, creating a negative externality.

APHA data shows there are currently 33 TB restricted auction markets and collection centres in England. Assuming a cost of £200 for a private vet report the cost to industry would be around £6,600. During this consultation we are asking for input on the estimated cost of a private vet report so we can accurately determine a market average.

Estimated cost to industry: £6,600 p.a.

The cost of an on-site assessment from an accredited vet for Approved Finishing Units (AFUS) to be passed from APHA to the AFU operator. These assessments are carried out at initial approval stage and annually thereafter.

AFUs provide a route for cattle keepers to fatten or finish animals from both TB restricted and unrestricted farms. Due to gathering cattle from TB restricted farms in one place AFUs pose a serious infection risk and as such are subject to strict biosecurity requirements and annual TB testing⁵. AFUs are approved and licenced by APHA. Currently AFU licences are granted with an onsite assessment conducted by an APHA vet, and are then assessed annually to ensure compliance with AFU biosecurity regulations. Defra is proposing that assessments from an APHA vet will be replaced by assessments from accredited private vets paid for by the AFU operator.

The cost of these reports should be borne by the AFU operators as they are choosing to operate a riskier business model and so should bear some of the associated cost of doing so. In situations where infection is spread as a result of disease risks not being properly handled the market operator would not incur this cost despite causing it, creating a negative externality.

The number of total AFUs is falling due to grazing AFUs (gAFUs) being phased out in areas where badger control is active. There are currently 306 AFUs listed on the TB Hub⁶, of which 87 are grazing AFUs. Assuming the average number of AFUs over the first 5 years of the appraisal period is 306, falling to 263 as badger control is rolled out (based on plans to expand cull areas), and the cost of a private veterinary inspection is £200, the cost to AFUs would be approximately £61,200 a year for the first five years and then £52,600 a year for the subsequent 5 years (average of £56,900 annually over 10 years).

The number of AFU applications is also falling; there were 43 AFU applications in 2016, down from 61 in 2013 and falling steadily (Table 1).

Table 1: AFU applications

Year	AFU applications
2013	61
2014	54
2015	47
2016	43

⁵ <http://www.tbhub.co.uk/guidance/trading-and-movement/approved-finishing-units-afus/>

⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/614744/bovine-tb-afu.pdf

Assuming a cost of £200 for a private vet report the cost to industry would be £8,600 for new AFU applications. Combined with the inspection costs for existing AFUs discussed above the total cost would be £65,500. This is a worst case scenario as AFU applications are expected to continue to fall as Badger Control is expanded.

Estimated cost to industry: £65,500 p.a.

Make the keeper of wild/untestable cattle pay the slaughter costs

In a small number of cases some cattle keepers are not able to control their animals and do not cooperate with APHA to allow TB testing. In these situations there is a risk that cattle keepers will see the TB slaughter order as an 'exit strategy' to get rid of these animals at no cost to them. Additionally the costs of slaughter to APHA can be disproportionately high due to case management and manpower requirements.

In these cases the cattle keeper should meet the slaughter costs for these cattle themselves. This will provide an incentive to keepers to control their cattle and avoid risk to the general taxpayer of subsidising poor cattle keeping practices.

Since 2014 APHA have slaughtered wild/untestable cattle in 3 cases. The most expensive of these cases that APHA had to deal with cost the taxpayer an estimated £8,000. The other cases have been smaller and have cost APHA around £200 each to deal with. Assuming the max cost of £8,000 per incident as an average (a very pessimistic assumption but required due to uncertainty in calculating costs) and the average of one incident per year the cost saving for APHA would be £8,000 per year. In the worst case scenario all of these costs will be transferred to the cattle keepers, but the department would expect a change in behaviour due to the introduction of these charges and so the actual cost faced to be much lower.

Estimated cost to industry: £8,000 p.a.

Increase the maximum time period that in-calf reactors can stay on farm from 28 days to 60 days, subject to privately organised and accredited on farm isolation facility approval and frequent inspections

When a reactor is identified which is in-calf currently farmers are only able to keep the animal for the standard 28 days, after which it will be culled. If the animal has not given birth before this time the calf will be lost.

The department is proposing to give farmers the option of keeping the animal for up to 60 days if the calf is expected to be due in that time period, subject to strict biosecurity requirements. This will benefit the farmer as they will be able to keep any calves that otherwise would have been culled. Reactors in-calf when diagnosed do not receive any extra compensation so there is an incentive for farmers to try and keep the calf. Additionally the calf may be of high genetic potential and so desirable for the farmer to keep.

Keeping infected animals on the farm for over twice as long as is currently allowed presents a significant infection risk so strict isolation and biosecurity procedures will need to be followed.

Taking advantage of this will require a licence from APHA, subject to having a secure isolation facility that meets the standards required. During the isolation period the facility will require weekly inspection by an accredited private vet with the costs met by the keeper. Any milk from the infected animal will need to be either destroyed or heat treated and fed to animals on the same farm.

This is an optional tool farmers can take advantage of when it benefits them and so will impose no cost to business. It is not possible to estimate the benefit to business as it depends on both uptake and the cost of providing the isolation unit to farmers (and potentially for extending a breakdown due to a delayed SI test), but the result will be a net-benefit to farmers. Farmers will only choose to use this power if it offers them private value for money.

Estimated benefit to industry: Unable to estimate.

Pass the cost of surveillance testing in grazing Approved Finishing Units (AFUs) from government to AFU operator

Approved Finishing Units with grazing (gAFUs) are permitted to source cattle from TB restricted herds and can continue to re-stock when TB is disclosed in their herd. gAFUs represent an increased disease risk compared to a normal farm as they can buy cattle from infected herds and keep them together in the same place. To minimise the risk of TB transmission to local wildlife or neighbouring cattle gAFU herds are TB tested every 90 days, at the general taxpayers' expense.

By operating an AFU the owner is engaging in a business practice that generates a higher risk of disease spread than other farms. However the cost of the required extra testing to offset this falls not on the owner but on the taxpayer. The AFU operator is generating a social cost that is greater than the private cost of operating the business. Shifting the cost of testing to the AFU operator will be a more equitable sharing of the costs generated by a business model which requires additional TB testing.

APHA data shows for the 12 months up to October 2016 there were 96 gAFUs and the cost to Defra for surveillance testing was £218,000. The annual testing cost for 36 operators was between £1000-£2000, while the top two were £24,000 and £11,000 respectively. The bulk of the costs to business are likely to fall on a small number of gAFUs that hold the most cattle.

Moving forward under the new proposals the government will pay for one out of every four tests (to represent that other farms in the HRA receive one government funded test a year). This equates to government costs of £54,500 p.a. The remaining cost of £163,500 will be passed on to industry.

Estimated cost to industry: £163,500 p.a.

Stop awarding licences for Red Markets in the Low Risk Area from 1st Jan 2018

A red market is a market where cattle from TB restricted herds can be sold to slaughter only (they can't be bought to move to another farm). As red markets necessitate the gathering of cattle from TB restricted herds they present increased disease risks and so must be licenced APHA and follow strict biosecurity guidelines.

Defra now has sufficient evidence that the Low Risk Area of England has met the criteria for Officially TB free status and there is now a poor case for TB red markets in the LRA to continue. These red markets would jeopardise the OTF status of the LRA for little gain. The number of LRA cattle that need to be sold through such markets is small and for many the additional travel times to other red markets in the HRA or Edge Area would not be excessive.

In 2016 there were only 2 red markets in the LRA which will no longer be licenced. It is not possible to quantify a cost to business as a result of this change. The cattle from restricted herds sold in these markets could still be sold in red markets in the Edge area or be sold directly to slaughter. There is likely to be a small cost to red market operators who will now have to locate markets in the edge area. There will be a significant benefit to the farming community of protecting the OTF status of the LRA through stopping red markets taking place.

Estimated cost to industry: Not possible to estimate.

Cleansing and Disinfection notices to include requirements to control Bovine TB infection through the spreading of slurry.

Defra currently has a range of powers under Article 16(c) of the Tuberculosis Order 2014 to require keepers to not spread slurry or move it off the premises of a breakdown herd where it poses a threat of infection. We are proposing to explicitly state these requirements in Cleansing and Disinfection notices (issued to breakdown herds) in order to bring C&D notices in line with existing powers.

In addition under the new proposals farmers must apply for an APHA licence in order to move slurry off the premises. In order to move slurry/manure off a TB restricted premises to another premises (TB restricted or otherwise) the keeper would be required to apply to APHA for a licence. Each licence request would be individually evaluated and a veterinary risk assessment (VRA) carried out by an APHA vet before a licence can be issued. These stricter controls have been introduced to prevent (bTB) spread through careless manure spreading and transportation to different premises. This measure will contain unnecessary spreading of the disease through better waste control.

There will be no charge to farmers to apply for a licence. Some farmers will face limited familiarisation costs in applying for a licence to move slurry off restricted premises and if a licence is not granted there will be additional costs to that farmer. Defra will be using this consultation to gather evidence on the impact of these licence applications. The disease control benefits from controlling slurry from restricted farms will be shared between all farmers.

Estimated cost to industry: Not estimated (using consultation to gather evidence).

EANDCB and BIT status

This is a qualifying regulatory provision under the BIT. The cost to business of Option 2 (the preferred option) is estimated to be £0.613m a year. Using the EADNCB cost calculator the EANDBC is £0.6m and the business NPV is -£5.28m.