Cost sharing under the Government Industry Agreement for Biosecurity Readiness and Response

Biosecurity through Partnership

GIA introduces cost-sharing between government and industry for biosecurity readiness and response activities. This factsheet provides information about how the costs will be allocated, how industry can control its GIA-related expenditure, and the discounts that the Government is offering Signatories to help them transition into an environment where costs are shared.

Information in this factsheet is taken from the GIA Deed. A joint industry-government working group is developing additional guidance for how Deed Signatories can agree cost-shares and fiscal caps consistent with their Deed rights and obligations.

Under GIA, the cost of joint responses and readiness activities (excluding minimum commitments) will be split between the Ministry for Primary Industries (MPI) and the primary industries that benefit from the activities. Cost-sharing for agreed readiness activities begins in July 2014, where an Operational Agreement has been signed. Cost-sharing for responses will begin in July 2017.

Readiness activities can include surveillance to detect organisms, contingency planning, risk pathway reviews, capacity and capability building, and market access contingency plans.

Response activities include the investigation and identification of suspect risk organisms, control of a risk organism by eradication or long-term management, and learning from response.

Who pays how much?

MPI has agreed to meet the first 20% of the cost for a joint activity (excluding minimum commitments) in recognition that activities such as trade and tourism can create biosecurity risks. The remaining 80% of the cost will be split between industry and government, with the condition that industry never pays more than 50% of the total costs.

The split of costs will be based on the proportion of public benefit relative to industry benefit that is likely to accrue from the joint activity. Where two or more sectors benefit from a joint activity, the industry share of costs will be allocated between them. The split of costs will be based on the relative proportion of benefit they receive from the activity. A joint government industry working group is developing guidance for how public and industry benefits are to be determined, based on the provisions in the GIA Deed.

Industry Signatories will be responsible for meeting only their own share of the costs of a joint activity. Meeting these costs may include cash expenditure or 'in-kind' contributions.

MPI will meet the public share of costs. In addition, if a sector benefits from an activity but has not signed the Deed, MPI will initially meet that sector's share of costs. MPI may seek to recover the costs from that non-Signatory sector through a Biosecurity levy. The cost-recovery levy will allow MPI to collect funds directly from members of the non-Signatory sector, and not through its representative industry organisation.

The GIA Deed specifies ten categories for cost shares, which take into account the 20% exacerbator contribution, public and industry benefits, and the cap on industries' share of costs. Figure 1 (next page) shows how costs are assigned within them, and Figure 2 provides some worked examples.

Response costs for a pest or disease for which there is no pre-agreed Operational Agreement

Cost sharing commences when Deed Signatories decide to begin a response. If the pest or disease is not covered by an existing Operational Agreement, Deed Signatories should agree an Operational Agreement specific to the response as soon as possible.

Controlling industry expenditure

Joint readiness activities are agreed by Signatories through an Operational Agreement. The cost of readiness activities will be budgeted and agreed in advance when the agreement is negotiated. This means industry organisations and MPI choose how much they spend on readiness activities. An industry organisation can sign the GIA Deed without signing an Operational Agreement.

An industry organisation can set a fiscal cap to limit how much it will spend on a response. This can be set in advance of a response to enable rapid decision-making during a response. The costs allocated to an industry organisation may not exceed its fiscal cap without its written agreement.

Transitional discounts

The Government will provide transitional discounts to industry organisations that sign the Deed early and agree Operational Agreements with MPI. These arrangements mean that an industry's share of costs start at a low level and gradually increase over a six year period.

Table 1: Transitional discounts

Years	Readiness	Responses
2014/15	60%	100%
2015/16	60%	100%
2016/17	40%	100%
2017/18	40%	60%
2018/19	20%	60%
2019/20	20%	40%
2020/21	0%	40%
2021/22	0%	20%
2022/23	0%	20%
2023/24	0%	0%

The transitional discounts for jointly agreed readiness activities will apply from when an Operational Agreement is signed until June 2020. For jointly agreed response activities, the discount applies from July 2017 until June 2023.

Further information about how the transitional discounts will be applied in practice is available from the GIA Handbook.

Figure 1: Working out the share of costs

Note: This figure does not include transitional discounts, total costs exclude minimum commitments

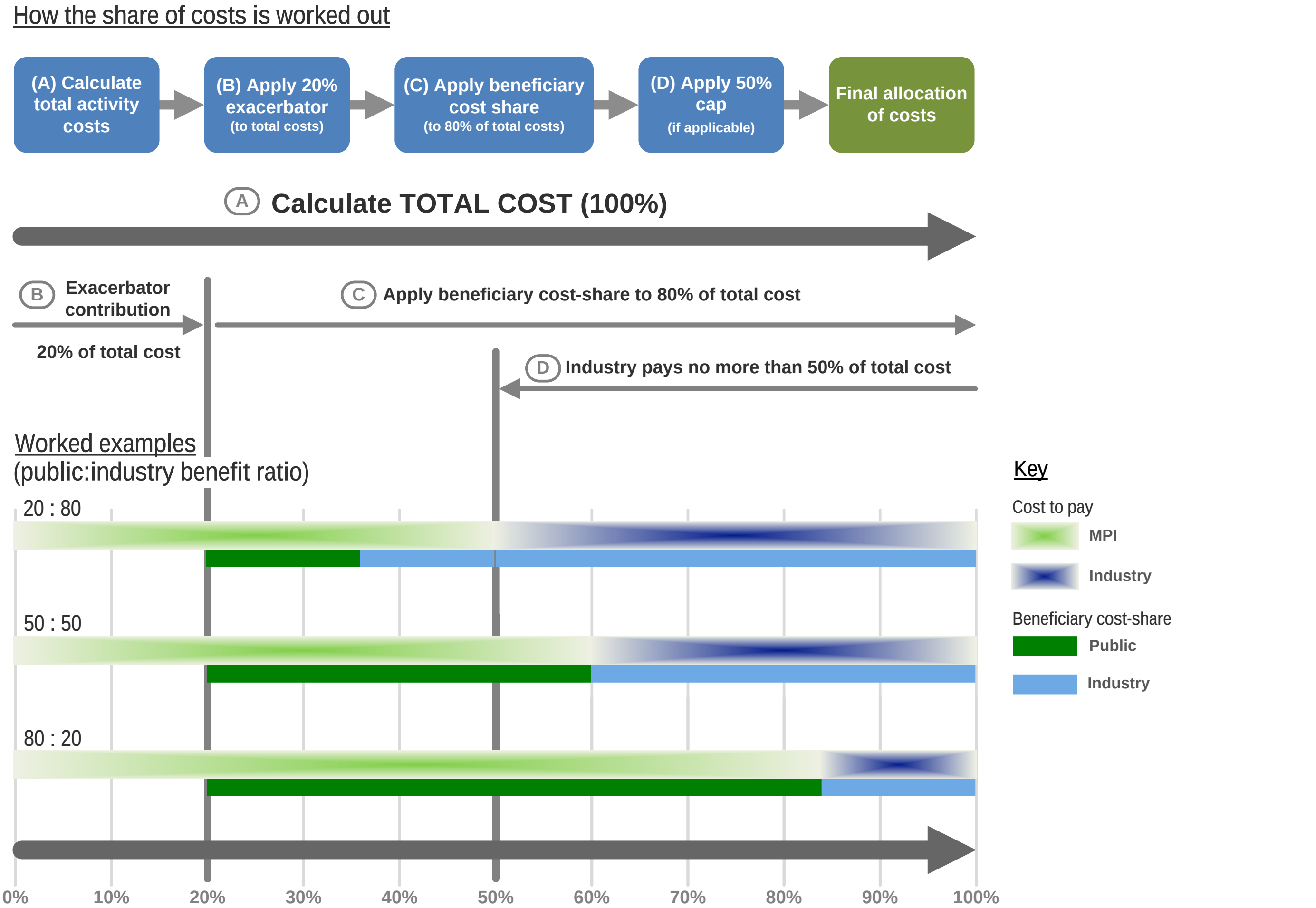

Figure 2: Cost sharing scenarios

Scenario	Total cost of agreed response activities:	$ 1 Million		$ 1 Million		$ 1 Million	
	Agreed beneficiary cost share:	20% public, 80% industry		50% public, 50% industry		80% public, 20% industry	
(A) Calculate total costs		$1,000,000		$1,000,000		$1,000,000	
(B) Apply 20% exacerbator	Exacerbator costs	20%	$200,000	20%	$200,000	20%	$200,000
	Sharable costs	80%	$800,000	80%	$800,000	80%	$800,000
	Total	100%	$1,000,000	100%	$1,000,000	100%	$1,000,000
(C) Apply beneficiary cost share to sharable costs	Public share	16% (20% X 80%)		40% (50% X 80%)		64% (80% X 80%)	
	Industry share	64% (80% X80%)		40% (50% X80%)		16% (20% X80%)	
(D) Apply 50% cap to industry share	Industry's share adjusted to a maximum of 50%	50% (reduced from 64%)		40% (not adjusted)		16% (not adjusted)	
Final allocation of total costs	MPI pays:						
	Exacerbator share	20%	$200,000	20%	$200,000	20%	$200,000
	Public share	16%	$160,000	40%	$400,000	64%	$640,000
	50% cap make up	14%	$140,000	0%	–	0%	–
	MPI total	**50%**	**$500,000**	**60%**	**$600,000**	**84%**	**$840,000**
	Industry pays:						
	Industry share	**50%**	**$500,000**	**40%**	**$400,000**	**16%**	**$160,000**
	Total	100%	$1,000,000	100%	$1,000,000	100%	$1,000,000

Notes:

- *Total costs exclude minimum commitments*
- *Industry share may be divided between a number of industries, depending on who benefits from the agreed activities*
- *Transitional discounts are not calculated in this example*