

Review of regulatory fees for veterinary surgeons

Consultation Regulatory Impact Statement

Submission from the Australian Veterinary Association Ltd



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The Australian Veterinary Association (AVA) is the national organisation representing veterinarians in Australia. Our 8500 members come from all fields within the veterinary profession. Clinical practitioners work with companion animals, horses, farm animals, such as cattle and sheep, and wildlife. Government veterinarians work with our animal health, public health and quarantine systems while other members work in industry for pharmaceutical and other commercial enterprises. We have members who work in research and teaching in a range of scientific disciplines. Veterinary students are also members of the Association.

Introduction

The Australian Veterinary Association supports a regulated profession but also sees the costs of regulation as a shared fiscal responsibility with the government, the community and the animal industries. The Veterinary Surgeon's Board plays a key role in animal welfare, consumer confidence in veterinary surgeon's skills, defence of the animal industries in Queensland and government biosecurity needs. While acknowledging the benefits of increased funds for proactive activities of the Board, the AVA considers the costs proposed are:

- Excessive and hard to justify – 90.5% increase in expenditure in 3 years
- Inequitable – no contribution by other beneficiaries of the work of the Veterinary Surgeon's Board including the government
- Unreasonable – expectations for full compliance funding by the Board is unrealistic for an operating budget of less than half a million dollars and reserves of less than this.

This submission outlines the following recommendations.

Recommendations

1. **The AVA recommends Option 1, no change**, with variations as per below additional recommendations to minimise financial impact on the Veterinary Surgeon's Board
2. **That government directly contributes to the Board the costs of supplying them a service i.e. by the collection of extra data for their core business use.** The government should pay a commensurate proportion of the costs required to maintain the registration database given that it directly benefits by being able to access the list for biosecurity purposes. This was a legislative amendment several years ago (section 29C) to enable the government to access the registration list without breaching the Privacy Act. If the government had to maintain its own list (as it used to do), the costs involved would be considerable and it is equitable and reasonable that government should pay a share of its cost.
3. **That government contribute from consolidated revenue so that the community in Queensland benefits from having a regulated system.**
4. **Expenditure should be scrutinised to minimise costs.** Accommodation could be sought in surrounding suburbs with a lower rental cost – on current available rental for 85sq metres in suburbs such as Spring Hill or West End, \$10,000 per annum could be saved.
5. **That consolidated revenue provide the basis of funding for QCAT costs.** It may be appropriate to build a small annual legal cost into the fee structure but if this should vary it should be funded from consolidated revenue as the beneficiaries are the Queensland public.
6. **The fee structure for all veterinarians should be kept as uniform as possible with government subsidization for retired veterinarians reduced fees and to also pay for their government veterinary employees, currently exempt. This would increase revenue significantly.**

Whether the Veterinary Surgeon's Board should charge full cost recovery fees

The Australian Veterinary Association does not believe that full cost recovery fees should be passed onto individual registered veterinary surgeons. Veterinarians are not the sole beneficiaries of a regulated profession and therefore costs should be shared accordingly. Additionally, where a major cost is legal fees, which can vary from zero to hundreds of thousands of dollars per year, adopting the principle that veterinarians pay 100% of the costs establishes a precedent for open ended increases in the future which would have a severe impact on the financial viability of veterinarians.

Policy Objectives of the Government

The regulatory impact statement (RIS) states that the overarching policy objective of the government is to reasonably enable the provision of health care services and oversight while minimising risk to animal welfare and consumers of services.

The government preferred option (Option 3) of full cost recovery by registered veterinarians unfairly shifts the burden of this responsibility onto one sector of the community i.e. veterinarians. Contemporary legislation promotes animal welfare as a shared responsibility and biosecurity as everyone's responsibility. By having veterinarians pay for full cost recovery, **this preferred option is contrary to the government's own policy objectives** which states that the preferred option will be the option that best achieves the policy objectives and provides the greatest net benefits to the community. Option 2 and 3 do not do this.

Purpose and beneficiaries of the Veterinary Surgeon's Act

The AVA considers that there are 6 main beneficiaries of the Veterinary Surgeon's Act in Qld. These are:

- Veterinarians
- Government
- Animal Industries including producers and those working in the animal food supply chain
- Animals
- Consumers of veterinary services
- Community

It follows then that it is not just practitioners that should be considered the sole beneficiaries and hence the funders of a regulated system.

Veterinarians: All veterinarians benefit from having a regulated profession. It ensures consistent standards and recognition of skills. Along with this benefit comes accountability. The RIS focussed on private practitioners. However, as stated in our opening section, veterinarians play a wide role in animal health services, teaching, industry and research which require confidence in the skills, qualifications and accountability of being a veterinarian. A significant portion of the registration fees goes into a national accreditation body to recognise universities and specialist qualifications. This benefits all veterinarians whether a new graduate, government vet, practitioner, working part time or full time, industry or teaching.

Government: Government benefits from a regulated profession in a number of ways. The Veterinary Surgeons Act states that it is an Act relating to the qualifications and registration of veterinary surgeons and the regulation and control of the practice of veterinary science, and for other purposes. The government in recent years has added an amendment in section 29 C requiring the Registrar to give emergency contact details to a chief executive of a public sector unit if the chief executive considers it necessary to contact a veterinary surgeon to give the veterinarian information about controlling, eradicating or preventing the spread of an exotic disease, pest or a disease. In addition the opening statement in the RIS states that veterinarians play a critical biosecurity role.

By being able to access the roll of registered veterinarians (which required the addition of extra fields to allow for emergency contacts) the Government gets considerable savings by not having to put resources into maintaining a separate list (Privacy Act would otherwise prevent access to the roll). Government also has a tangible benefit in that they employ veterinarians for disease diagnosis and other veterinary skills and without a regulated profession, Queensland's export standing, ability to respond to exotic diseases and animal welfare would be compromised.

Recommendation: That government directly contribute to the Board the costs of supplying them a service i.e. by the collection of extra data for their core business use.

Animal industry: Primary industry is one of the 4 main industries in Queensland which underpins its economic prosperity. It is a significant employer of people whether directly on properties or throughout the food chain from abattoirs, to saleyards to processors to retail. An avian influenza outbreak could see the supply of poultry stop for a period of time which would impact thousands of people including youth employed in food chains such as KFC. A Foot and Mouth Disease outbreak would have a catastrophic impact. A government report states that an epidemic of FMD is considered to be the greatest exotic disease threat to the livestock industries of Queensland and Australia. It further states that in a report produced by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Buetre *et al.* (2013) estimated the hypothetical cost to the state economy of a small FMD outbreak in northern Queensland at AUD\$5.9 billion, with a larger multi-state outbreak estimated to cost in excess of AUD\$50 billion over ten years. Early detection of exotic disease is vital to containing the costs of an outbreak. Confidence in veterinarians' skills by a regulated system that accredits universities and qualifications directly benefits animal industries and indirectly benefits the whole of Queensland. **This is a significant public benefit.**

Animals: Animal welfare is a shared responsibility and as such the whole community and government need to contribute to their welfare as they themselves cannot. A regulated profession allows confidence that surgery and invasive treatments of animals are done competently and minimising pain and suffering. By having a regulated system, veterinarians are skilled and are accountable for their actions (they can lose their livelihood if they are found to be below required standards). Community expectations are such that animals are not mistreated at the hands of unskilled operators and a regulated system is the vehicle to achieve this.

Consumer: When a client takes their pet to a veterinarian for an operation, they do so in the confidence that they have been trained in an accredited system to standards that will ensure the best outcome for the animal. Without registered vets, all sorts of animal suffering would arise from over confident but ill trained lay people and while these people may eventually face prosecution under the Animal Care and Protection Act, it is reactive not proactive legislation and cannot bring back a dead animal. The consumer therefore is a direct beneficiary of veterinarians being registered.

Community: The Queensland community benefits from all of the above dot points. A thriving livestock industry underpins the Queensland economy and employment. Community expectations are that processes on animals are undertaken by skilled and trained professionals and there is an expectation that there are processes in place to ensure this.

Recommendation: That government contribute from consolidated revenue the community/Qld public benefit of having a regulated system. It is inequitable for registered veterinarians to be considered the sole beneficiary and thus liable for funding the full cost of the Board.

Whether fees reflect the resources required to register and oversight the veterinary profession

The Veterinary Surgeon's Board has not required any input by government funds in the immediate past and has managed its income and expenses including a carried over balance of several hundreds of thousands of dollars. The government did provide in kind accommodation of one small office and about 16 sq. metres of office space for one other officer and storage of records. This RIS now has expenses jumping from \$513 176 to \$762,088 in the space of 12 months, an increase of 48.5%. Some expenses described as "other" have jumped from \$19,425 to \$34,000. Just three years ago, in 2012/13, expenses were \$400,125. **This means that expenses have jumped a staggering 90.5% in the space of just 3 years.** It is unreasonable for veterinary surgeons to have to pay this sort of increase and what control will veterinary surgeons have in the future if this rate of expense continues to escalate?

Fixed costs

Fixed costs constitute salaries, board member fees, rental and overheads. These costs are predictable and able to be budgeted for. The Queensland Veterinary Surgeon's Board has fewer members than other jurisdictions and does not have the same multi-layer structure which can include investigative committees. Therefore comparisons with other jurisdictions is only valid if they have the same number of staff and similar processes. The change in fixed costs should be related to CPI costs only which in the past 5 -10 years has been operating in a very low interest environment so cost increases should be minimal.

The transferring of **accommodation expenses** in 2016 has added \$37,446 to the expenditure. If veterinary surgeons are to pay for this, less expensive accommodation should be sought on the fringe of the CBD. A quick search on the internet found several suitable office accommodation sites of 85sq metres (3-4 times than what was allocated when located in the Primary Industries Building) for \$25,000. Sites were in Spring Hill and West End, easy commuting distance of the QCAT courts and the solicitors offices. This would give **savings of \$12,500** per annum.

The increase in IT costs from \$200 to \$25,000 is not explained. Nonetheless, it should be able to be developed independently outside of the inefficiencies of the government IT sector. It should be treated as a **capital expenditure** with appropriate depreciation. Thus \$25,000 should not be accounted for in a single year but depreciated over the life of the system. To include it in expenditure for 2015/16 is misleading.

Legal costs

This is the biggest financial risk for the Board. It is not appropriate that a compliance agency **with a very small funding base** upholding Queensland legislation should be expected to be able to accommodate the varying costs of prosecution. The Veterinary Surgeon's Act itself allows the Board to apply to the Crown if it requires funds.

This is a sensible approach as otherwise compliance is dictated by what money is available to prosecute rather than a set of compliance guidelines and policies regardless of expense. It is not unusual for a single case's costs to exceed \$100,000. If the case is lost and costs are awarded to the vet being prosecuted, then it is possible for that bill to reach \$250,000. The RIS says that there are currently two cases referred to QCAT – if there is a judgement against the Board, then the potential is there for a legal bill of \$500,000 in a single year.

The Board with its current reserves of \$258,780 is not in a position to withstand these sorts of variations. Other organisations with responsibility to ensure compliance with the law have annual budgets of hundreds of millions of dollars and the capacity to absorb the costs associated with legal action.

Hence, it is not appropriate for such a small entity with limited reserves to be responsible for such large compliance costs. When initially set up, the main purpose of the Veterinary Surgeons Act was to provide a qualified veterinary service for the taxpayers of Queensland. The operation of the Veterinary Surgeons Act is a function of the government on behalf of the people of Queensland and should be mainly a charge on consolidated revenue.

Recommendation: That consolidated revenue provide the basis of funding for QCAT costs. It may be appropriate to build a small annual legal cost into the fee structure but if this should vary it should be funded from consolidated revenue as the beneficiaries are the Queensland public.

Whether the distribution of the fee burden across the registrant base is appropriate

Revenue – changes of fees for different types of veterinarians:

Currently the proposal is to have different fees for different classes of veterinarians without observable logic applied to this. If there was one fee for all, then revenue would rise considerably. If the government paid for their veterinary surgeon's registration fees, there would be an increase of \$11,500 extra to run the Board.

The argument that "asking new graduates to shoulder the same burden as established veterinarians is inequitable" would mean that you would need to apply that logic to all veterinarians who were temporarily incapacitated, working part-time and etc. The situation becomes unwieldy and complicated, adding to the administrative costs of registering and billing different classes of veterinarians. New graduates should be given relief by omitting the application fee or reducing it. That would leave the fee structure intact and also provide relief to new graduates.

The RIS justifies the reduced amount paid by retired veterinarians on the basis of public benefits to having a record of who and where they are, particularly in terms of surge needs during an emergency pest or disease response. This is clearly a benefit for the government and the government needs to pay a portion of their registration for this service to be available to them. It is not equitable for veterinary surgeons to have to pay for this government service.

The cost of the Board is not just directed at prosecuting veterinarians in private practice. It also contributes to the underlying accreditation scheme of universities (Australasian Veterinary Boards Council) to ensure skills across all veterinary occupations. Therefore all veterinarians should pay a uniform fee.

Recommendation:

The fee structure for all veterinarians should be kept as uniform as possible with government subsidization for retired veterinarians reduced fees and to also pay for their government veterinary employees, currently exempt. This would increase revenue significantly.

Summary

Veterinarians are not in a high earning profession. Starting salaries are less than \$50,000 per annum and average profit margins of veterinary enterprises is usually less than 10%. Veterinarians contribute to community good by discounted desexing of animals from a cost basis of approximately \$750 to \$250. Many practices offer discounts to pensioners and do pro bono work on wildlife. It is at its base an altruistic profession based on a commitment to animal welfare and the care of animals, whether companion or livestock.

Veterinarians already do a great deal for the public good. It is only reasonable for other beneficiaries to pay some of the costs of a regulated system that benefits them directly. To say that veterinarians can pass this increase onto their clients ignores the fact that only practice managers can do this. Individual employed veterinarians in industry, universities and practices will not be able to pass on this additional cost burden.