

# **Framework for Owner Reimbursement Cost determination**

## **INTRODUCTION**



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## Background

The Emergency Plant Pest Response Deed (EPPRD) became operational on 26 October 2005. An agreed component of the EPPRD is the framework for Owner Reimbursement Costs (ORC), along with the corresponding CIE guidelines (*Guidelines for Owner Reimbursement Costs under the plant pest deed*, Centre for International Economics, June 2004<sup>1</sup>).

The CIE guidelines provide a framework for calculating ORC payments for the plant industry sectors under the EPPRD. A crop sector specific framework is required to translate the ORC guidelines into a specific calculation of ORC payments for growers in an auditable, transparent and fair way. EPPRD Parties agreed to use an 'evidence framework' approach to this, modelled on the first industry case study (the sugarcane industry in July-August 2006). This document describes the framework for implementing these crop specific arrangements.

## General principles for calculation of ORC

A number of principles have been identified for the practical implementation of the ORC provisions, consistent with the EPPRD and CIE guidelines:

- Figures used for calculating ORC will be determined according to a hierarchy of evidence, using specific, local and certifiable information where available and appropriate, or where not available and/or appropriate using increasingly general, regional and applicable averages or estimates.
- Determination of ORC will be supported by an auditable process that meets appropriate probity requirements, including:
  - Key variables (including area) to be determined or certified by authorised persons (see below for details);
  - Necessary documentation to be supplied to verify ORC applications and ensure transparency;
  - Chain of evidence maintained for ORC assessments;
  - Verifiable independence of relevant parties involved in assessments;
  - Transparency, fairness and independence of the process.
- Use of industry standard/best practice and existing systems to the extent possible.

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<sup>1</sup> Available from the PHA website at <http://www.planthealthaustralia.com.au>

- Consistency of ORC determinations with the best plan and least cost principle, for efficient and effective response.

**Evidence requirements for ORC claims**

Each crop sector will use specific calculations and input data to calculate ORC payments according to the EPPRD.

It is critical that the input values and calculations are determined in a transparent and defensible way, and where possible the sources are determined prior to an incursion.

To achieve this:

- A hierarchy of evidence requirements for each variable in the ORC calculation will be determined and agreed by the Relevant Parties. This is designed to meet relevant probity requirements, which are critical to justify the appropriate allocation of government and industry funding.
- An Evidence Framework will be developed for each crop sector, which identifies the agreed data sources for calculating ORC payments and any requirements upon the determination and use of those values.
- Where a data source is identified, this will be specified in the Evidence Framework, or where the Relevant Parties consider it appropriate a standard schedule of costs will be used (and included in the Evidence Framework).
- Standard cost schedules will be reviewed and if needed updated in the event of an EPP Incident, by agreement of the Affected Parties.
- Standard costs will be based on the best information available at the time.
- Where a reference case is used for calculations (e.g. for perennial crop calculations), this should be the pest free crop, since a Response Plan including ORC would only be in place where it was expected that eradication was achievable.
- The calculation model (e.g. the spreadsheet) will be available for scrutiny by Affected Parties.
- Evidence requirements will be documented and agreed using the following **Evidence Framework:**

Definition	Evidence requirements	Comments
The definition for each element of Owner Reimbursement Costs (quoted from the EPPRD).	Specific requirements, indicating where the data value will be sourced for the relevant industry or crop sector. These are in addition to the more general EPPRD requirements ("Definition") and should be consistent with these.	Any other commentary needed. Primarily for explanatory purposes.

**Use of Authorised Persons**

Where key variables need to be assessed, potentially having significant financial or 'moral hazard' implications, an "Authorised Person" should be used in the determination of the

appropriate value. This may include, for example, determination of the expected yield from a crop prior to its destruction. This would assist making independent and consistent determinations and allow auditing and review of grower or other records where needed.

Such persons:

- Should be appropriately authorised under relevant legislation and procedures (usually of the Affected jurisdiction);
- May be involved in (without limitation) certification, audit or determination of key information as appropriate;
- Should be appropriately qualified for the specified roles;
- Need not be a government employee, but must meet relevant independence and other relevant probity requirements;
- Should be sourced from existing expertise, such as qualified agronomists or hail assessors, where possible and appropriate.