

THE NATIONAL ASSEMBLY FOR WALES

AUDIT COMMITTEE

Committee Report (2) 01-04 presented to the National Assembly for Wales on 5 February 2004 in accordance with section 102(1) of the Government of Wales Act 1998

Compensating farmers for bovine tuberculosis in Wales

Contents	Paragraphs
Introduction	
The impact of bovine tuberculosis	
The difference between compensation levels and underlying market values	
Arrangements for valuing animals	
The Assembly's consultation to rationalise compensation arrangements	
Recommendations	
Concluding comments	

ANNEXES

Annex A – Relevant proceedings of the Committee – Minutes of evidence (Thursday 23 October 2003)

Annex B – Letter from Sir Jon Shortridge to the Clerk to the Audit Committee, 1 December 2003

Annex C – Proposals to rationalise compensation for notifiable animal disease control, Welsh Assembly Government and Defra, October 2003

Annex D - the Audit Committee

INTRODUCTION

1. In this report, we examine the Assembly's arrangements for compensating farmers for bovine tuberculosis in Wales. Bovine tuberculosis is the best known of the three notifiable animal diseases for which the National Assembly for Wales (the Assembly) is responsible. When an animal is compulsorily slaughtered because of bovine tuberculosis, the Assembly pays its owner compensation based on the full market value of the animal concerned. On 23 October, on the basis of a report by the Auditor General for Wales,¹ we took evidence from Sir Jon Shortridge, Permanent Secretary, supported by Tony Edwards, Assistant Chief Veterinary Officer (Wales), Colin Williams, Head of the Assembly's Animal Health Division and David Richards, Principal Finance Officer.
2. Expenditure on compensation payments has risen dramatically in recent years, to over £8 million in 2002-03. This is partly explained by the rising incidence of the disease. However, the Auditor General's report, produced in response to Assembly officials' growing concern at rising levels of compensation, identified a significant difference between average underlying market prices and average levels of compensation in 2002.² This meant that, in 2002, the Assembly paid some £2.6 million more in compensation than it would have, had compensation levels been more consistent with underlying market prices.³
3. The Committee, in making its recommendations, recognises that both the statutory basis on which compensation is determined and the operational and veterinary arrangements for tackling bovine tuberculosis in Wales mirror those in England. We also acknowledge that the State Veterinary Service (SVS), an integral part of the Department for the Environment, Food and Rural Affairs (Defra), has operational responsibility, on an agency basis, for delivering the Assembly's policies on bovine tuberculosis in Wales - a function it also carries out in England. This reflects the fact that the United Kingdom is a single epidemiological unit - disease does not recognise administrative boundaries. However, the Assembly remains ultimately responsible for policy and accountable for the financial cost of bovine tuberculosis.⁴
4. Our report examines the scope to improve control of this expenditure, particularly by improving controls over the process of valuing animals affected by bovine tuberculosis. We begin by considering the impact of an outbreak of bovine tuberculosis on farms and the reasons for the difference between market price and compensation, before discussing the arrangements for valuing animals. We conclude by describing the key features of a consultation paper issued jointly by the Assembly Government and Defra - attached as Annex C to this report - and their potential to tackle some of the serious risks identified by the Auditor General's report.

¹ Auditor General for Wales (AGW) report, *Compensating farmers for bovine tuberculosis in Wales*, presented to the National Assembly for Wales on 31 July 2003.

² AGW report, paragraph 1.4, and Q31

³ AGW report, paragraph 12, Executive Summary.

⁴ Qs 4-5 and AGW report, paragraph 1.3

The impact of bovine tuberculosis

5. Bovine tuberculosis is a virulent disease affecting cattle, which has a severe impact on the farming community. The movement restrictions imposed on cattle from herds suspected of harbouring tuberculosis can affect farms for a prolonged period of time – the average duration of restrictions has increased considerably since the outbreak of foot and mouth disease, reaching just under one year for confirmed new incidents in 2002.⁵ Movement restrictions lead to consequential losses, such as the loss of milk or beef sales, which one farming union recently estimated at £36,000 for the average farm.⁶ Most farmers take out insurance to cover their consequential losses, as the statutory basis of the compensation arrangements precludes the inclusion of consequential losses. However, because of the rising incidence of the disease, farmers can experience difficulties over both the availability and affordability of insurance against bovine tuberculosis.⁷ The Auditor General’s report also emphasises the personal impacts on farmers and their families, who face considerable uncertainty about the duration of movement restrictions, and the future of their businesses.⁸
6. The causes of bovine tuberculosis and the management of the disease lie for the most part outside the scope of this investigation. However, we note that the Assembly has provided SVS with additional funding of £4 million over two years to support the latter’s work on bovine tuberculosis. One of the uses to which the money is being put is tackling the backlog of overdue tuberculosis tests which arose as a result of the outbreak of foot and mouth disease in 2001.⁹ We welcome the progress the Assembly has made in reducing the backlog, from a peak of 5,305 in February 2002 to around 400¹⁰ as overdue tests increase both the risk of disease and the uncertainty facing affected farms. **We urge the Assembly and State Veterinary Service to continue their efforts to eradicate the backlog of overdue tests.**

The difference between compensation levels and underlying market values

7. Since August 1998, compensation for bovine tuberculosis has been based on the full market value of affected animals. Previously, compensation was based on a payment of 75 per cent of an average market value, which was set each month.¹¹ The revised arrangements effectively mean that the Assembly has an unlimited liability for the full market value of each animal, as determined by the person valuing that animal. This was exemplified by the Assembly paying £30,000 for a single pedigree animal in 2002.¹²

⁵ AGW report, paragraphs 2.1 and 2.9-2.10

⁶ AGW report, paragraphs 2.18-2.19

⁷ Q23 and AGW report, paragraph 2.23

⁸ AGW report, paragraphs 2.25-2.26

⁹ Qs 6-7

¹⁰ AGW report, paragraph 2.8 and Q7

¹¹ AGW report, paragraph 2.28 and Q62

¹² AGW report, Figure 10, and Q67

8. Against this background we were extremely concerned to note the central finding of the Auditor General's report, that in 2002 average compensation levels were at least 50 per cent higher than average underlying market prices for both commercial and pedigree animals. In 2002, this meant that the Assembly spent some £2.6 million more than it would have if average compensation payments had more accurately reflected underlying market values, in line with policy.¹³ This is a clear sign that something has gone wrong with the underlying systems and, of course, the money could have been spent more appropriately - for example on measures to tackle the causes of the increasing incidence of bovine tuberculosis.
9. We are concerned that such a differential could create a perverse incentive to contract bovine tuberculosis, which could exacerbate problems of disease control. Witnesses informed us that inflation in valuations became especially pronounced after the outbreak of foot and mouth disease in 2001. During the ensuing crisis, the adoption of a standard card valuation created a floor, or minimum benchmark, for future valuations, including those for bovine tuberculosis.¹⁴
10. We were disappointed that average compensation levels in Wales exceeded those in Northern Ireland by 54 per cent for commercial animals, and 26 per cent for pedigree animals, while in Devon the average compensation payment in the first three months of 2003 was 21 per cent lower than that in Wales.¹⁵ The Assembly should not be paying significantly more in compensation than other regions in the United Kingdom.
11. We also had particular concern about levels of compensation for pedigree animals, which tend to have higher values than commercial animals. The proportion of pedigree animals slaughtered nearly doubled between 2000 and 2002.¹⁶ Witnesses told us that this was likely to be the result of farmers grading their herds up to pedigree status in tuberculosis hotspots, in order to maximise the level of compensation received if their farm suffered an outbreak.¹⁷ We welcome the work of the National Audit Office Wales in securing the agreement of Holstein UK, the breeding society for the most common breed in Wales, to institute various measures to reduce the risk of farmers attempting to grade up their herds between diagnosis of tuberculosis, and the valuation of affected animals.¹⁸ The Assembly has previously failed to develop links with organisations such as Holstein UK which might have a role to play in the valuation process.¹⁹ Consequently, **we recommend that the Assembly develops links with key stakeholders, such as the main breeding societies, in order to deliver sustainable improvements in its control and understanding of the valuation process.**

¹³ AGW report, paragraphs 11-12, Executive Summary

¹⁴ Q76

¹⁵ AGW report, paragraphs 3.18-3.21

¹⁶ AGW report, paragraph 3.10

¹⁷ Qs 42-43

¹⁸ AGW report, paragraph 3.17

¹⁹ Q54

12. The Auditor General's report highlighted the fact that 19 per cent of animals, valued as pedigrees in the region covered by SVS's Carmarthen office, did not have full pedigree status. This was because commercial animals in the process of 'grading up' to full pedigree status were valued as if they had full pedigree status.²⁰ Because Divisional Veterinary Managers sign off valuations as being properly payable before the payment is processed, and valuers only received guidance from SVS as recently as January 2003 to confirm the status of animals in the process of grading up,²¹ there is no suggestion of fraudulent claims or criminal conduct on the part of farmers or valuers. It is also clear that farmers do not 'claim' pedigree status, but that valuers simply value those animals identified for slaughter by the State Veterinary Service – one of the issues they consider in arriving at a valuation is whether the animal has pedigree status.²² Nonetheless, in the absence of guidance on this issue, valuers had a clear incentive to assume that such animals should be treated as if they were pedigrees, as they receive a higher valuation fee for pedigree animals.²³ We were pleased to hear from the Assistant Chief Veterinary Officer (Wales) that he had taken steps to clarify the position and ensure that partially pedigree animals were no longer valued as if they had full pedigree status.²⁴

Arrangements for valuing animals

13. Compensation paid to farmers is based on the values ascribed to their animals, which involves private valuers in 84 per cent of cases.²⁵ The Auditor General's report described the development of a secondary market for animals affected by bovine tuberculosis, and how this places those valuing animals in a very difficult position.²⁶ While the Auditor General did not audit individual valuations, nor found evidence to impugn the professional integrity of valuers,²⁷ given their central role in the process we are concerned about the role of professional valuers in the emergence of a situation whereby average compensation levels far exceed underlying market values.
14. A key issue appears to be the failure of the Assembly to engage with those valuing animals. There has been no clear channel of communication between the Assembly and valuers, nor has the Assembly done anything to assure itself of the quality of services provided by all valuers.²⁸ Such an approach risks the Assembly funding poor suppliers and provides no deterrent against excessive valuations. We therefore welcome the recent meeting between key Assembly officials and representatives of professional valuers to discuss the implications of the Auditor General's report.²⁹ We were also extremely pleased to hear the Permanent Secretary describe the various valuation

²⁰ AGW report, paragraphs 3.15-3.16

²¹ Annex B

²² Annex B

²³ AGW report, paragraph 2.30 and Q44

²⁴ Q71

²⁵ AGW report, paragraph 2.29 and Figure 5

²⁶ AGW report, paragraphs 4.2-4.6 and Q76

²⁷ AGW report, paragraph 4.2

²⁸ AGW report, paragraph 5.2-5.3

²⁹ Q103

interests as being very receptive to the issues revealed in the Auditor General's report³⁰, and **recommend that the Assembly works more closely in the future with those valuing animals to ensure that the Assembly's requirements are clear.**

15. This lack of communication and quality assurance has been exacerbated by the absence of procedures and systems to monitor compensation levels. The Auditor General's report found that the SVS information systems failed to record basic information about the animals for which the Assembly paid compensation, which made it very difficult to monitor effectively trends in compensation payments.³¹ Witnesses suggested that their systems had failed to keep up with the rapid acceleration in levels of the disease and that, while the systems for recording veterinary information remained fit for purpose, there were serious weaknesses in the systems used to record management information about the animals for which compensation was paid.³² To supplement our earlier recommendation to review SVS's administrative systems (paragraph 14), **we also recommend that the Assembly establishes clear procedures to monitor levels of compensation paid.**
16. We were very concerned that the Auditor General could assess the proportion of animals in the process of grading up to full pedigree status in only one of the three SVS offices in Wales - Carmarthen, where pedigree certificates were routinely collected.³³ Such inconsistency in administrative procedure, and the absence of key documentation to support considerable expenditure on compensation for pedigree animals, is not acceptable. We were pleased to note the Assistant Chief Veterinary Officer's assurance that all three offices now collect all pedigree certificates.³⁴ We were also concerned by the clear limitations of the information systems used to record information about animals for which compensation was paid. It is essential that robust and consistent administrative systems operate across the three SVS Welsh offices. Consequently, **we recommend that SVS and the Assembly take early action to review the administrative systems for compensating farmers to ensure that they are consistent and fit for purpose.**
17. We were also concerned by the consequences of farmers enjoying a free choice of which valuer values their stock. We can see that valuers are sometimes in a very difficult position when valuing animals: their primary duty must be to the taxpayer, but in many instances it is likely that they face a conflict of interest when valuing on behalf of a farmer who has selected them and with whom they may have enjoyed a longstanding business relationship. However, there is no direct evidence to suggest that this has affected valuations.³⁵ The Assembly has relied upon instructing a second valuer to represent its interests, and SVS has occasionally challenged individual valuations - neither has

³⁰ Q102

³¹ AGW report, paragraphs 4.9-4.12

³² Qs 59-61, 101 and AGW report, paragraph 4.9

³³ AGW report, paragraph 3.12

³⁴ Qs 47 and 53

³⁵ AGW report, paragraphs 4.2 and 4.4

proved effective.³⁶ In view of the legal constraints on the Assembly's ability to restrict farmers' choice of valuer,³⁷ **we recommend that the Assembly establishes a robust framework to monitor and manage the performance of valuers, including a procedure for preventing valuers from carrying out valuations when their performance has been proved defective.** We welcome the initial steps the Assembly has taken to this end in appointing a liaison valuer.³⁸

18. The Auditor General's report describes lessons which the Assembly could learn from elsewhere, particularly from Northern Ireland and the livestock insurance industry.³⁹ The main lessons from Northern Ireland relate to their use of directly employed valuation officers, rather than using private valuers, and the existence of thresholds above which additional justification of valuations is required.⁴⁰ The Permanent Secretary suggested that there had been recent problems with the arrangements in Northern Ireland, as a result of farmers increasingly challenging valuations through the courts.⁴¹ Nevertheless, we consider that there might be valuable lessons to be learned from Northern Ireland without the need to replicate their system exactly. We believe that it is important for the Assembly to have some expertise in livestock valuation - this, too, is an area where the Assembly's new liaison valuer should have an impact. And we see no reason why Wales should not require more justification for particularly high valuations. **We therefore recommend that the Assembly introduces thresholds above which valuers are routinely required to provide a more detailed justification of the valuations given.**

The Assembly's consultation to rationalise compensation arrangements

19. Arrangements for compensating farmers for animals compulsorily slaughtered vary according to the disease involved, although they are usually based on a mechanism for calculating animals' market value.⁴² For brucellosis and BSE, for instance, the market value is calculated using a monthly indicative market price.⁴³ The payment of the full market value of animals slaughtered because of bovine tuberculosis is more generous than the basis on which market value is calculated for other diseases, which leads to inconsistency and inequity in compensation levels. For example, the Auditor General's report stated that, by applying the less generous arrangements for calculating market value for BSE and brucellosis to commercial animals slaughtered because of bovine tuberculosis in 2002, the Assembly would have reduced its expenditure by some £1.8 million.⁴⁴

³⁶ AGW report, paragraph 4.7-4.8, and Qs 76-77

³⁷ Q77

³⁸ Q103

³⁹ AGW report, Part 5

⁴⁰ AGW report, paragraph 5.9-5.13

⁴¹ Qs38 and 110-111

⁴² Q27

⁴³ AGW report, Figure 14

⁴⁴ AGW report, paragraph 3.9

20. Against this background, we were especially interested to learn from the Permanent Secretary about the joint Assembly Government and Defra consultation launched the week after our meeting of October 23. The consultation was about rationalising compensation arrangements for all notifiable diseases, including bovine tuberculosis.⁴⁵ The proposed arrangements include:

- a standard rate of compensation for all diseases, set each month by category of animal on the basis of detailed market intelligence;
- revised arrangements for animals of especially high value (estimated to be 15-20 per cent of animals), whereby farmers have to pre-value such animals at their own expense, and register the valuation with a government organisation;
- the creation of a panel of accredited valuers, funded by Government, to which valuations can be submitted; if it is disputed, a lower valuation can be agreed by the panel; and
- the requirement on farmers to choose how frequently they update the pre-valuation registered with the appropriate government organisation.⁴⁶

The Permanent Secretary informed us that, subject to the outcomes of the consultation, the revised arrangements should be in place later in 2004.⁴⁷

21. These arrangements, if adopted, would enable the Assembly to comply with many of the recommendations in the Auditor General's report, such as those which related to improving the Assembly's control of valuations; improving communication; and monitoring valuation levels. We therefore regard the consultation as a major opportunity for the Assembly to rectify the clear problems that currently exist with the compensation arrangements in Wales. We welcome the move to create a single, consistent, method of calculating market price, and the greater equity this will engender. It is clearly preferable for the Assembly to have a predictable method of calculating compensation, and to avoid the current situation whereby inconsistent valuations create winners and losers among the farmers being compensated. In particular, we welcome the Permanent Secretary's comments that the revised arrangements would minimise the discretion vested in the hands of third parties over valuations, and would provide him with greater assurance about valuation levels.⁴⁸ Accordingly we support the proposals set out in the consultation document and **we recommend that the Assembly, having considered carefully any responses to the consultation, ensures that the revised arrangements are consistent with the recommendations made in the Auditor General's report, and reports back to this Committee on the outcome of this process.**

⁴⁵ Q9

⁴⁶ Annex C

⁴⁷ Q9

⁴⁸ Q111

Recommendations

22. In the light of these findings and conclusions, we recommend that:
- i. **the Assembly and State Veterinary Service continue their efforts to eradicate the backlog of overdue tests;**
 - ii. **the Assembly develops links with key stakeholders, such as the main breeding societies, in order to deliver sustainable improvements in its control and understanding of the valuation process;**
 - iii. **the Assembly works more closely in the future with those valuing animals to ensure that the Assembly's requirements are clear;**
 - iv. **the Assembly establishes clear procedures to monitor levels of compensation paid;**
 - v. **State Veterinary Service and the Assembly take early action to review the administrative systems for compensating farmers to ensure that they are consistent and fit for purpose;**
 - vi. **the Assembly establishes a robust framework to monitor and manage the performance of valuers, including a procedure for preventing valuers from carrying out valuations when their performance has been proved defective;**
 - vii. **the Assembly introduces thresholds, above which valuers are routinely required to provide a more detailed justification of the valuations given; and**
 - viii. **the Assembly, having considered carefully any responses to the consultation, ensures that the revised arrangements are consistent with the recommendations made in the Auditor General's report, and reports back to this Committee on the outcome of this process.**

Concluding Comments

23. There has been a rapid increase in the incidence of bovine tuberculosis in recent years. Expenditure on compensating farmers has risen eightfold between 1998-99 and 2002-03. This is not solely explained by rising disease incidence, but also reflects an increasing divergence between average underlying market prices and average compensation levels, which became especially pronounced after the outbreak of foot and mouth disease in 2001. We welcome the Auditor General's timely report, and look forward to the Assembly securing better control of compensation levels and thereby reducing the 50 per cent difference between average market prices and levels of compensation.
24. The arrangements for valuing animals are complex. Essentially, a secondary market for tuberculosis compensation has emerged, and the Assembly has done too little to control valuations. This has been exacerbated by the absence of communication with valuers, the poor quality of management information, and the absence of procedures for monitoring compensation levels. Witnesses

acknowledged the shortcomings outlined in the Auditor General's report, and expressed a determination to take robust corrective action to avoid a recurrence.

25. Witnesses at the Audit Committee told us that they had already taken some steps to addressing the Auditor General's recommendations. Most significantly they had, with Defra, launched a consultation paper on rationalising the compensation arrangements for all diseases. We welcome the engagement of the valuation profession, and look forward to the Assembly significantly improving its communication with valuers, and management of their performance, in order to achieve more effective control of expenditure on compensation payments. We would like to be kept informed of the progress of the consultation, and the patterns of compensation payments to ensure the effectiveness of the Assembly Government's response to this report.



**Cynulliad Cenedlaethol Cymru
Pwyllgor Archwilio**

**The National Assembly for Wales
Audit Committee**

**Digolledu Ffermwyr am Dwbercwlosis Buchol yng Nghymru
Compensating Farmers for Bovine Tuberculosis in Wales**

**Cwestiynau 1-114
Questions 1-114**

**Dydd Iau 23 Hydref 2003
Thursday 23 October 2003**

Aelodau o'r Cynulliad yn bresennol: Janet Davies (Cadeirydd), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Denise Idris Jones, Val Lloyd, Carl Sargeant.

Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Gillian Body, Swyddfa Archwilio Genedlaethol Cymru; Lew Hughes, Swyddfa Archwilio Genedlaethol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru.

Tystion: Syr Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru; Tony Edwards, Prif Swyddog Milfeddygol Cynorthwyol (Cymru); David Richards, Prif Swyddog Cyllid Cynulliad Cenedlaethol Cymru; Colin Williams, Pennaeth Is-adran Iechyd Anifeiliaid Cynulliad Cenedlaethol Cymru.

Assembly Members present: Janet Davies (Chair), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Denise Idris Jones, Val Lloyd, Carl Sargeant.

Officials present: Sir John Bourn, Auditor General for Wales; Gillian Body, National Audit Office Wales; Lew Hughes, National Audit Office Wales; David Powell, National Assembly for Wales Compliance Officer.

Witnesses: Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales; Tony Edwards, Assistant Chief Veterinary Officer (Wales); David Richards, Principal Finance Officer, National Assembly for Wales; Colin Williams, Head of Animal Health Division, National Assembly for Wales.

*Dechreuodd y cyfarfod am 9.30 a.m.
The meeting began at 9.30 a.m.*

[1] **Janet Davies:** Good morning. I welcome Committee members, witnesses and members of the public to this meeting. We have received apologies from Mark Isherwood. Christine Gwyther is not attending this part of the meeting because she was the relevant Cabinet Minister at one time and she feels that some of the evidence may relate to that time. Do any Members have declarations of interest?

[2] **Mick Bates:** I am a partner in a farming business. I wish to make it clear that all cattle are tested for tuberculosis, but that my farm has never received any compensation for TB, as none of our cattle have ever contracted the disease.

[3] **Janet Davies:** Okay. As you know, the Committee operates bilingually. You can use the headsets to listen to the simultaneous translation or to hear the whole proceedings more clearly if you have problems in hearing. I remind people to turn off their mobile phones, pagers and other electronic devices as they interfere quite nastily with the translation system.

[1] **Janet Davies:** Bore da. Croeso i aelodau'r Pwyllgor, tystion ac aelodau'r cyhoedd i'r cyfarfod hwn. Yr ydym wedi derbyn ymddiheuriadau gan Mark Isherwood. Nid yw Christine Gwyther yn dod i'r rhan hon o'r cyfarfod gan mai hi oedd y Gweinidog Cabinet perthnasol ar un adeg ac mae'n teimlo y gallai peth o'r dystiolaeth fod yn berthnasol i'r amser hwnnw. A hoffai unrhyw Aelod ddatgan buddiant?

[2] **Mick Bates:** Yr wyf yn bartner mewn busnes fferm. Hoffwn nodi'n glir bod prawf twbercwlosis yn cael ei gynnal ar yr holl wartheg, ond na chafodd fy fferm erioed unrhyw iawndal am TB gan nad yw'r un o'n gwartheg wedi dal y clefyd.

[3] **Janet Davies:** Iawn. Fel y gwyddoch, mae'r Pwyllgor yn gweithredu'n ddwyieithog. Gallwch ddefnyddio'r offer clywed i gael cyfieithiad ar y pryd neu i glywed yr holl drafodion yn gliriach os ydych yn drwm eich clyw. Hoffwn atgoffa pobl i ddiffodd eu ffonau poced, blipwyr ac unrhyw offer electronig eraill gan eu bod yn amharu'n ddirfawr ar y system gyfieithu.

The first part of the meeting is concerned with compensating farmers for bovine tuberculosis in Wales. I ask the witnesses to introduce themselves.

Sir Jon Shortridge: I am Jon Shortridge, the Permanent Secretary.

Mr Richards: I am David Richards, the Principal Finance Officer.

Mr Edwards: I am Tony Edwards, the Assistant Chief Veterinary Officer (Wales).

Mr Williams: I am Colin Williams, the head of the Animal Health Division.

[4] **Janet Davies:** Thank you. I have something to say before we start on the evidence. I think that this is an important topic. What we are talking about is the state compulsorily taking cattle for slaughter to prevent the spread of TB. Clearly, the state must then properly compensate farmers. We do recognise as a Committee the terrible effect that an outbreak of TB can have on farmers—on their businesses, their animals and their families. However, as the Audit Committee, it is our role to examine how Assembly Government policies are implemented and whether they achieve value for money. The Auditor General's report provides compelling evidence that this is not currently the case, as farmers appear to have been getting compensation for slaughtered cattle at levels well above market values. Whatever our personal feelings, this is the main issue that we will explore this morning, although we also need to consider some of the wider issues concerning TB and disease control in general. One thing that we are not here to do is to look specifically at the cause of bovine TB. That is not what this meeting is about, so I do not want to wander off into those sorts of questions.

I will start the questioning by referring to paragraphs 1.2 and 1.3, Sir Jon. The Auditor General's report describes how bovine TB in Wales is managed through a partnership

Mae rhan gyntaf y cyfarfod yn ymwneud â digolledu ffermwyr am dwbercwlosis mewn gwartheg yng Nghymru. Gofynnaf i'r tystion gyflwyno eu hunain.

Syr Jon Shortridge: Fi yw Jon Shortridge, yr Ysgrifennydd Parhaol.

Mr Richards: Fi yw David Richards, y Prif Swyddog Cyllid.

Mr Edwards: Fi yw Tony Edwards, y Prif Swyddog Milfeddygol Cynorthwyol (Cymru).

Mr Williams: Fi yw Colin Williams, pennaeth yr Is-adran Iechyd Anifeiliaid.

[4] **Janet Davies:** Diolch. Mae gennyf rywbeth i'w ddweud cyn i ni ddechrau ar y dystiolaeth. Credaf fod hwn yn bwnc o bwys. Yr hyn yr ydym yn ei drafod yma yw'r wladwriaeth yn gorfodi ffermwyr i anfon gwartheg i'w lladd er mwyn atal TB rhag lledu. Yn amlwg, mae'n rhaid i'r wladwriaeth wedyn ddigolledu ffermwyr yn briodol. Yr ydym fel Pwyllgor yn cydnabod yr effaith ddifrifol y gall achos o TB ei gael ar ffermwyr—ar eu busnesau, eu hanifeiliaid a'u teuluoedd. Fel Pwyllgor Archwilio, fodd bynnag, ein swyddogaeth yw archwilio sut mae polisïau Llywodraeth y Cynulliad yn cael eu rhoi ar waith ac a ydynt yn rhoi gwerth am yr arian. Mae adroddiad yr Archwilydd Cyffredinol yn rhoi dystiolaeth rymus nad felly y mae hi ar hyn o bryd, gan ei bod yn ymddangos bod ffermwyr wedi bod yn cael iawndal dipyn uwch na phris y farchnad am wartheg wedi'u lladd. Beth bynnag yw ein teimladau personol, dyma'r prif fater y byddwn yn ei drafod y bore yma, er bod angen i ni hefyd bwysu a mesur rhai o'r materion ehangach sy'n ymwneud â TB a rheoli clefydau'n gyffredinol. Un peth nad ydym am ei wneud yma yw edrych yn benodol ar achos TB mewn gwartheg. Nid dyna yw byrdwn y cyfarfod hwn, felly nid wyf eisïau crwydro i drin a thrafod cwestiynau o'r fath.

Dechreuaf y cwestiynau trwy gyfeirio at baragraffau 1.2 ac 1.3, Syr Jon. Mae adroddiad yr Archwilydd Cyffredinol yn disgrifio sut caiff TB mewn gwartheg yng

between the Assembly and the State Veterinary Service, which is part of the Department for Environment, Food and Rural Affairs. I think that it would be helpful for the Committee if you were to spell out exactly what that means in practice and who is responsible for what exactly.

Sir Jon Shortridge: Thank you, Chair. Essentially, the distinction is between a policy responsibility and an operational and implementation responsibility. If I can start with the State Veterinary Service, it is an integral part of DEFRA but it provides for us, for the Assembly, through the concordat that we have established with it, veterinary advice. It delivers agreed policies on the ground, so it is our implementation agent. Through the intelligence that it gets from that implementation, it provides us with feedback on the impact and effectiveness of policies. As the Assembly Government, we have the policy responsibility. We are a co-partner with the other agricultural departments on policy formulation affecting animal health, but we only have devolved responsibility for three animal diseases in Wales. We exercise that responsibility by being a member of the State Veterinary Service management board, which is a Great Britain board. We are also a member of certain of DEFRA's programme boards. So, we have the policy responsibility and the financial accountability, in the case of bovine TB, for the exercise of that policy. The State Veterinary Service acts as our operational arm.

[5] **Janet Davies:** So, what you are saying is that the Assembly has the ultimate responsibility at the end of the day. Could I also ask you to confirm, Sir Jon, that the compensation to the farmers comes from Assembly money, rather than from DEFRA? Where does the money come from?

Sir Jon Shortridge: The money for compensation certainly comes from our accounts, and I account for it. There are aspects of the work on bovine TB and the science of the disease, which feed into policy, where the funding comes from DEFRA but, for the purposes of today and the compensation payments, I am personally

Nghymru ei reoli trwy gyfrwng partneriaeth rhwng y Cynulliad a'r Gwasanaeth Milfeddygol Gwladol, sy'n rhan o Adran yr Amgylchedd, Bwyd a Materion Gwledig. Credaf y byddai'n ddefnyddiol i'r Pwyllgor pe baech yn manylu ar beth yn hollol yw ystyr hynny'n ymarferol a phwy sy'n gyfrifol am beth yn union.

Syr Jon Shortridge: Diolch, Gadeirydd. Yn y bôn, mae'r gwahaniaeth rhwng cyfrifoldeb polisi a chyfrifoldeb gweithredu a gweithredol. Os caf fi ddechrau gyda'r Gwasanaeth Milfeddygol Gwladol, mae'n rhan annatod o DEFRA ond mae'n rhoi cyngor milfeddygol i ni, ar gyfer y Cynulliad, trwy'r concordat y bu i ni ei sefydlu gydag ef. Mae'n cyflwyno polisiau cytûn ar lawr gwlad, felly ef yw ein hasiant gweithredu. Trwy'r wybodaeth a ddaw o'r gweithredu hynny, mae'n rhoi adborth i ni ar effaith ac effeithiolrwydd y polisiau. Fel Llywodraeth y Cynulliad, mae gennym gyfrifoldeb polisi. Rydym yn bartner ar y cyd ag adrannau amaethyddol eraill wrth lunio polisiau sy'n effeithio ar iechyd anifeiliaid, a dim ond ar dri chlefyd anifeiliaid y mae gennym gyfrifoldebau datganoledig drostynt. Yr ydym yn cyflawni'r cyfrifoldeb hwnnw o fod yn aelod o fwrdd rheoli'r Gwasanaeth Milfeddygol Gwladol, sef bwrdd Prydain Fawr. Yr ydym hefyd yn aelodau o fyrddau rhaglenni penodol DEFRA. Felly, mae gennym gyfrifoldeb polisi ac atebolrwydd ariannol, yn achos TB mewn gwartheg, i gyflawni'r polisi hwnnw. Y Gwasanaeth Milfeddygol Gwladol yw ein hadran weithredu ni.

[5] **Janet Davies:** Felly, yr hyn yr ydych yn ei ddweud yw mai'r Cynulliad sydd â'r cyfrifoldeb terfynol yn y pen draw. A gaf fi ofyn ichi gadarnhau hefyd, Syr Jon, bod iawndal y ffermwyr yn dod o goffrau'r Cynulliad, yn hytrach nag oddi wrth DEFRA? O ble y daw'r arian?

Syr Jon Shortridge: Mae'r arian ar gyfer iawndal yn bendant yn dod o'n cyfrifon ni, ac yr wyf fi'n rhoi cyfrif amdano. Mae agweddau ar y gwaith ar TB mewn gwartheg a gwyddor y clefyd sy'n cyfrannu at ein polisiau, yn cael eu hariannu gan DEFRA ond, er mwyn heddiw a'r mater taliadau iawndal, fi sy'n bersonol atebol amdanynt.

accountable.

[6] **Janet Davies:** Thank you. I understand that the Assembly has allocated an additional £4 million over two years to support the State Veterinary Service's work on bovine tuberculosis. How do you intend that the SVS use the additional £4 million that the Assembly has allocated to it to support its work on bovine TB?

Sir Jon Shortridge: Well, we have allocated £4 million over two years. As I understand it, there is money that has been put into the State Veterinary Service's budget in Wales as well, and that is £3.6 million for next year. However, I think that, if you want further details on that, I must refer you to Colin Williams.

Mr Williams: Indeed, Chairman. An extra £414,000 was made available to the State Veterinary Service in Wales by DEFRA to support its activities on the ground in Wales. This represented a 12 per cent increase in Tony Edwards's budget for this year, and that was spent primarily on reducing the backlog of tests and speeding up the removal of reactor animals from farms. This was in addition to the programmes that were already on the ground and separate from any money that the Assembly might make available.

[7] **Janet Davies:** Okay, thank you. Is there any problem about ensuring that the funding delivers the outcomes that are needed, rather than it just being swallowed up in the whole budget of the State Veterinary Service? Is there transparency on that?

Sir Jon Shortridge: I think that if we are dealing now with the budget, and the sort of administrative costs of the State Veterinary Service, as opposed to the funding of compensation, the true evidence that that money is being used effectively is the very substantial reduction that there has been in the backlog of required testing. The current backlog, I think, is around 400, whereas it has been, as the report indicates, up as far as several thousands. So, in administrative terms, I am satisfied that we are getting on

[6] **Janet Davies:** Diolch. Deallaf fod y Cynulliad wedi dyrannu £4 miliwn ychwanegol dros ddwy flynedd i gynorthwyo gwaith y Gwasanaeth Milfeddygol Gwladol ar dwbercwlosis mewn gwartheg. Sut yr ydych yn disgwyl i'r gwasanaeth ddefnyddio'r £4 miliwn ychwanegol y mae'r Cynulliad wedi ei ddyrannu i'w gynorthwyo gyda'i waith ar TB mewn gwartheg?

Syr Jon Shortridge: Wel, yr ydym wedi dyrannu £4 miliwn dros ddwy flynedd. Yn ôl yr hyn a ddeallaf, mae arian wedi'i roi yng nghyllideb y Gwasanaeth Milfeddygol Gwladol yng Nghymru hefyd, sef £3.6 miliwn ar gyfer y flwyddyn nesaf. Er hynny, credaf bod rhaid i mi eich cyfeirio at Colin Williams os hoffech fanylion pellach ar y mater.

Mr Williams: Wrth gwrs, Gadeirydd. Cafodd y Gwasanaeth Milfeddygol Gwladol yng Nghymru £414,000 ychwanegol gan DEFRA i gynorthwyo ei waith ar lawr gwlad yng Nghymru. Yr oedd hyn yn cynrychioli cynnydd o 12 y cant yng nghyllideb Tony Edwards am eleni, a chafodd hynny ei wario'n bennaf ar leihau'r profion a oedd yn dal i gael eu gwneud a chyflymu'r broses o gludo anifeiliaid heintus o ffermydd. Yr oedd hyn yn ychwanegol at y rhaglenni a oedd eisoes ar waith, ac maent ar wahân i unrhyw arian a allai'r Cynulliad ei roi.

[7] **Janet Davies:** Iawn, diolch. A oes unrhyw broblem ynghylch sicrhau bod yr arian yn cyflawni'r canlyniadau sydd eu hangen, yn hytrach na'i fod yn cael ei lyncu gan gyllideb cyffredinol y Gwasanaeth Milfeddygol Gwladol? A yw hynny'n eglur?

Syr Jon Shortridge: Credaf os yr ydym yn ymdrin â'r gyllideb yn awr, a math o gostau gweinyddol y Gwasanaeth Milfeddygol Gwladol, yn hytrach nag ariannu iawndal, yna'r dystiolaeth wirioneddol bod yr arian yn cael ei wario'n effeithiol yw'r gostyngiad sylweddol iawn a fu yn y profion angenrheidiol a oedd yn aros i gael eu gwneud. Ar hyn o bryd, yr wyf yn meddwl mai rhyw 400 o brofion sy'n aros i'w gwneud, o gymharu â, fel y nododd yr adroddiad, hyd at filoedd lawer o'r blaen. Yn

top of the implementation of the present arrangements for dealing with the disease, or compensating for the disease. The issue now, particularly in the light of this report, is putting in place new and much more effective arrangements that will give much better value for money to the Assembly.

[8] **Janet Davies:** Could I just ask how far advanced that process is, because, clearly, an audit trail is needed as well as just seeing the outcomes?

Sir Jon Shortridge: The process of putting in place new arrangements, or—

[9] **Janet Davies:** Yes. You said that you were putting in new arrangements.

Sir Jon Shortridge: Yes. We have, in response to this report, done a number of things, which I can refer to now if you would like me to, that we can implement, as the Welsh Assembly Government, within the existing statutory arrangements. In consultation with DEFRA, we are poised to consult next week on a new set of compensation arrangements for animal diseases in general, not just TB, and the intention is that those new arrangements should be in place later in 2004, subject to the results of the consultation. So, that is the overall position, but if you would like me to tell you what we have done most immediately, I can do that now.

[10] **Janet Davies:** I think that perhaps we will leave that until a little bit later.

Sir Jon Shortridge: Okay.

[11] **Janet Davies:** Carl, you have some questions to ask?

[12] **Carl Sargeant:** Thank you. May we just briefly talk about the incidence and impact of bovine TB? Bovine TB has spread at an alarming rate through Wales in recent years, and the report makes very clear the serious nature of the problem for farmers. Many farmers are frustrated because, in their opinion, nothing is being done to address what they believe to be the cause of the rapid spread of the disease, namely the link

nhermau gweinyddol, felly, yr wyf yn fodlon ein bod yn llwyddo i weithredu'r trefniadau presennol ar gyfer ymdrin â'r clefyd, neu ddigolledu am y clefyd. Y mater yn awr, yn enwedig yn wyneb yr adroddiad hwn, yw rhoi trefniadau newydd a llawer mwy effeithiol ar waith a fydd yn rhoi gwell gwerth am arian i'r Cynulliad.

[8] **Janet Davies:** A gaf fi ofyn pa mor bell ymlaen y mae'r broses honno, oherwydd, yn amlwg, mae angen trywydd archwilio yn ogystal â dim ond gweld y canlyniadau?

Syr Jon Shortridge: Y broses o roi'r trefniadau newydd ar waith, neu—

[9] **Janet Davies:** Ie. Dywedasoch eich bod yn cyflwyno trefniadau newydd.

Syr Jon Shortridge: Do. Yr ydym, mewn ymateb i'r adroddiad hwn, wedi gwneud nifer o bethau, y gallaf gyfeirio atynt yn awr os hoffech chi, y gallwn ni eu gweithredu, fel Llywodraeth Cynulliad Cymru, o fewn y trefniadau statudol presennol. Gan ymgynghori â DEFRA, yr ydym ar fin ymgynghori yr wythnos nesaf ar gyfres newydd o drefniadau digolledu o ran clefydau anifeiliaid yn gyffredinol, nid yn unig TB, a'r bwriad yw y dylai'r trefniadau newydd hyn fod ar waith yn 2004, yn amodol ar ganlyniadau'r ymgynghoriad. Felly, dyna yw'r sefyllfa gyffredinol, ond os hoffech i mi ddweud wrthyhych yr hyn a wnaethom yn fwyaf diweddar, gallaf wneud hynny yn awr.

[10] **Janet Davies:** Credaf y gadawn hynny tan ychydig yn nes ymlaen efallai.

Syr Jon Shortridge: Iawn.

[11] **Janet Davies:** Carl, mae gennych gwestiynau i'w gofyn?

[12] **Carl Sargeant:** Diolch. A gawn ni drafod yn fyr achosion ac effaith TB mewn gwartheg? Mae TB mewn gwartheg wedi lledu ar raddfa frawychus ledled Cymru yn y blynyddoedd diweddar, ac mae'r adroddiad yn nodi'n glir iawn natur ddifrifol y broblem i ffermwyr. Mae llawer o ffermwyr yn teimlo'n rhwystredig oherwydd, yn eu barn hwy, nid oes dim yn cael ei wneud i fynd i'r afael â'r hyn y credant sy'n achosi'r clefyd i

between bovine TB and badgers. What is the Assembly doing to tackle this terrible disease?

Sir Jon Shortridge: Well, the fundamental thing that is being done—as you will appreciate, this is a GB problem, certainly an England and Wales problem, so it is not something that we can do in isolation from the UK Government—the main issue that is addressing the disease at the moment is what is conventionally described as the Krebs trials, which is a whole series of tests that was introduced a few years ago and is not to be completed until 2006, and which seeks to establish a causal relationship between TB in badgers and bovine TB. At the moment, there is lots of circumstantial evidence to demonstrate that link, but it has never been proven sufficiently scientifically. So, that is the underlying policy approach that is being taken. Until those trials are completed, the policy is the one that we have now, which is to seek to identify animals that have the disease and get them off the farms and out of the food chain as quickly as possible.

[13] **Carl Sargeant:** So is there anything that farmers could do to reduce the risk of bovine TB?

Sir Jon Shortridge: I think that I must refer that question to Tony Edwards for a more detailed answer, but I imagine that there are things that can be done around the whole issue of animal husbandry and good animal practices on the farm.

Mr Edwards: There is a range of measures that farmers can undertake to minimise the risk of their cattle getting TB. For instance, when buying in cattle they should insist on having them tested beforehand—that sort of thing. They should make efforts to keep badgers out of the feed store to reduce any link between badgers and the cattle as far as is practicable. We do actually publish a guidebook for farmers to help them to take some of these steps to avoid their herd becoming infected as far as is possible.

[14] **Carl Sargeant:** During the foot and mouth disease outbreak there was a backlog

ledu mor gyflym, sef y cysylltiad rhwng TB mewn gwartheg a moch daear. Beth mae'r Cynulliad yn ei wneud i fynd i'r afael â'r clefyd difrifol hwn?

Syr Jon Shortridge: Wel, y peth sylfaenol sy'n cael ei wneud—fel y gwyddoch, mae hon yn broblem ar gyfer holl wledydd Prydain, yn bendant problem Cymru a Lloegr, felly nid yw'n rhywbeth y gallwn ei wneud ar wahân i Lywodraeth y DU—y prif fater sy'n mynd i'r afael â'r clefyd ar hyn o bryd yw'r hyn a ddisgrifir fel arfer fel profion Krebs, sef cyfres gyfan o brofion a gyflwynwyd ychydig flynyddoedd yn ôl ac na chaiff ei chwblhau tan 2006, ac sy'n ceisio pennu cysylltiad achosol rhwng TB mewn moch daear a TB mewn gwartheg. Ar hyn o bryd, mae llawer o dystiolaeth amgylchiadol i brofi'r cyswllt hwnnw, ond nid yw erioed wedi'i brofi'n ddigonol yn wyddonol. Felly, dyna'r polisi sylfaenol sy'n cael ei ddilyn. Tan fod y profion hynny wedi'u cwblhau, y polisi yw'r un sydd gennym yn awr, sef mynd ati i nodi'r anifeiliaid sydd â'r clefyd a'u tynnu oddi ar y ffermydd ac o'r gadwyn fwyd cyn gynted ag y bo modd.

[13] **Carl Sargeant:** Felly a oes unrhyw beth y gall ffermwyr ei wneud i leihau peryglon TB mewn gwartheg?

Syr Jon Shortridge: Credaf fod yn rhaid i mi gyfeirio'r cwestiwn hwnnw at Tony Edwards i gael ateb manylach, ond dychmygaf fod modd gwneud pethau ynghylch holl fater hwsmonaeth anifeiliaid ac arferion da ar y fferm.

Mr Edwards: Mae llu o fesurau y gall ffermwyr eu cymryd i leihau'r perygl i'w gwartheg ddal TB. Wrth brynu buchod, er enghraifft, dylent fynnu eu bod yn cael eu profi ymlaen llaw—y math yna o beth. Dylent ymdrechu i gadw moch daear draw o'r storfa fwyd i leihau unrhyw gysylltiad rhwng gwartheg a moch daear cyn belled ag y bo hynny'n ymarferol. Yr ydym yn cyhoeddi canllawiau i ffermwyr i'w helpu i gymryd rhai o'r camau hyn fel nad yw eu buchesi, cyn belled ag y bo hynny'n bosibl, yn cael eu heintio.

[14] **Carl Sargeant:** Yn ystod argyfwng clwy'r traed a'r genau, yr oedd pentwr o

of bovine TB testing. To what extent has this backlog of overdue tests been eradicated, Sir Jon?

Sir Jon Shortridge: This is what I referred to earlier. In November 2001, as I think the report indicates, the total number of overdue tests was just fractionally over 5,000. The latest figures that I have, which are for August 2003, are that there is a backlog of 457 tests, so there has been a very dramatic reduction, and the intention obviously is that that backlog should be down as near as is possible to nothing. However, given the very rapid decline in the numbers that we have achieved, we are, I think, poised to get the backlog down to an acceptable level.

[15] **Carl Sargeant:** So is the average duration of movement restrictions likely to fall as you catch up with the backlog of tests?

Sir Jon Shortridge: Well, there have been some recent changes in the arrangements for movement restrictions. Perhaps I can ask Tony to explain what those are.

Mr Edwards: Just to comment on the backlog, the backlog itself is not necessarily related to the length of time under which farms remain under restriction—it depends on the level of infection on the farm and a whole range of other things as well.

I am sorry, I have forgotten the second question; I apologise.

Sir Jon Shortridge: It was on movement restrictions.

Mr Edwards: The movement restrictions?

[16] **Carl Sargeant:** Yes.

Mr Edwards: Because of the devastating effect on some of the dairy farms, we have slackened off some of the movement restrictions, subject to veterinary discretion. For instance, a dairy farmer who has lost a large proportion of his dairy herd would have problems maintaining his quota and therefore we have looked at whether we can allow him to move certain animals on to keep the

brofion TB mewn gwartheg yn aros i'w gwneud. I ba raddau mae'r pentwr hwn o brofion wedi'i ddileu, Syr Jon?

Syr Jon Shortridge: Dyma beth y cyfeiriais ato'n gynharach. Ym mis Tachwedd 2001, fel y credaf y mae'r adroddiad yn ei nodi, yr oedd cyfanswm y profion a oedd yn aros i'w gwneud ychydig dros 5,000. Mae'r ffigurau diweddaraf sydd gennyf, sef rhai Awst 2003, yn nodi bod 457 o brofion yn aros i'w gwneud, felly mae wedi lleihau'n ddramatig, a'r bwriad yn amlwg yw y dylai'r ffigurau hyn fod cyn ised neu cyn agosed â phosibl i ddim. Er hynny, o gofio ein bod wedi llwyddo i leihau'r ffigurau'n gyflym, yr ydym, fe gredaf, ar fin lleihau'r profion sy'n aros i'w gwneud i lefel dderbyniol.

[15] **Carl Sargeant:** Felly, a yw cyfnod cyfartalog y gwaharddiadau symud yn debygol o leihau wrth ichi ddal i fyny â'r profion sydd angen eu gwneud?

Syr Jon Shortridge: Wel, bu rhai newidiadau diweddar yn nhrefniadau'r gwaharddiadau symud. Efallai y gallaf ofyn i Tony esbonio beth ydynt.

Mr Edwards: Ynglŷn â'r profion sy'n aros i'w gwneud, nid yw hynny ynddo'i hun o anghenraid yn ymwneud â'r cyfnod y bydd y fferm yn parhau dan waharddiad—mae'n dibynnu i ba raddau y mae'r fferm wedi'i heintio a phob math o bethau eraill hefyd.

Mae'n ddrwg gennyf, yr wyf wedi anghofio'r ail gwestiwn; ymddiheuraf.

Syr Jon Shortridge: Yr oedd yn ymwneud â gwaharddiadau symud.

Mr Edwards: Y gwaharddiadau symud?

[16] **Carl Sargeant:** Ie.

Mr Edwards: Oherwydd yr effaith drychinebus ar rai ffermydd llaeth, yr ydym wedi llacio rhywfaint ar y gwaharddiadau symud, fel y gwêl milfeddygon yn dda. Er enghraifft, byddai gan ffermwr llaeth sydd wedi colli cyfran helaeth o'i fuches laeth yn ei chael hi'n anodd cynnal ei gwota ac felly yr ydym wedi ystyried a allwn adael iddo symud anifeiliaid penodol er mwyn cadw'r

business moving forward, without increasing the risk of the herd being further infected with TB.

[17] **Carl Sargeant:** Okay. To refer back to the report and paragraphs 2.11 to 2.15, which describe the package of measures introduced to help farmers affected by bovine TB and which refer to the gamma interferon blood test, and so on, how effective has this package of measures, introduced last year, proved to be in moderating the impact of bovine TB on farms?

Sir Jon Shortridge: Again, I think that that is a scientific question for Tony.

Mr Edwards: There is no doubt that it has helped—some of the packages and the efforts that we have put in place, such as allowing animals for slaughter to go through dedicated markets and so on have helped. However, I think that the impact has not been as great as would have been hoped. The gamma interferon test is a somewhat separate issue in that this is a modern blood test that endeavours to pick up infection in herds earlier than the current skin test. The difficulty is that, like all biological tests, it has a degree of error and one of the reasons why we are trialling it at the moment is just to establish what that degree of the error in the result actually is in practice.

[18] **Carl Sargeant:** On that line then, does the Assembly plan to do any more to help farmers affected by bovine TB?

Sir Jon Shortridge: Well, there are the packages of measures that the report refers to—both our package of May 2002 and the more widespread governmental one of October 2002. These arrangements are being implemented and monitored and I am sure that if more needs to be done it will be done.

[19] **Carl Sargeant:** Okay. Thank you for that. I think that that covers the incidence and impact side of it. May we go on to the compensation arrangements now, please? The report describes the problems that some farmers experience in getting insurance

busnes i fynd, heb gynyddu'r perygl y gallai'r fuches gael ei heintio ymhellach â TB.

[17] **Carl Sargeant:** Iawn. Gan gyfeirio'n ôl at yr adroddiad a pharagraffau 2.11 i 2.15, sy'n disgrifio'r pecyn o fesurau a gyflwynwyd i helpu ffermwyr sy'n cael eu heffeithio gan TB mewn gwartheg ac sy'n cyfeirio at brawf interfferon gama, ac yn y blaen, pa mor effeithiol fu'r pecyn hwn o fesurau, a gyflwynwyd y llynedd, o ran lleddfu effaith TB mewn gwartheg ar ffermydd?

Syr Jon Shortridge: Unwaith eto, credaf mai cwestiwn gwyddonol i Tony yw hwnnw.

Mr Edwards: Nid oes amheuaeth ei fod wedi helpu—mae rhai o'r pecynnau a'r ymdrechion yr ydym wedi'u rhoi ar waith, megis caniatáu anifeiliaid sydd i'w lladd i fynd drwy'r marchnadoedd penodol ac ati wedi helpu. Er hynny, ni chredaf fod yr effaith wedi bod mor fawr ag y byddai pawb wedi'i obeithio. Mae'r prawf interfferon gama yn fater ar wahân rhywsut yn yr ystyr mai prawf gwaed modern ydyw sy'n ymdrechu i nodi haint mewn buchesi yn gynharach na'r prawf croen presennol. Yr anhawster yw bod hwnnw, fel pob prawf biolegol, yn cynnwys lle i gamgymeriadau, ac un o'r rhesymau pam ein bod yn ei dreialu ar hyn o bryd yw i bennu faint o ganlyniadau gwallus sy'n digwydd go iawn.

[18] **Carl Sargeant:** Ar y pwynt hwnnw, felly, a yw'r Cynulliad yn bwriadu gwneud mwy i helpu ffermwyr sydd wedi'u heffeithio gan TB mewn gwartheg?

Syr John Shortridge: Wel, mae pecynnau o fesurau y mae'r adroddiad yn cyfeirio atynt—sef ein pecyn ni o fis Mai 2002 a phecyn ehangach y Llywodraeth o fis Hydref 2002. Mae'r trefniadau hyn yn cael eu rhoi ar waith a'u monitro ac yr wyf yn siŵr y bydd rhagor yn cael ei wneud os bydd angen.

[19] **Carl Sargeant:** Iawn. Diolch am hynny. Credaf fod hynny'n cynnwys yr achosion ac effaith hynny. A gawn ni fynd ymlaen at y trefniadau digolledu yn awr, os gwelwch yn dda? Mae'r adroddiad yn trafod y problemau y mae rhai ffermwyr yn eu cael o ran cael

cover. There are concerns about the availability and the affordability of insurance against bovine TB. What is the Assembly doing to work with the main providers of livestock insurance to encourage the ongoing availability of cover for farms in Wales?

Sir Jon Shortridge: Well, the insurance can only be for the consequential effects and, as I understand it, particularly in the hotter of the hot spots, the risks, as far as the insurance companies are concerned, are becoming very high, and arguably too high, so that securing insurance cover is becoming increasingly difficult for farmers. I am not aware of anything that we are currently doing with the insurance industry, but Colin will be able to confirm what the position is.

Mr Williams: We have not, until this report, Chair, worked directly with the insurance sector, because it has been, up until now, a primarily commercial decision for the farmer and the insurers concerned. What this report does show is that some of the ingredients of the relationship between the insurance company and the farmer in setting the premium are some that we could take into account and, indeed, will be taking into account in the new regime for compensating farmers, which will be published on Monday of next week. Some of the lessons from the insurers about getting accurate values for stock and providing more information are some of the lessons that we have learned from this and will be incorporating in the new regime, which will be out for consultation next week.

[20] **Carl Sargeant:** Thank you. Finally, is the panel aware of any alternative if private insurance providers withdraw cover, for example, mutual insurance schemes? Is there anything available for farmers?

Sir Jon Shortridge: I am not aware of that. I would have thought that there is at least part of a responsibility on the farming industry itself to be looking to see what insurance cover it can be getting in these changed situations. The Government policy, the

sicrwydd yswiriant. Mae pryderon ynghylch a oes yswiriant ar gael yn erbyn TB mewn gwartheg ac a ellir ei fforddio. Beth mae'r Cynulliad yn ei wneud i weithio gyda'r prif ddarparwyr yswiriant da byw fel bod sicrwydd yswiriant i ffermydd yng Nghymru yn parhau ar gael?

Syr Jon Shortridge: Wel, dim ond am effeithiau canlyniadol y gellir cael yswiriant ac, yn ôl yr hyn a ddeallaf, yn enwedig yn y lleoedd a ddiodefodd waethaf o ran achosion, mae'r peryglon, cyn belled ag y mae'r cwmnïau yswiriant yn y cwestiwn, yn cynyddu, ac yn cynyddu gormod gellir dadlau, fel ei bod hi'n fwyfwy anodd i ffermwyr gael sicrwydd yswiriant. Nid wyf yn ymwybodol o unrhyw beth yr ydym yn ei wneud gyda'r diwydiant yswiriant ar hyn o bryd, ond bydd Colin yn gallu cadarnhau beth yw'r sefyllfa.

Mr Williams: Nid ydym, tan yr adroddiad hwn, Gadeirydd, wedi gweithio'n uniongyrchol â'r sector yswiriant, gan mai penderfyniad masnachol ar gyfer y ffermwr a'r cwmnïau yswiriant perthnasol a fu hyd yma. Beth mae'r adroddiad hwn yn ei ddangos yw bod rhai o nodweddion y berthynas rhwng y cwmni yswiriant a'r ffermwr wrth bennu'r premiwm yn bethau y gallwn eu hystyried ac, yn wir, y byddwn yn eu hystyried yn y drefn newydd ar ddigolledu ffermwyr, a gaiff ei chyhoeddi ddydd Llun nesaf. Mae rhai o wersi'r yswirwyr ynglŷn â nodi gwerth cywir y stoc a rhoi mwy o wybodaeth yn rhai o'r gwersi yr ydym wedi'u dysgu'n sgîl hyn ac y byddwn yn eu cynnwys yn y drefn newydd, a fydd yn cael ei chyhoeddi i ymgynghori yn ei chylch yr wythnos nesaf.

[20] **Carl Sargeant:** Diolch. Yn olaf, a yw'r panel yn ymwybodol o unrhyw drefniadau amgen os yw darparwyr yswiriant preifat yn tynnu'r sicrwydd yn ôl, megis cynlluniau yswiriant ar y cyd? Oes rhywbeth ar gael i ffermwyr?

Syr Jon Shortridge: Nid wyf yn ymwybodol o hynny. Byddwn i wedi meddwl bod rhyw gyfrifoldeb o leiaf ar y diwydiant amaeth ei hun i weld pa sicrwydd yswiriant y gallai gael dan y sefyllfaoedd newydd hyn. Mae polisi'r Llywodraeth, y polisi statudol, yn glir

statutory policy, is very clear: the state intervenes to get the infected animals off the land and slaughtered and we compensate fully for that. The consequential losses have always been a matter for the farmers and that principle, to the best of my knowledge, has not yet been seriously tested. So, this is essentially an issue for the farming industry, but I am sure that if it wanted to make representations they would be carefully considered.

[21] **Janet Davies:** Thank you. Alun, you had some questions?

[22] **Alun Cairns:** Thank you, Cadeirydd. Sir Jon, would you kindly confirm my understanding of the Assembly's current policy, which is that farmers should receive the market value for their slaughtered animals?

Sir Jon Shortridge: Yes, indeed, and that is the statutory position.

[23] **Alun Cairns:** Okay. The National Farmers Union estimates that the average farm suffers consequential losses of around £36,000 during an outbreak of bovine TB. What sort of compensation for those consequential losses do farmers have the right to receive?

Sir Jon Shortridge: Under the present statutory arrangements, they have no right to any compensation for those consequential losses.

[24] **Alun Cairns:** Okay, thanks. I would like to refer you to the last sentence in paragraph 2.29, which says:

'However, the effect of movement restrictions on affected animals means that, once they have received compensation for animals slaughtered, farmers may not be able to restock for some time (by which point the market value for cattle may have appreciated or depreciated).'

Is it reasonable that the current arrangements create winners and losers, in that some farmers will be able to replace their stock when the market is lower than it was at the

iawn: mae'r wladwriaeth yn ymyrryd i dynnu anifeiliaid sydd wedi'u heintio oddi ar y tir i'w lladd, ac yr ydym yn digolledu hynny'n llawn. Mater i'r ffermwyr a fu'r colledion canlyniadol erioed ac nid yw'r egwyddor honno, hyd y gwn i, wedi'i herio o ddifrif hyd yma. Felly, mater i'r diwydiant ffermio yw hwn i bob pwrpas, ond os y byddai'r diwydiant eisiau gwneud sylwadau, yr wyf yn siŵr y byddent yn cael eu hystyried yn ofalus.

[21] **Janet Davies:** Diolch. Alun, a oedd gennych chi gwestiynau?

[22] **Alun Cairns:** Diolch, Gadeirydd. Syr Jon, a fyddech mor garedig â chadarnhau yr hyn a ddeallaf ydyw polisi'r Cynulliad ar hyn o bryd, sef y dylai ffermwyr gael pris y farchnad am anifeiliaid sy'n cael eu lladd?

Syr Jon Shortridge: Dylent, yn wir, a dyna yw'r sefyllfa statudol.

[23] **Alun Cairns:** Iawn. Mae Undeb Cenedlaethol yr Amaethwyr yn amcangyfrif bod fferm gyffredin yn dioddef colledion ariannol o ryw £36,000 yn ystod achos o TB mewn gwartheg. Pa fath o iawndal y mae gan ffermwyr yr hawl i'w gael ar gyfer unrhyw golledion canlyniadol?

Syr Jon Shortridge: O dan y trefniadau statudol presennol, nid oes ganddynt unrhyw hawl i gael iawndal am y colledion canlyniadol hynny.

[24] **Alun Cairns:** O'r gorau, diolch. Hoffwn eich cyfeirio at y frawddeg olaf ym mharagraff 2.29, sy'n dweud:

'Fodd bynnag, mae effaith y cyfyngiadau ar symud anifeiliaid ar ffermydd yr effeithiwyd arnynt yn golygu na all ffermwyr brynu anifeiliaid newydd am beth amser, wedi iddynt gael iawndal am anifeiliaid a laddwyd (ac erbyn hynny gallai gwerth y gwartheg ar y farchnad fod wedi cynyddu neu wedi gostwng).'

A yw'n rhesymol dweud bod y trefniadau presennol yn golygu y bydd rhai ar eu hennill ac eraill ar eu colled, gan y bydd rhai ffermwyr yn gallu prynu stoc newydd pan

time that the animals were valued?

Sir Jon Shortridge: I think that that is a matter of judgment. As officials, we have to implement the arrangements that have been put in place and those arrangements are set out in the relevant subordinate legislation, so our job is to do that to the best of our ability.

[25] **Alun Cairns:** But what estimate has been made of that delay? Does it end up in a net cost to farmers or to the public purse?

Sir Jon Shortridge: That is a consequential loss that the present arrangements do not cover explicitly.

[26] **Alun Cairns:** Okay, thanks. Why is the basis for compensation for bovine TB so much more generous than that for other diseases such as BSE and brucellosis—I hope that I pronounced that correctly?

Sir Jon Shortridge: I think that that is one that I will ask Tony to explain.

Mr Edwards: The systems were similar for the diseases up until 1998, when the Krebs trial was introduced. A decision was taken at the time to enable the Krebs trial to go ahead because there was strength of feeling within the industry that the compensation arrangements for TB alone would be changed at that time. The new system was introduced in August 1998.

[27] **Alun Cairns:** So would it be fair to say that the compensation is more generous to try to facilitate the removal of sick animals from the farm rather than maybe leading to a position where farmers might be prepared not to declare contraction of the disease?

Mr Williams: May I deal with this? Looking at the range of animal diseases, including bovine TB and brucellosis, to which you referred, there is a range of compensation arrangements in place. However, broadly, as a theme between the various diseases, the underlying theme is that farmers are compensated at the market value for the animals concerned. It may vary a little from

fo'r farchnad yn is na'r hyn ydoedd pan brisiwyd yr anifeiliaid?

Syr Jon Shortridge: Credaf mai mater o farn yw hynny. Fel swyddogion, mae'n rhaid i ni weithredu'r trefniadau sydd mewn grym ac mae'r trefniadau hynny wedi'u pennu yn yr is-ddeddfwriaeth berthnasol, felly ein gwaith ni yw gwneud hynny orau y gallwn.

[25] **Alun Cairns:** Ond pa amcangyfrif a wnaethpwyd o'r oedi hwnnw? A yw hynny'n golygu cost net i ffermwyr neu i'r pwrs cyhoeddus?

Syr Jon Shortridge: Colledion canlyniadol yw'r rheini nad ydynt yn rhan benodol o'r trefniadau presennol.

[26] **Alun Cairns:** Iawn, diolch. Pam mae'r sail o ran digolledu am TB mewn gwartheg yn llawer mwy hael nag am glefydau eraill fel BSE a brwselosis—gobeithiaf fy mod wedi ynganu hwnnw'n gywir?

Syr Jon Shortridge: Yr wyf yn credu y gofynnaf i Tony esbonio hynny ichi.

Mr Edwards: Yr oedd y systemau yn debyg ar gyfer y clefydau hyd 1998, pan gyflwynwyd profion Krebs. Penderfynwyd ar y pryd i fwrw ymlaen â phroffion Krebs oherwydd yr oedd teimladau cryfion yn y diwydiant y byddai'r trefniadau digolledu am TB yn unig yn cael eu newid ar y pryd. Cafodd y system newydd ei chyflwyno ym mis Awst 1998.

[27] **Alun Cairns:** Felly, byddai'n deg dweud bod yr iawndal yn fwy hael er mwyn ceisio hwyluso'r gwaith o symud anifeiliaid sâl oddi ar y fferm yn hytrach nag arwain at sefyllfa lle y gallai ffermwyr fod yn barod i beidio â chyfaddef bod eu gwartheg wedi dal y clefyd o bosibl?

Mr Williams: A gaf fi ymdrin â hyn? O edrych ar yr amrywiaeth o glefydau anifeiliaid, gan gynnwys TB mewn gwartheg a brwselosis, y cyfeiriwch atynt, mae ystod o drefniadau digolledu ar waith. Fel thema gyffredinol rhwng y clefydau amrywiol, fodd bynnag, y thema sylfaenol yw bod ffermwyr yn cael eu digolledu yn ôl gwerth y farchnad ar gyfer yr anifeiliaid dan sylw. Efallai y gall

disease to disease, and it may be subject to ceilings, but TB is compensated at 100 per cent of the market value applying at the time. What it is clear from this report has gone wrong is that the market values on the ground have not accurately been reflected in the compensation being received by farmers, which has been greater.

[28] **Alun Cairns:** Thank you, Mr Williams, but I refer you to paragraph 3.9, which says that if the same compensation basis for the other two diseases was used in relation to bovine TB, the taxpayer would have saved £1.8 million. Surely that cannot be right. Will you reconsider what you said, that the basis of valuation is very similar?

Mr Williams: It is because, with some of the other diseases, there are caps that have been put on the value that can be paid in the case of an individual animal, and that cap does not exist in the case of TB.

[29] **Alun Cairns:** Why is that the case?

Mr Williams: Because it is not in the legislation.

[30] **Alun Cairns:** Okay, thank you.

[31] **Janet Davies:** You have referred to the levels of compensation compared with the underlying market value, and paragraph 3.1 shows that it rose by 82 per cent between 1999 and 2002, in particular between 2000 and 2002, which were the years either side of the foot and mouth disease outbreak. The House of Commons Public Accounts Committee at that time expressed concern about the level of compensation paid for slaughtered animals. Why did the Assembly fail to notice that compensation levels were rising so quickly?

Sir Jon Shortridge: I do not think that it is altogether fair to say that we failed to notice it. We did begin to notice it around the end of 2001 and the beginning of 2002, and we started to address the issue in the office and in consultation with DEFRA. It was because of our growing concern on this matter that, in July 2002, we invited the National Audit

amrywio rhywfaint o glefyd i glefyd, ond telir iawndal 100 y cant o bris y farchnad ar y pryd am TB. Yr hyn sy'n amlwg wedi mynd o'i le yn ôl yr adroddiad hwn yw nad yw prisiau'r farchnad ar lawr gwlad wedi cael eu hadlewyrchu'n gywir yn ôl yr iawndal a gafodd ffermwyr, a oedd yn uwch.

[28] **Alun Cairns:** Diolch ichi, Mr Williams, ond fe'ch cyfeiriaf at baragraff 3.9, sy'n dweud pe bai'r un sail ddigolledu a ddefnyddiwyd yn achos y ddau glefyd arall wedi'i defnyddio yn achos TB mewn gwartheg, yna byddai trethdalwyr wedi arbed £1.8 miliwn. Ni all hynny fod yn iawn, siawns. A wnewch chi ailystyried yr hyn a ddywedasoch, sef bod sail y prisio yn debyg iawn?

Mr Williams: Y rheswm am hynny yw, yn achos rhai o'r clefydau eraill, bod terfyn ar y gwerth y gellir ei dalu yn achos anifail unigol, ac nad oes terfyn o'r fath yn achos TB.

[29] **Alun Cairns:** Pam hynny?

Mr Williams: Oherwydd nad yw yn y ddeddfwriaeth.

[30] **Alun Cairns:** Iawn, diolch.

[31] **Janet Davies:** Yr ydych wedi cyfeirio at y lefelau iawndal o gymharu â phris sylfaenol y farchnad, ac mae paragraff 3.1 yn dangos y bu cynnydd o 82 y cant rhwng 1999 a 2002, yn enwedig rhwng 2000 a 2002, sef y blynyddoedd cyn ac ar ôl argyfwng clwy'r traed a'r genau. Mynegodd Pwyllgor Cyfrifon Cyhoeddus Tŷ'r Cyffredin bryderon ar y pryd ynglŷn â lefel yr iawndal a delid am anifeiliaid oedd yn cael eu lladd. Pam na lwyddodd y Cynulliad i sylwi bod y lefelau iawndal yn codi mor gyflym?

Syr Jon Shortridge: Ni chredaf ei bod hi'n gwbl deg dweud i ni fethu â sylwi ar hynny. Dechreuasom sylwi ar hynny tua diwedd 2001 a dechrau 2002, a dechreuasom fynd i'r afael â'r mater yn y swyddfa ac wrth ymgynghori â DEFRA. Gan ein bod yn pryderu fwyfwy am y mater, aethom ati yng Ngorffennaf 2002 i wahodd y Swyddfa

Office to come in and undertake this study for us, because we recognised that the issues involved were really quite complex. They were ones that related to activities taking place on farms and outside the Assembly. We needed to have a clear understanding of how and why these circumstances were arising, so that we could address them properly.

[32] **Janet Davies:** Right, fair enough, thank you. However, nevertheless, figures 8 to 11 do show that the compensation values are at least 50 per cent higher than market values. I accept the point that you have made, Sir Jon, about the NAO report being requested, but this is an awfully large difference that has developed between the two sorts of payments. Is there anything else that has happened or were any other factors present that allowed this to happen?

Sir Jon Shortridge: It is clearly a very complex issue, and one which we can spend some time discussing with you. I think that the only things that I would want to say initially in response to that is that the arrangements that we operate in Wales are identical to the arrangements that are operated in England, and the agent involved in administering all of this is the same organisation: the State Veterinary Service. On the face of it, it is very strange that you use the same system, the same statutory framework, the same people, and you end up with a higher premium being paid in Wales. It is that which this report has explored. The issues essentially resolved themselves down to the way in which valuers have been operating in a situation where there has been a significant increase in the disease. Therefore, they have been perhaps finding it more difficult to identify what the true market price for animals is in these circumstances.

[33] **Janet Davies:** Thank you. Val, do you want to ask any other questions about this?

[34] **Val Lloyd:** Yes, I have a quick question. Appendices 4 to 6 note regional differences in average compensation. Why should there be such marked regional differences between average compensation payments across

Archwilio Genedlaethol i gynnal astudiaeth ar ein rhan, oherwydd yr oeddem yn cydnabod bod y materion dan sylw'n rhai eithaf cymhleth mewn gwirionedd. Yr oeddynt yn ymwneud â'r gweithgareddau a oedd yn digwydd ar ffermydd a thu hwnt i'r Cynulliad. Yr oedd angen i ni ddeall yn glir sut a pham yr oedd yr amgylchiadau hyn yn codi, fel y gallem fynd i'r afael â hwy'n iawn.

[32] **Janet Davies:** Iawn, digon teg, diolch ichi. Er hynny, fodd bynnag, mae ffigurau 8 i 11 yn dangos bod y gwerthoedd iawndal o leiaf 50 y cant yn uwch na phrisiau'r farchnad. Yr wyf yn derbyn y pwynt a wnaethoch chi, Syr Jon, ynglŷn â gofyn am adroddiad gan y SAG, ond mae hwn yn wahaniaeth sylweddol iawn a ddatblygodd rhwng y ddau fath o daliad. A ddigwyddodd rhywbeth arall neu a oedd ffactorau eraill yn bresennol a ganiataodd i hyn ddigwydd?

Syr Jon Shortridge: Mae hwn yn amlwg yn fater cymhleth dros ben, ac yn un y gallwn dreulio cryn dipyn o amser yn ei drafod â chi. Credaf mai'r unig bethau yr hoffwn eu dweud wrth ymateb gyntaf yw bod y trefniadau sydd gennym ar waith yma yng Nghymru yr union yr un fath â'r trefniadau yn Lloegr, ac mai'r un asiant sy'n gyfrifol am weinyddu'r cyfan, sef y Gwasanaeth Milfeddygol Gwladol. Ar yr wyneb, mae'n rhyfedd iawn eich bod yn defnyddio'r un system, yr un fframwaith statudol, yr un bobl, ac mai'r canlyniad yw bod premiwm uwch yn cael ei dalu. Dyma beth mae'r adroddiad hwn wedi'i archwilio. Bu i'r materion ddatrys eu hunain yn y bôn yn ôl y modd y mae'r prisywyr wedi bod yn gweithio mewn sefyllfa lle yr oedd cynnydd sylweddol yn y clefyd. Felly, maent o bosibl wedi'i chael hi'n anoddach i nodi beth yw gwir bris i'r farchnad am anifeiliaid dan yr amgylchiadau hyn.

[33] **Janet Davies:** Diolch. Val, a hoffech ofyn unrhyw gwestiynau eraill am hyn?

[34] **Val Lloyd:** Mae gennyf gwestiwn sydyn, oes. Mae atodiadau 4 i 6 yn nodi gwahaniaethau rhanbarthol yn y cyfartaledd iawndal. Pam y mae gwahaniaethau rhanbarthol mor amlwg rhwng cyfartaledd yr

Wales?

Sir Jon Shortridge: I am sorry, I found it difficult to hear that.

[35] **Val Lloyd:** I am not surprised, really, because my microphone was not on and my voice went. I am looking at appendices 4 to 6, and I am wondering why there should be such marked regional differences between average compensation payments across Wales?

Sir Jon Shortridge: Well, I will invite Tony to comment further if you require more information, but I think that the basic point is that the incidence of the disease in north-west or north Wales is very low. There is not really the basis for any market distortion to occur, so I think that that is the main explanation. In the case of Carmarthen and Cardiff, I think that the valuations are actually really quite similar. Those are the two big hotspot areas, and both those areas are ones where the incidence of what the report describes as 'valuation creep' has been occurring. I imagine that that valuation creep does have a bit of a ripple effect, so that valuers in the Cardiff area will be looking at what is happening in Carmarthen and vice versa. So, I think that that is the basic explanation. If you want more detail, I think it is for Tony or Colin, who have been discussing all of these issues with the valuers, to explain the sorts of circumstances that have caused this creep to arise.

[36] **Val Lloyd:** Yes, I think that I would like a little more explanation, please.

Mr Edwards: If I may go first, Chair, I think that one of the key issues here is that the dairy industry, which is very predominant down in south and west Wales, is very different from the beef industry, which is the major part of the industry in north Wales. The values of the animals are very different; the structure of the industry is very different. If you couple that with the incidence of the disease, you get a very different situation in the two parts of the country. South and west Wales are not dissimilar; north Wales is very different indeed.

iawndal a delir ledled Cymru?

Syr Jon Shortridge: Mae'n ddrwg gennyf, cefais drafferth i glywed y cwestiwn hwnnw.

[35] **Val Lloyd:** Nid wyf yn synnu mewn gwirionedd, oherwydd nid oedd fy meicroffon ymlaen a chollais fy llais. Yr wyf yn edrych ar atodiadau 4 i 6 ac yn holi pam y mae gwahaniaethau rhanbarthol mor amlwg rhwng cyfartaledd yr iawndal a delir ledled Cymru?

Syr Jon Shortridge: Wel, gofynnaf i Tony wneud sylwadau pellach os hoffech wybod mwy, ond credaf mai'r pwynt sylfaenol yw bod nifer yr achosion o'r clefyd yn ardal y Gogledd-orllewin neu'r Gogledd yn isel iawn. Nid oes sail mewn gwirionedd ar gyfer unrhyw anghysondeb yn y farchnad, felly credaf mai dyna yw'r prif esboniad. Yn achos Caerfyrddin a Chaerdydd, credaf fod y prisiannau yn eithaf tebyg mewn gwirionedd. Dyna'r ddwy ardal sydd â nifer fawr o achosion, a dyma'r ardaloedd lle gwelir yr hyn a ddisgrifir yn yr adroddiad fel 'cynnydd graddol mewn prisiannau'. Gallaf ddychmygu bod y cynnydd graddol hwnnw yn cael effaith ehangach i raddau, fel bod priswyr yn ardal Caerdydd yn edrych ar yr hyn sy'n digwydd yng Nghaerfyrddin, ac fel arall. Felly, credaf mai dyna'r esboniad sylfaenol. Os hoffech fwy o fanylion, credaf mai lle Tony neu Colin, sydd wedi bod yn trafod yr holl faterion hyn â'r priswyr, yw esbonio'r gwahanol amgylchiadau a barodd i'r cynnydd graddol hwn mewn prisiannau ddigwydd.

[36] **Val Lloyd:** Credaf yr hoffwn gael ychydig mwy o esboniad os gwelwch yn dda.

Mr Edwards: Os caf fi fynd yn gyntaf, Gadeirydd, credaf mai un o'r prif faterion yma yw bod y diwydiant llaeth, sy'n amlwg iawn i lawr yn y De a'r Gorllewin, yn wahanol iawn i'r diwydiant cig eidion, sy'n un o rannau pwysicaf y diwydiant yn y Gogledd. Mae gwerth yr anifeiliaid yn wahanol iawn; mae strwythur y diwydiant yn wahanol iawn. Os cyfunwch hynny â nifer yr achosion o'r clefyd, yna cewch sefyllfa wahanol iawn mewn dwy ran o'r wlad. Nid yw ardaloedd y De a'r Gorllewin yn annhebyg iawn i'w gilydd; mae'r Gogledd yn

wahanol iawn.

[37] **Val Lloyd:** Could I ask you a further question, Mr Edwards? Would the practice of the way the valuations are conducted vary widely between the offices?

Mr Edwards: No. The instructions are identical between the offices. It is basically the type of industry that we are dealing with and the number of reactors. Just for information, in the Caernarfon division this year we have had 150 reactors, in the Carmarthen division we have had 3,000. We are talking about a very different scale of event altogether.

[38] **Val Lloyd:** If I could turn to the average compensation payments in Wales, Northern Ireland and Devon, as referred to in paragraphs 3.18 to 3.22, why have average compensation payments been higher in Wales than elsewhere in the UK, especially in Northern Ireland?

Sir Jon Shortridge: I think that the more difficult thing to explain is why the average compensation payments in Wales are higher than, for example, in Devon, because, as I said earlier, the statutory framework and the operational arrangements are identical. In Northern Ireland, as the report indicates, there is a different approach to the compensation payment regime, where the valuations are done by people employed directly by the Northern Ireland Office, if I recall correctly. However, I also understand that those arrangements may be in the process of breaking down as farmers are increasingly beginning to challenge the valuations that are coming out of the Government there.

[39] **Val Lloyd:** Thank you very much. There were concerns during the foot and mouth disease outbreak that generous levels of compensation created an incentive for farmers to deliberately seek to contract the disease on their farms. Given the high levels of compensation being paid for bovine tuberculosis, is this now a similar risk for that disease?

Sir Jon Shortridge: I can see that it is a logical risk. I would not actually want to

[37] **Val Lloyd:** A gaf fi ofyn cwestiwn pellach, Mr Edwards? A yw'r dull prisio yn amrywio'n fawr iawn o swyddfa i swyddfa?

Mr Edwards: Nac ydy. Yr un yw'r cyfarwyddiadau rhwng y swyddfeydd. Mae'n ymwneud yn y bôn â'r math o ddiwydiant yr ydym yn ymdrin ag ef ynghyd â nifer yr adweithyddion. Er gwybodaeth, yn rhanbarth Caernarfon eleni, cawsom 150 o adweithyddion, tra cafwyd 3,000 yn rhanbarth Caerfyrddin. Yr ydym yn sôn am ddigwyddiad ar raddfa tra gwahanol.

[38] **Val Lloyd:** Os caf fi droi at gyfartaledd taliadau iawndal yng Nghymru, Gogledd Iwerddon a Dyfnaint, y cyfeirir atynt ym mharagraffau 3.18 i 3.22, pam mae cyfartaledd y taliadau iawndal yn uwch yng Nghymru nag yng ngweddill y DU, yn enwedig yng Ngogledd Iwerddon?

Syr Jon Shortridge: Credaf mai'r peth anoddach i'w esbonio yw pam mae cyfartaledd y taliadau iawndal yn uwch yng Nghymru nag yn Nyfnaint, er enghraifft, oherwydd, fel y dywedais yn gynharach, mae'r fframwaith statudol a'r trefniadau gweithredu yr union yr un fath. Fel y mae'r adroddiad yn nodi, mae'r drefn o dalu iawndal yn wahanol iawn yng Ngogledd Iwerddon, lle mai pobl a gyflogir yn uniongyrchol gan Swyddfa Gogledd Iwerddon sy'n prisio anifeiliaid, os y cofiaf yn iawn. Er hynny, yr wyf hefyd ar ddeall bod y trefniadau hynny o bosibl yn dechrau chwalu wrth i fwy a mwy o ffermwyr ddechrau herio prisiannau'r Llywodraeth yno.

[39] **Val Lloyd:** Diolch yn fawr iawn. Yr oedd pryderon adeg argyfwng clwy'r traed a'r genau fod y lefelau hael o iawndal yn sbarduno ffermwyr i fynd ati'n fwriadol i ddal y clefyd ar eu fferm. O gofio'r lefelau uchel o iawndal a delir am TB mewn gwartheg, a oes perygl tebyg ar gyfer y clefyd hwnnw bellach?

Syr Jon Shortridge: Gallaf weld bod hynny'n berygl rhesymol. Ni hoffwn wneud

make any public comment that was not informed by any sort of facts as to whether that is actually a real risk. Tony may be able to help you more substantively.

Mr Edwards: I think that the two diseases are very different. In the scale of the epidemic of the foot and mouth disease we had huge numbers of animals to remove very quickly. There simply were not enough valuers to go around, and the concept of a standard card, which is referred to in the report, was introduced in an effort to try to get things moving much more quickly. So I think that the circumstances are very different from those that pertain to TB.

[40] **Janet Davies:** Just on that point, could I ask you, Mr Edwards, would it be true to say that bovine TB is not as highly contagious as foot and mouth disease, which, as I understand it, is an extremely contagious disease?

Mr Edwards: Yes, it is a very different disease. Foot and mouth disease is probably the most infectious disease in animals. It is very quick, it spreads very rapidly and it is almost hyperacute in the sense of the devastation that it causes. TB is very highly infectious, but it is a chronic disease. Once animals get it, like humans they can suffer it for many years before they might even show clinical signs or before they die. So it is a very different sort of disease from foot and mouth disease, but the impact in the longer term for the individual farmer could be seen to be not dissimilar.

[41] **Janet Davies:** Thank you. Mick, you have some questions.

[42] **Mick Bates:** Thank you, Chair. I would like to turn to the valuation of pedigree animals, which is mentioned in paragraph 3.12 and on page 26 onwards. There are some very interesting statistics here, and I would like an explanation for one of them. Why did the proportion of pedigree animals double from 16 per cent to 31 per cent of all animals valued between 2000 and 2002?

Sir Jon Shortridge: I imagine, but, again Tony will need to confirm this, that that is because there has been a growing trend in

unrhyw sylw cyhoeddus ynghylch a oes unrhyw berygl gwirioneddol, heb gael unrhyw ffeithiau i gefnogi hynny. Efallai y gall Tony roi cymorth mwy sylweddol ichi.

Mr Edwards: Credaf fod y ddau glefyd yn wahanol iawn. Pan oedd argyfwng clwy'r traed a'r genau ar ei anterth, yr oedd yn rhaid inni gael gwared ar nifer anferth o anifeiliaid yn gyflym. Nid oedd digon o briswyr ar gael, a chafodd y syniad o gerdyn safonol, y cyfeirir ato yn yr adroddiad, ei gyflwyno mewn ymdrech i symud pethau'n llawer cynt. Felly, credaf fod yr amgylchiadau'n wahanol iawn i'r rheini sy'n ymwneud â TB.

[40] **Janet Davies:** Ar y pwynt hwnnw, a gaf fi ofyn ichi, Mr Edwards, a fyddai'n wir dweud nad yw TB mewn gwartheg mor heintus â chlwy'r traed a'r genau, sydd, yn ôl yr hyn a ddeallaf, yn glefyd heintus dros ben?

Mr Edwards: Ydy, mae'n glefyd gwahanol iawn. Clwy'r traed a'r genau yw'r clefyd mwyaf heintus mewn anifeiliaid, mwy na thebyg. Mae'n sydyn iawn, mae'n ymledu'n gyflym dros ben ac y mae bron iawn yn dra difrifol o safbwynt y dinistr y mae'n ei achosi. Er bod TB yn heintus iawn, clefyd cronig ydyw. Ar ôl i anifeiliaid gael y clefyd, gallant, fel pobl, ei ddirodded am sawl blwyddyn cyn eu bod hyd yn oed yn dangos arwyddion clinigol ohono neu cyn iddynt farw. Felly, mae'n glefyd gwahanol iawn i glwy'r traed a'r genau, ond gallai'r effaith tymor hir i ffermwyr fod yn debyg iawn.

[41] **Janet Davies:** Diolch. Mae gennych gwestiynau, Mick.

[42] **Mick Bates:** Diolch, Gadeirydd. Hoffwn droi at fater prisio anifeiliaid pedigri, sy'n cael sylw ym mharagraff 3.12 ac o dudalen 26 ymlaen. Mae rhai ystadegau diddorol yma, a hoffwn gael esboniad am un ohonynt. Pam i ganran yr anifeiliaid pedigri ddyblu o 16 y cant i 31 y cant o'r holl anifeiliaid a brisiwyd rhwng 2000 a 2002?

Syr Jon Shortridge: Tybiaf, ond, bydd angen i Tony gadarnhau hyn eto, bod hyn oherwydd y tueddiad cynyddol i ailgofrestru

dairy herds being progressively reregistered as pedigree, because there was an incentive for that to happen. However, Tony, you might want to confirm that.

Mr Edwards: Yes, it is a little complex in the sense that the intrinsic value of a cow in a dairy herd is the volume of milk that that cow produces. It is a bit like a house in a sense. A house only has a value if you want to sell it, because most of the time it is just providing a roof over your head. Now, if you are in a situation where disease is not present, then the actual value of the animal per se is not particularly important. If there is a disease threat, particularly one like TB where your animals might have to be taken, then having the status of pedigree clearly gives them an extra value that they would not have if they were straightforward commercial animals, in the same way that pedigree dogs are worth much more than dogs that you buy in the pet shop for 37p or what have you. So there is an incentive if there is a disease threat in the area. A lot of dairy farms are capable of being registered as pedigree, but, for their day-to-day business—that is, in terms of producing milk—it is not of material relevance to their business.

[43] **Mick Bates:** If I could just follow that up, you are actually saying that, when there is a disease such as TB, that acts as an incentive to register your cattle as pedigree?

Mr Edwards: I think that, once there is the perceived threat that they may be in that position, then the inherent value of the animals becomes more important than it just simply being an animal that is producing milk for commercial sale.

[44] **Mick Bates:** Well, in that case, do private valuers have an incentive to encourage farmers to grade their herds up to pedigree status because the valuer's fee is actually higher for pedigree animals?

Mr Edwards: I think that that is an issue between the farmer and the valuer. I am not aware of any such comments being made, but that would be a private concern.

mwy a mwy o fuchesi llaeth fel rhai pedigri, gan fod cymhelliant i hynny ddigwydd. Er hynny, efallai yr hoffech gadarnhau hynny, Tony.

Mr Edwards: Ydy, mae hynny dipyn bach yn gymhleth yn yr ystyr mai, yn y bôn, gwerth buwch mewn buches laeth yw faint o laeth a gynhyrchir ganddi. Mae'n debyg i dŷ mewn rhyw fodd. Nid oes gwerth ar dŷ tan eich bod chi eisiau ei werthu, oherwydd dim ond rhoi to uwch eich pen y mae y rhan fwyaf o'r amser. Nawr, os ydych mewn sefyllfa lle nad yw'r clefyd yn bresennol, yna nid yw union werth yr anifail yn bwysig iawn fel y cyfryw. Os oes perygl o glefyd, yn enwedig un fel TB lle bydd rhaid cymryd eich anifeiliaid oddi wrthy ch o bosibl, yna mae cael statws pedigri'n amlwg yn rhoi iddynt werth ychwanegol na fyddai ganddynt pe baent yn anifeiliaid masnachol arferol yn unig, fel mae cŵn pedigri yn werth llawer mwy na chŵn yr ydych yn eu prynu mewn siop anifeiliaid anwes am 37c neu faint bynnag. Felly mae cymhelliad yno os oes perygl o'r clefyd yn yr ardal. Mae llawer o ffermydd llaeth yn gallu cofrestru fel rhai pedigri ond, o ran eu busnes o ddydd i ddydd—yn nhermau cynhyrchu llaeth, hynny yw—nid yw hynny'n berthnasol iawn i'r busnes.

[43] **Mick Bates:** Os caf fynd ar drywydd hynny, yr ydych chi'n dweud mewn gwirionedd, pan fo clefyd fel TB, bod hynny'n eich cymell i gofrestru'ch buchod fel rhai pedigri?

Mr Edwards: Credaf, os canfyddir bod perygl iddynt fod mewn sefyllfa o'r fath, yna mae gwerth sylfaenol yr anifeiliaid yn dod yn bwysicach na'i fod ond yn anifail sy'n cynhyrchu llaeth i'w werthu'n fasnachol.

[44] **Mick Bates:** Os felly, a oes gan briswyr preifat gymhelliant i annog ffermwyr i uwchraddio eu buchesi i statws pedigri oherwydd bod ffi'r prisiwr yn uwch ar gyfer anifeiliaid pedigri?

Mr Edwards: Credaf mai mater rhwng y ffermwr a'r prisiwr yw hynny. Nid wyf yn ymwybodol o unrhyw sylwadau o'r fath, ond byddai hynny'n fater preifat.

[45] **Mick Bates:** During the course of your work you would be in touch with valuers—

Mr Edwards: Yes.

[46] **Mick Bates:** Were you not aware at any time that it was an actual incentive for them?

Mr Edwards: That has never been mentioned in my conversations.

[47] **Mick Bates:** Thank you. I have a question specifically for you, Mr Edwards. I notice that the Carmarthen office was the only office that actually collected pedigree certificates. That is true, is it not?

Mr Edwards: That is no longer the case, as the Cardiff office has also started collecting pedigree certificates. However, Carmarthen was the first office to do so.

[48] **Mick Bates:** In that case then, how could the SVS and the Assembly expect to monitor compensation effectively without having such information based on pedigree certificates in their other offices?

Mr Edwards: The records have always been kept. One of the defining factors in determining valuation, as you rightly point out, is whether herds are commercial or pedigree. It was clear in the Carmarthen division earlier, because there are more pedigree herds down there, that the pedigree valuation was becoming an issue. The office started collecting pedigree certificates in January this year. Prior to that, it had relied on the farmers telling it that their herds were pedigree. When it became clear that this was just not the case in some circumstances, it insisted on getting pedigree certificates as evidence that the animals were pedigree. That practice was also moved to the Cardiff office when we discovered that, although the issue of pedigree versus commercial in the Cardiff office had never been quite as strong an issue as it had been in the Carmarthen office.

[49] **Mick Bates:** You obviously had some process then of monitoring the valuations and their correlation with the pedigree status.

[45] **Mick Bates:** Yn rhinwedd eich swydd byddech mewn cysylltiad â phriswyr—

Mr Edwards: Byddwn.

[46] **Mick Bates:** Onid oeddech chi'n ymwybodol ar y pryd bod hynny'n gymhelliant iddynt?

Mr Edwards: Ni chafodd hynny erioed ei grybwyll yn fy sgorsiau i.

[47] **Mick Bates:** Diolch. Mae gennyf gwestiwn penodol ichi, Mr Edwards. Sylwaf mai swyddfa Caerfyrddin oedd yr unig swyddfa a oedd yn casglu tystysgrifau pedigri. Mae hynny'n wir, onid yw?

Mr Edwards: Nid dyna'r achos bellach, gan fod swyddfa Caerdydd hefyd wedi dechrau casglu tystysgrifau pedigri. Swyddfa Caerfyrddin oedd y swyddfa gyntaf i wneud hynny, fodd bynnag.

[48] **Mick Bates:** Os felly, sut gellid disgwyl i'r Gwasanaeth Milfeddygol Gwladol a'r Cynulliad fonitro'r iawndal yn effeithiol heb gael gwybodaeth o'r fath wedi'i seilio ar dystysgrifau pedigri yn eu swyddfeydd eraill?

Mr Edwards: Mae'r cofnodion wedi cael eu cadw erioed. Un o'r ffactorau penodol wrth bennu prisiant, fel y nodoch yn gywir, yw ai buchesi masnachol neu pedigri ydynt. Yr oedd yn amlwg yn adran Caerfyrddin yn gynharach, oherwydd bod mwy o fuchesi pedigri yno, bod prisio buchesi pedigri yn dod yn fater o bwys. Dechreuodd y swyddfa gasglu tystysgrifau pedigri ym mis Ionawr eleni. Cyn hynny, yr oedd wedi dibynnu ar ffermwyr yn datgan wrthi bod eu buchesi'n rhai pedigri. Pan ddaeth i'r amlwg nad felly yr oedd hi dan rai amgylchiadau, mynnodd gael tystysgrifau pedigri i brofi bod yr anifeiliaid yn rhai pedigri. Ehangwyd yr arfer hwnnw i swyddfa Caerdydd hefyd ar ôl i ni sylweddoli hynny, er nad oedd y mater pedigri neu fasnachol erioed wedi bod cyn amlyced yn swyddfa Caerdydd ag a fu yn swyddfa Caerfyrddin.

[49] **Mick Bates:** Mae'n amlwg bod gennych rhyw broses ar y pryd o fonitro'r prisiannau a'u cysylltiad â'r statws pedigri. Pryd y bu

When did you actually realise that there was a correlation and therefore extended the collection of pedigree certificates to Cardiff?

Mr Edwards: We have always been aware of the correlation between the two. Both offices keep manual ledgers of the valuations, and they are divided into whether they are pedigree or commercial, so we have always been aware of the difference between the two and have monitored them. However, it was clear early on in 2003—well, late in 2002—that some farmers were claiming pedigree status for their animals when, in fact, they were only what we call grading up to pedigree status. There are a number of steps that must be gone through before dairy herds can claim a full pedigree status, and farmers were claiming that herds were pedigree when in fact they were only working their way through the process.

[50] **Mick Bates:** So what percentage were actually doing that—claiming pedigree status when it was not really pedigree status?

Mr Edwards: Only a small percentage. I could not give you the precise figures because that was in 2002. Since then, however, we have been much more rigorous about checking those credentials.

[51] **Mick Bates:** Presumably, that information is available in the manual ledgers that you mentioned?

Mr Edwards: It is in the ledgers, yes.

[52] **Mick Bates:** Thank you. You have outlined that process of monitoring. What actions do you have to make the process more consistent now between the three offices?

Mr Edwards: I am sorry, I am not sure that I understand the question.

[53] **Mick Bates:** You monitored the extent to which pedigree herds were forming this correlation between compensation and

ichi sylweddoli bod cydberthynas ac, o ganlyniad, ehangu'r gwaith o gasglu tystysgrifau pedigri i Gaerdydd?

Mr Edwards: Yr ydym wastad wedi bod yn ymwybodol o'r gydberthynas rhwng y ddau. Mae'r ddwy swyddfa'n cadw cyfriflyfr o'r prisiannau ar bapur, ac maent yn cael eu dosbarthu yn ôl rhai pedigri neu fasnachol, felly yr ydym bob amser wedi bod yn ymwybodol o'r gwahaniaeth rhwng y ddwy fath o fuches ac wedi'u monitro hwy. Er hynny, yr oedd yn amlwg yn gynnar yn 2003—wel, yn niwedd 2002—bod rhai ffermwyr yn hawlio statws pedigri ar gyfer eu hanifeiliaid a hwythau, mewn gwirionedd, ond yn gwneud yr hyn a alwn ni'n uwchraddio i statws pedigri. Mae'n rhaid cyflawni nifer o gamau cyn y gall buches pedigri hawlio statws pedigri llawn, ac yr oedd ffermwyr yn honni bod eu buchesi'n rhai pedigri tra mai dim ond gweithio'u ffordd drwy'r broses yr oeddynt mewn gwirionedd.

[50] **Mick Bates:** Felly pa ganran a oedd yn gwneud hynny mewn gwirionedd—hawlio statws pedigri pan nad oedd yn statws pedigri mewn gwirionedd?

Mr Edwards: Dim ond canran fechan. Ni allwn roi'r union ffigurau ichi oherwydd yr oedd hynny yn 2002. Ers hynny, fodd bynnag, yr ydym wedi bod yn llawer mwy manwl wrth wirio'r statws hwnnw.

[51] **Mick Bates:** Yr wyf yn cymryd bod y wybodaeth honno ar gael yn y cyfriflyfrau papur y bu ichi sôn amdanynt?

Mr Edwards: Mae'r wybodaeth yn y cyfriflyfrau, ydy.

[52] **Mick Bates:** Diolch. Yr ydych wedi amlinellu'r broses honno o fonitro. Pa gamau gweithredu sydd gennych i wneud y broses yn fwy cyson yn awr ar draws y tair swyddfa?

Mr Edwards: Mae'n ddrwg gennyf, nid wyf yn siŵr fy mod yn deall y cwestiwn hwnnw.

[53] **Mick Bates:** Bu ichi fonitro i ba raddau yr oedd buchesi pedigri yn ffurfio'r gydberthynas hon rhwng iawndal a statws

pedigree status and, previously, the Carmarthen office was the only office to do so. That has now been extended to the Cardiff office. Do you have a plan to make the whole monitoring process more consistent between all three offices?

Mr Edwards: Yes. A spreadsheet was introduced. It goes back to the information technology system that we actually operate, which was designed initially for disease control purposes, because the whole compensation system did not change until 1998. We are currently redesigning that IT system to provide more management information than it currently does. In the meantime, however, we have devised spreadsheets in both offices—in fact they are used in all three offices now—to have a much more closely monitored system for valuation than perhaps we had had in the past.

[54] **Mick Bates:** Moving to the breed, given the predominance of the Holstein Friesian breed among the pedigree animals valued in 2002, why did the Assembly not foster stronger links with the Holstein UK breeding society so that you could actually monitor the claims of pedigree status?

Mr Williams: With the benefit of hindsight, there are a number of things that have been revealed in this report that it would have been helpful to have in place at the time, in particular a much better range of management information and monitoring information than the system provided and, alongside that, better relationships with the valuers, the valuers' professions, the insurance companies, and the breed societies. However, that is with the benefit of hindsight. At the time, what was apparent to us were just two things—we did not have much information to shine a light on some of these problems routinely available to us, but we were aware, both anecdotally and from the monthly expenditure figures on compensation, that prices, values and expenditure by the Assembly were going up. It was because of these two factors in 2001-02 that we invited the NAO to conduct this study to give us an authoritative basis upon which to take the actions that we are now taking.

pedigri ac, yn y gorffennol, swyddfa Caerfyrddin oedd yr unig swyddfa i wneud hynny. Mae hynny bellach wedi cael ei ymestyn i swyddfa Caerdydd. A oes gennych gynllun i wneud y broses fonitro gyfan yn fwy cyson ar draws y tair swyddfa?

Mr Edwards: Oes. Cyflwynwyd taenlen. Mae'n deillio o'r system technoleg gwybodaeth a weithredwn, a gynlluniwyd yn wreiddiol at ddibenion rheoli clefydau, oherwydd ni newidiodd y system ddigolledu gyfan tan 1998. Yr ydym yn ailgynllunio'r system TG honno ar hyn o bryd i ddarparu mwy o wybodaeth reoli nag y gwna ar hyn o bryd. Yn y cyfamser, fodd bynnag, yr ydym wedi dyfeisio taenlenni yn y ddwy swyddfa—cânt eu defnyddio yn y tair swyddfa bellach â dweud y gwir—i sicrhau system brisio sy'n cael ei monitro'n llawer agosach, yn wahanol i'r hyn a oedd gennym yn y gorffennol o bosibl.

[54] **Mick Bates:** Gan symud at y brîd, o ystyried rhagoriaeth y brîd Holstein Friesian ymhlith yr anifeiliaid pedigri a brisiwyd yn 2002, pam na wnaeth y Cynulliad feithrin cysylltiadau cryfach â chymdeithas bridio Holstein UK er mwyn ichi allu monitro'r hawliadau am statws pedigri?

Mr Williams: O edrych yn ôl, mae nifer o bethau sydd wedi dod i'r amlwg yn yr adroddiad hwn y byddai wedi bod yn ddefnyddiol eu cael ar waith ar y pryd, yn enwedig ystod llawer ehangach o wybodaeth reoli a gwybodaeth fonitro nag yr oedd y system yn eu darparu a, law yn llaw â hynny, perthynas well â'r priswyr, proffesiynau'r priswyr, y cwmnïau yswiriant, a'r cymdeithasau brîd. Fodd bynnag, mae hynny o edrych yn ôl. Ar y pryd, dim ond dau beth a oedd yn amlwg i ni—nid oedd llawer o wybodaeth ar gael i ni fel mater o drefn i daflu goleuni ar rai o'r problemau hyn, ond yr oeddem yn ymwybodol, yn sgîl profiad blaenorol a'r ffigurau gwariant misol ar iawndal, bod prisiau, gwerthoedd a gwariant gan y Cynulliad yn codi. Y ddau ffactor hyn a barodd inni wahodd y SAG yn 2001-02 i gynnal yr astudiaeth hon i roi sail awdurdodol i ni gymryd y camau yr ydym yn eu cymryd ar hyn o bryd.

[55] **Mick Bates:** So one of those actions would be that you have made a link with Holstein UK?

Mr Williams: And with the valuers.

[56] **Mick Bates:** And with the valuers?

Mr Williams: Yes.

[57] **Mick Bates:** Thank you, Chair.

[58] **Janet Davies:** Jocelyn, you wanted to ask a question?

[59] **Jocelyn Davies:** Yes, it is just on that point, really. Paragraph 4.11 mentions the management information that we have just been talking about. It notes that essential information was often missing altogether, including the basic description of the animal, whether the animal was commercial or pedigree, beef or dairy, its age, sex, weight, dairy production and pregnancy status, how the animal was valued, and, for pedigree animals, the animal's breed, classification, date of pedigree, and so on. It did not seem to me, from reading this, that you had very much information at all to go on. So how would you describe this as a tool for monitoring?

Mr Williams: We had very little information. I entirely accept many of the shortcomings revealed in the report and, indeed, the conclusions that the report draws about the need to have more and better information available. The difficulty is that the regime for compensation was set up in very different circumstances, and it was designed primarily as a disease control mechanism, rather than to be an effective management and financial management tool. It has been overtaken by events, and its many shortcomings have been revealed both by the increase in valuations and, indeed, by the absence of basic management information. Some of this is being put right with the new arrangements that we are trying to establish with the valuers prior to the new regime coming into effect next year, and many of the information areas specified there will be included in the information collected under the new regime when that is brought into

[55] **Mick Bates:** Felly un o'r camau hynny fyddai eich bod wedi datblygu cysylltiad â Holstein UK?

Mr Williams: A chyda'r priswyr.

[56] **Mick Bates:** A chyda'r priswyr?

Mr Williams: Do.

[57] **Mick Bates:** Diolch, Gadeirydd.

[58] **Janet Davies:** Jocelyn, yr oeddech am ofyn cwestiwn?

[59] **Jocelyn Davies:** Yr oeddwn, mae'n ymwneud â'r pwynt hwnnw, â dweud y gwir. Mae paragraff 4.11 yn sôn am y wybodaeth reoli yr ydym newydd sôn amdani. Mae'n nodi bod gwybodaeth hanfodol yn aml ar goll yn gyfan gwbl, gan gynnwys disgrifiad sylfaenol o'r anifail, ai anifail masnachol neu bedigri, biff neu odro ydoedd, ei oed, rhyw, pwysau, cynhyrchiant llaeth a statws beichiogrwydd, sut y prisiwyd yr anifail, ac, ar gyfer anifeiliaid pedigri, brîd, dosbarthiad, dyddiad pedigri'r anifail, ac ati. Nid oedd yn ymddangos i mi, o ddarllen hwn, bod gennych ryw lawer o wybodaeth yn sail i'ch gweithredu. Felly sut y byddech yn disgrifio hyn fel offeryn monitro?

Mr Williams: Ychydig iawn o wybodaeth a oedd gennym. Yr wyf yn derbyn yn llwyr nifer o'r diffygion a ddatgelwyd yn yr adroddiad ac, yn wir, y casgliadau y daw'r adroddiad iddynt am yr angen i gael mwy o wybodaeth a gwybodaeth well. Y broblem yw i'r drefn ddigolledu gael ei sefydlu dan amgylchiadau gwahanol iawn, a chafodd ei chynllunio'n bennaf fel dull o reoli clefydau yn hytrach nag offeryn rheoli a rheoli ariannol effeithiol. Mae digwyddiadau wedi mynd yn drech na hi, ac mae ei diffygion niferus wedi dod i'r amlwg yn sgîl y cynnydd mewn prisiannau ac, yn wir, yn sgîl absenoldeb gwybodaeth reoli sylfaenol. Mae rhywfaint o hyn yn cael ei unioni ar hyn o bryd gyda'r trefniadau newydd yr ydym yn ceisio eu sefydlu gyda phriswyr cyn i'r drefn newydd ddod i rym y flwyddyn nesaf, a bydd llawer o'r meysydd gwybodaeth sydd wedi eu nodi yno yn cael eu cynnwys yn y wybodaeth a gesglir dan y drefn newydd pan

effect, progressively from the middle of 2004.

[60] **Jocelyn Davies:** Well, it just seems to me that all we did know is how much we were paying out, because we did not seem to have even basic information about the animals that we were in fact referring to. I will come back to that later.

[61] **Janet Davies:** Do you wish to come back on that, Mr Williams?

Mr Williams: In respect of compensation, that is absolutely right. However, alongside that, we did have a corpus of information about disease control. We knew how many tests were being undertaken. We knew, by and large, what the backlog was, how many herds were affected by TB, and how many additional herds were affected by TB, so we had a suite of management information via the SVS that was appropriate for disease control purposes, but of no use at all for financial management or, indeed, for interrogating the kinds of problems that the NAO report so accurately describes.

[62] **Janet Davies:** Would it be fair to say that because, for a number of years, Wales and a lot of the UK was tuberculin-free, the level of compensation would have been generally quite low because there were very few animals contracting the disease, and, therefore, this particular problem did not become so obvious for many years?

Mr Edwards: If I might take that, Chair, as we said earlier, prior to 1998, there was a very different system operating for the payment of compensation, with ceilings being dictated by statute every month, of which farmers received 75 per cent. So, full market value, and the effect that that might have, was not an issue until after 1998. There was a slight degree of creep approaching 2000; 2001 was a very difficult year for everybody and then, in 2002, the situation became apparent. While I am quite prepared to accept that we do not have any formal monitoring system at the moment—or did not

ddaw honno i rym, o dipyn i beth o ganol 2004.

[60] **Jocelyn Davies:** Wel, mae'n ymddangos i mi mai'r cyfan yr oeddem yn ei wybod oedd faint yr oeddem yn ei dalu, oherwydd mae'n ymddangos nad oedd gennym hyd yn oed wybodaeth sylfaenol am yr anifeiliaid yr oeddem yn cyfeirio atynt mewn gwirionedd. Dof yn ôl at hynny yn nes ymlaen.

[61] **Janet Davies:** A ydych am ymateb i hynny, Mr Williams?

Mr Williams: O ran iawndal, mae hynny'n hollol gywir. Fodd bynnag, ochr yn ochr â hynny, yr oedd gennym gorff o wybodaeth am reoli clefydau. Yr oeddem yn gwybod faint o brofion a oedd yn cael eu cynnal. Yr oeddem yn gwybod, yn fras, faint o brofion a oedd ar ôl i'w cynnal, sawl buches a oedd wedi'u heffeithio gan TB, a sawl buches ychwanegol a oedd wedi'u heffeithio gan TB, felly yr oedd gennym gorff o wybodaeth reoli drwy law'r Gwasanaeth Milfeddygol Gwladol a oedd yn briodol ar gyfer dibenion rheoli clefydau, ond a oedd yn hollol ddiwerth ar gyfer rheoli ariannol neu, yn wir, ar gyfer mynd i'r afael â'r math o broblemau y mae adroddiad y SAG yn eu disgrifio mor gywir.

[62] **Janet Davies:** A fyddai'n deg dweud, gan fod Cymru a llawer o'r DU wedi bod yn rhydd o dwbercwlin am nifer o flynyddoedd, y byddai lefel yr iawndal wedi bod yn eithaf isel yn gyffredinol oherwydd mai prin iawn oedd yr anifeiliaid a oedd yn datblygu'r clefyd, ac, felly, ni ddaeth y broblem hon yn amlwg am flynyddoedd lawer?

Mr Edwards: Pe gallwn i ateb hwnnw, Gadeirydd, fel y dywedasom yn gynharach, cyn 1998, yr oedd system wahanol iawn ar waith i dalu iawndal, gyda therfynau'n cael eu pennu gan statud bob mis, gyda ffermwyr yn derbyn 75 y cant ohonynt. Felly, nid oedd gwerth marchnad llawn, a'r effaith y gallai hwnnw ei gael, yn berthnasol tan ar ôl 1998. Yr oedd rhywfaint bach o dwf wrth nesáu at 2000; yr oedd 2001 yn flyyddyn anodd iawn i bawb ac yna, yn 2002, daeth y sefyllfa'n glir. Er fy mod yn gwbl barod i dderbyn nad oes gennym unrhyw system fonitro ffurfiol ar hyn o bryd—neu nad oedd gennym,

have, because one is now being developed within the SVS—I think that it is fair to say that something like 70 per cent of my staff's time is spent in dealing with this particular problem alone. They are thoroughly immersed in it. Every farm that has a reactor or a breakdown is visited by my staff and all the implications of that breakdown are discussed with the farmer. While we might not have a formal monitoring system of what is going on, my staff have a very thorough understanding of the issues at stake and were the ones, of course, who were picking up this problem and reflecting it to the Assembly when it began to appear. So, I accept that there were no formal monitoring systems in place, but there was a lot of informal information and it is there on some of the earlier files.

[63] **Janet Davies:** Okay, thank you. Leighton, you have a question?

[64] **Leighton Andrews:** I want to look at compensation for pedigree animals in particular. May I just start by asking Mr Edwards whether it is an offence for farmers to falsely claim pedigree status for their animals?

Mr Edwards: I cannot answer that question fairly without consulting with lawyers, to be quite honest. I would need to check with legal.

[65] **Leighton Andrews:** Can we have a note on that, and, if it is an offence, on whether any court cases have proceeded?

Mr Edwards: Yes.

[66] **Leighton Andrews:** The information that we have from the report shows that some £1.34 million above the asking price has been paid out by the Assembly in respect of compensation for pedigree animals—that is in paragraph 3.14. Sir Jon, do you not find that disappointing and, indeed, troubling?

Sir Jon Shortridge: Yes, of course. I am very concerned about the issues in this report and I am determined that they should be fully and properly addressed. On the other hand, I think that, in the case of the pedigree animals,

oherwydd mae un bellach yn cael ei datblygu gan y Gwasanaeth Milfeddygol Gwladol—credaf ei bod yn deg dweud bod rhywbeth fel 70 y cant o amser fy staff yn cael ei dreulio'n delio â'r broblem benodol hon yn unig. Maent i fyny at eu clustiau ynddi. Mae fy staff yn ymweld â phob fferm sydd ag adweithydd neu achos o TB a thrafodir holl oblygiadau'r achos hwnnw gyda'r ffermwr. Er nad oes gennym system ffurfiol i fonitro'r hyn sy'n digwydd, mae gan fy staff ddealltwriaeth drylwyr iawn o'r materion sydd yn y fantol a hwy, wrth gwrs, oedd y rhai a oedd yn sylwi ar y broblem hon ac yn dwyn sylw'r Cynulliad ati pan ddechreuodd ddod i'r amlwg. Felly, derbynïaf nad oedd systemau monitro ffurfiol ar waith, ond yr oedd llawer o wybodaeth anffurfiol, sydd wedi ei chynnwys yn rhai o'r ffeiliau cynharaf.

[63] **Janet Davies:** O'r gorau, diolch. Leighton, mae gennych gwestiwn?

[64] **Leighton Andrews:** Yr wyf am edrych ar iawndal ar gyfer anifeiliaid pedigri yn arbennig. A gaf fi ddechrau drwy ofyn i Mr Edwards a yw'n drosedd i ffermwyr hawlio statws pedigri i'w hanifeiliaid ar gam?

Mr Edwards: Ni allaf ateb y cwestiwn hwnnw'n deg heb ymgynghori â chyfreithwyr, i fod yn onest. Byddai'n rhaid i mi holi'r ochr gyfreithiol.

[65] **Leighton Andrews:** A allwn ni gael nodyn ar hynny, ac, os yw'n drosedd, nodyn ar a oes unrhyw achosion llys wedi digwydd?

Mr Edwards: Iawn.

[66] **Leighton Andrews:** Mae'r wybodaeth sydd gennym o'r adroddiad yn dangos bod y Cynulliad wedi talu rhyw £1.34 miliwn uwchlaw'r pris a ofynnir fel iawndal ar gyfer anifeiliaid pedigri—mae hynny ym mharagraff 3.14. Syr Jon, onid yw hynny'n peri siom ac, yn wir, gofid ichi?

Syr Jon Shortridge: Ydy, wrth gwrs. Yr wyf yn bryderus iawn am y materion yn yr adroddiad hwn ac yr wyf yn benderfynol y dylid mynd i'r afael â hwy yn llawn ac yn briodol. Ar y llaw arall, credaf, yn achos yr

it is probably that much more difficult to get an accurate valuation and it does not necessarily follow that the average valuations from market or dispersal sales would be a true reflection of what the average valuation for animals affected by bovine TB would be.

[67] **Leighton Andrews:** We have a situation whereby the maximum compensation paid out for a pedigree animal was around £30,000; it does seem that the Assembly has unlimited liability for the market value of animals slaughtered because of bovine TB. Is it fair to say that?

Sir Jon Shortridge: Yes, and it is one of the things that we will be seeking to address in the new arrangements. Just so you know, what we are proposing in the consultation paper to be issued next week is that farmers with high-value pedigree animals should pre-register those values so that that information is available if and when they contract the disease.

[68] **Leighton Andrews:** How should they pre-register the value?

Sir Jon Shortridge: They should record them in some registration procedure. I would have to ask Colin to explain in more detail what that is.

Mr Williams: We estimate that somewhere between 15 and 20 per cent of the animals might be regarded by their owners as having a value significantly in excess of the market value for those animals—for their pedigree status, milk yield or for whatever reason. Farmers who make that judgment in respect of their animals will be able to get a valuation at their own expense and register that with a Government organisation, the format of which is out to consultation. If that organisation judges that the valuation is too high, it will have a panel of accredited valuers, paid for by Government, to which that valuation can be put, and, if it is disputed, an agreed lower valuation can be established. That will be the value of that animal if it is taken for disease purposes, and it will be up to the farmer to decide how frequently he or she wishes to update that valuation to take account of different

anifeiliaid pedigri, ei bod yn debygol o fod yn anoddach cael prisiant cywir ac nid yw'r cyfartaledd prisiannau o arwerthiannau marchnad neu wasgaru o reidrwydd yn adlewyrchiad cywir o beth fyddai'r cyfartaledd prisiant ar gyfer anifeiliaid sydd wedi'u heffeithio gan TB buchol.

[67] **Leighton Andrews:** Mae gennym sefyllfa lle mai'r iawndal mwyaf a dalwyd ar gyfer anifail pedigri oedd tua £30,000; mae'n ymddangos bod gan y Cynulliad atebolrwydd diderfyn am werth marchnad anifeiliaid sy'n cael eu lladd oherwydd TB buchol. A yw'n deg dweud hynny?

Syr Jon Shortridge: Ydy, ac mae'n un o'r pethau y byddwn yn ceisio mynd i'r afael ag ef yn y trefniadau newydd. Er gwybodaeth, yr hyn yr ydym yn ei gynnig yn y papur ymgynghori i'w gyhoeddi yr wythnos nesaf yw y dylai ffermwyr sydd ag anifeiliaid pedigri â gwerth mawr rag-gofrestru'r gwerthoedd hynny fel bod y wybodaeth honno ar gael os a phan fônt yn dal y clefyd.

[68] **Leighton Andrews:** Sut y dylent rag-gofrestru'r gwerth?

Syr Jon Shortridge: Dylent eu cofnodi mewn rhyw weithdrefn gofrestru. Byddai'n rhaid i mi ofyn i Colin egluro'n fanylach beth yw honno.

Mr Williams: Amcangyfrifwn y gallai rhywle rhwng 15 ac 20 y cant o'r anifeiliaid gael eu hystyried gan eu perchnogion i fod â gwerth yn sylweddol uwch na gwerth marchnad yr anifeiliaid hynny—am eu statws pedigri, cynhyrchiant llaeth neu am ba bynnag reswm. Bydd ffermwyr sy'n ystyried bod hynny'n wir am eu hanifeiliaid yn gallu talu am brisiant a chofrestru hwnnw gyda chorff llywodraethol, ac mae ffurf hwnnw yn destun ymgynghoriad ar hyn o bryd. Os yw'r corff hwnnw yn barnu bod y prisiant yn rhy uchel, bydd ganddo banel o briswyr achrededig, a gyllidir gan y Llywodraeth, a fydd yn ystyried y prisiant, ac, os oes anghydfod yn ei gylch, gellir pennu prisiant is y cytunir arno. Dyna fydd gwerth yr anifail os yw'n cael ei gymryd at ddibenion clefyd, a phenderfyniad y ffermwr fydd pa mor aml y mae ef neu hi am ddiweddarau'r prisiant er mwyn ystyried amgylchiadau gwahanol yn y

circumstances in the market, and the breed status of the animal.

[69] **Leighton Andrews:** Are you suggesting then that farmers in that position could freely choose their own valuer to carry out that first valuation?

Mr Williams: The intention is that they would choose a valuer from a panel of valuers approved by Government, and, if there was a dispute, then there would be a panel within that, to which that dispute would be referred.

[70] **Leighton Andrews:** That sounded enormously bureaucratic at the end, if there is going to be a dispute. Would it not be better to simply require that farmers who have animals that they assert to be of such high value retain insurance above a given level of valuation?

Mr Williams: That is one of the issues that is the subject of the consultation document. What the document does is to put out a series of proposals, and, alongside each of those proposals, a series of questions asking the responders whether the judgment that we have taken about this regime is right, and whether it can be improved in any way. I know from my discussions with the valuers this week that they have views on how effectively that process might operate, but it is precisely that kind of question that is in the document.

[71] **Leighton Andrews:** Okay. I now turn to the valuation of animals that do not have full pedigree status. I think that we are referring to the ASR and BSR animals, which have 50 or 75 per cent pedigree status. Why have such animals been found by the National Audit Office to have been valued as if they had full pedigree status?

Mr Edwards: That should not be happening now, because we insist on pedigree certificates being collected when the valuations take place, but it is possible that it was happening before when we were not aware that animals that were claimed to be pedigree were not in fact pedigree, and that farmers were only grading up.

farchnad, a statws brîd yr anifail.

[69] **Leighton Andrews:** A ydych yn awgrymu felly y byddai ffermwyr yn y sefyllfa honno yn rhydd i ddewis eu prisiwr eu hunain i wneud y prisiant cyntaf hwnnw?

Mr Williams: Y bwriad yw y byddent yn dewis prisiwr o blith panel o briswyr wedi eu cymeradwyo gan y Llywodraeth, a, phe bai anghydfod, yna byddai panel o fewn hwnnw, y byddai'r anghydfod hwnnw yn cael ei gyfeirio ato.

[70] **Leighton Andrews:** Yr oedd hynny'n swnio'n fiwrocraidd iawn yn y diwedd, pe bai anghydfod. Oni fyddai'n well gofyn i ffermwyr ag anifeiliaid sydd â gwerth mor fawr yn eu barn hwy sicrhau yswiriant uwchlaw prisiant benodol?

Mr Williams: Dyna un o'r materion a drafodir yn y ddogfen ymgynghori. Yr hyn a wna'r ddogfen yw cyflwyno cyfres o gynigion, ac, ochr yn ochr â phob un o'r cynigion hynny, cyfres o gwestiynau yn gofyn i'r ymatebwyr a yw'n penderfyniad ar y drefn hon yn gywir, ac a oes modd ei gwella mewn unrhyw fodd. Gwn o'm trafodaethau gyda'r priswyr yr wythnos hon fod ganddynt farn ar ba mor effeithiol y gallai'r broses honno weithio, ond dyna'r union fath o gwestiwn sydd yn y ddogfen.

[71] **Leighton Andrews:** O'r gorau. Trof yn awr at brisio anifeiliaid nad oes ganddynt statws pedigri llawn. Credaf ein bod yn cyfeirio at yr anifeiliaid ASR a BSR, sydd â statws pedigri o 50 neu 75 y cant. Pam mae'r Swyddfa Archwilio Genedlaethol wedi canfod bod y cyfryw anifeiliaid wedi eu prisio fel pe bai ganddynt statws pedigri llawn?

Mr Edwards: Ni ddylai hynny fod yn digwydd bellach, oherwydd mynnwn fod tystysgrifau pedigri yn cael eu casglu adeg y prisiannau, ond mae'n bosibl ei fod wedi digwydd yn y gorffennol pan nad oeddem yn ymwybodol nad oedd yr anifeiliaid a hawliwyd i fod yn rhai pedigri yn rhai pedigri mewn gwirionedd, a bod ffermwyr ond yn

codi'r statws.

[72] **Leighton Andrews:** I am sorry, but it clearly did happen, because it is in the report. We have examples.

[72] **Leighton Andrews:** Mae'n ddrwg gennyf, ond mae'n amlwg ei fod wedi digwydd, oherwydd ei fod yn yr adroddiad. Mae gennym enghreifftiau.

Mr Edwards: It was happening.

Mr Edwards: Yr oedd yn digwydd.

[73] **Leighton Andrews:** So it was happening?

[73] **Leighton Andrews:** Felly, yr oedd yn digwydd?

Mr Edwards: It was happening, yes.

Mr Edwards: Yr oedd yn digwydd, oedd.

[74] **Leighton Andrews:** And the failure to collect those certificates was a contributory factor as to why it was happening?

[74] **Leighton Andrews:** Ac yr oedd y methiant i gasglu'r tystysgrifau hynny yn ffactor a barodd i hynny ddigwydd?

Mr Edwards: Only before. Yes, that could well be the case.

Mr Edwards: Dim ond o'r blaen. Oedd, mae'n bosibl mai dyna oedd yr achos.

[75] **Leighton Andrews:** Okay. Again—and this goes back to a question I asked earlier—I would like information as to whether or not it is an offence for farmers to claim full pedigree status in respect of animals that do not have such status.

[75] **Leighton Andrews:** O'r gorau. Eto—ac mae hyn yn mynd yn ôl at gwestiwn y gofynnais yn gynharach—byddwn yn hoffi gwybod a yw'n drosedd i ffermwyr hawlio statws pedigri llawn ar gyfer anifeiliaid nad oes ganddynt statws o'r fath.

Mr Edwards: I will provide a note on that.

Mr Edwards: Byddaf yn darparu nodyn am hynny.

[76] **Leighton Andrews:** Okay, is that your only explanation as to why the valuations of such animals were so much higher than the average prices for even pedigree animals?

[76] **Leighton Andrews:** Iawn, ai dyna'r unig reswm sydd gennych i egluro pam yr oedd prisiannau'r cyfryw anifeiliaid gymaint yn uwch na'r cyfartaledd prisiau ar gyfer hyd yn oed anifeiliaid pedigri?

Sir Jon Shortridge: I think that that goes back to this very complex issue of what can be summarised as valuation creep, and there are a number of elements to that, which we can go into, if you would like us to. I think that I will need to rely on Colin and Tony, because they are the people who have been talking to the valuers, and the farmers, and they have the direct understanding of this. But, essentially, as I understand it, you have a situation whereby there is a strong requirement for Government to get infected animals off the land, and so, as the report indicates, our negotiating position is not particularly strong, and we need to have an agreed price with the farmer. We have a valuer who, one way or another, is acting on our behalf, and, in some cases, they are

Syr Jon Shortridge: Credaf fod hynny'n deillio'n ôl i'r mater cymhleth iawn hwn o'r hyn y gellir ei grynhoi fel cynnydd graddol mewn prisiannau, ac mae sawl elfen i hwnnw, y gallwn eu trafod, os hoffech i ni wneud hynny. Credaf y bydd angen i mi ddibynnu ar Colin a Tony, gan mai hwy yw'r rhai a fu'n siarad â'r priswyr a'r ffermwyr, ac mae ganddynt ddealltwriaeth uniongyrchol o hyn. Ond, yn y bôn, o'm dealltwriaeth i o'r mater, mae gennych sefyllfa lle mae gofyniad cryf ar y Llywodraeth i symud anifeiliaid sydd wedi'u heintio o'r tir, ac felly, fel y dengys yr adroddiad, nid ydym mewn sefyllfa gref iawn i negodi, ac mae angen i ni gyuno ar bris gyda'r ffermwr. Mae gennym brisiwr sydd, mewn un ffordd neu'r llall, yn gweithredu ar ein rhan, ac, mewn rhai

actually State Veterinary Service valuers. It is the valuer's job to come up with the market value, and that has to be a market value that is agreed with the farmer.

In the cases where the valuer is not a State Veterinary Service valuer, you get that agreement either by having a single valuer, agreed upon by the farmer and the State Veterinary Service, doing the valuation, or, increasingly, you have two valuers—one employed by the farmer and one employed by the State Veterinary Service—who themselves seek to agree the valuation. That process, on the face of it, should provide us with safeguards in terms of what the true market price is. However, it is apparent that other factors are being taken into account, or have been taken into account, through that valuation process. Where you have quite a significant number of animals that are being valued in this way, it becomes a separate compensation market value as opposed to a true market value, for a variety of reasons. As I say, perhaps Colin, who has been the one who has been speaking to the valuers most recently, can provide you with some illustrations of the sorts of circumstances that have been pushing these prices up.

Mr Williams: The Permanent Secretary is absolutely right in that analysis. From discussion with the valuers, what appears to be happening is several things. First, the real hike in valuations started with the foot and mouth disease crisis and with the introduction of the standard card. That appeared to be the blue touch paper that lit the valuation process. When the standard card was introduced, it was expected that about 70 per cent of farmers would take advantage of this standard valuation for their animals. In practice, what happened was that only 4 per cent of farmers took the standard card and the other 96 per cent still opted for an individual, private valuation of their animals. However, they had that valuation done against the values set out in the standard card, and those values were consciously set high by the Government in order to deal with the problems of foot and mouth disease. So, you had a standard card that, instead of providing a ceiling and a framework for values, actually became the floor and values crept up

achosion, priswyr y Gwasanaeth Milfeddygol Gwladol ydynt. Gwaith y prisiwr yw penderfynu ar werth marchnad, a rhaid i hwnnw fod yn werth marchnad y cytunir arno gyda'r ffermwr.

Yn yr achosion lle nad prisiwr y Gwasanaeth Milfeddygol Gwladol yw'r prisiwr, yr ydych yn cael y cytundeb hwnnw naill ai drwy gael un prisiwr, y cytunir arno gan y ffermwr a'r Gwasanaeth Milfeddygol Gwladol, i wneud y prisiant, neu, yn gynyddol, mae gennyh ddau brisiwr—un a gyflogir gan y ffermwr ac un a gyflogir gan y Gwasanaeth Milfeddygol Gwladol—sydd yn ceisio cytuno ar brisiant. Dylai'r broses honno, ar yr wyneb, roi mesurau diogelu inni o ran beth yw gwir bris y farchnad. Fodd bynnag, mae'n amlwg bod ffactorau eraill yn cael eu hystyried, neu wedi cael eu hystyried, yn rhan o'r broses brisio honno. Lle mae gennyh nifer eithaf sylweddol o anifeiliaid yn cael eu prisio yn y modd hwn, mae'n dod yn iawndal gwerth marchnad ar wahân yn hytrach na gwir gwerth marchnad, am amrywiaeth o resymau. Fel y dywedaf, efallai y gall Colin, sef yr un sydd wedi bod yn siarad â'r priswyr yn fwyaf diweddar, roi rhai enghreifftiau ichi o'r mathau o amgylchiadau sydd wedi bod yn gwthio'r prisiau hyn i fyny.

Mr Williams: Mae'r Ysgrifennydd Parhaol yn hollol gywir yn y dadansoddiad hwnnw. O drafod â'r priswyr, mae'n ymddangos bod sawl peth yn digwydd. Yn gyntaf, dechreuodd y cynnydd gwirioneddol cyntaf mewn prisiannau gydag argyfwng clwy'r traed a'r genau a chyda chyflwyno'r cerdyn safon. Mae'n ymddangos mai dyna oedd sbardun y broses brisio. Pan gyflwynwyd y cerdyn safon, yr oedd disgwyl i tua 70 y cant o ffermwyr fanteisio ar y prisiant safonol hwn i'w hanifeiliaid. Mewn gwirionedd, dim ond 4 y cant o ffermwyr fanteisiodd ar y cerdyn safon a dewisodd y 96 y cant arall brisiant preifat, unigol o'u hanifeiliaid. Fodd bynnag, cawsant y prisiant hwnnw wedi'i wneud yn erbyn y gwerthoedd a nodir ar y cerdyn safon, a gosodwyd y gwerthoedd hynny yn uchel yn fwriadol gan y Llywodraeth i fynd i'r afael â phroblemau clwy'r traed a'r genau. Felly, yr oedd gennyh gerdyn safon, ac yn hytrach na darparu terfyn a fframwaith ar gyfer gwerthoedd, daeth y cerdyn yn sylfaen a

incrementally from there. The second factor, I think—and the report recognises this, although it does not go into it in huge depth—is that the market values in this report do not include animals that are sold privately, which do not go through the market in the normal course of events because they are better animals and are sold privately. If those values had been included in this report, then the average market price would be higher than is the case here. It is actually these factors and, one has to say, an apparent inclination and appetite on the part of valuers to take account of consequential circumstances on the farm, that have progressively ratcheted up prices in circumstances where the information is shared transparently across the farming community.

[77] **Leighton Andrews:** Is not part of this problem attributable to the way in which valuations are carried out? The Public Accounts Committee, when it looked at compensation for foot and mouth disease, suggested that potential recipients of compensation should not be allowed to select and appoint the valuers. Do you think that it is appropriate that farmers who are getting the compensation should be allowed a free choice of who values their livestock?

Mr Williams: Our legal advice is that it would not be right to restrict a farmer from appointing a valuer of his or her choice, any more than it would be right to restrict a farmer from appointing anybody else—a solicitor, an adviser, a land surveyor, or anyone else—to represent them. The use of dual valuation was intended to have a moderating effect on values, and that has not worked. When the consultation document goes out next week, it will have a new set of circumstances that will dampen down on the farmers' ability to operate independently of the process.

[78] **Leighton Andrews:** If a constituent of mine were trying to get disability benefit, they would not necessarily be able to choose their own benefits adviser to award them compensation. What do you mean by the legal advice you have? Do you mean existing legislation?

chynyddodd gwerthoedd yn raddol o'r fan honno. Yr ail ffactor, tybiaf—ac mae'r adroddiad yn cydnabod hyn, er nad yw'n ei drafod yn fanwl iawn—yw nad yw'r gwerthoedd marchnad yn yr adroddiad hwn yn cynnwys anifeiliaid a werthir yn breifat, nad ydynt yn mynd drwy'r farchnad yn y modd arferol oherwydd eu bod yn anifeiliaid gwell a chânt eu gwerthu'n breifat. Pe bai'r gwerthoedd hynny wedi eu cynnwys yn yr adroddiad hwn, byddai cyfartaledd pris y farchnad yn uwch nag y mae yn yr achos hwn. Y ffactorau hyn mewn gwirionedd a, rhaid dweud, tuedd ac awydd ar ran priswyr i ystyried amgylchiadau canlyniadol ar y fferm, sydd wedi codi prisiau yn gynyddol dan amgylchiadau lle rhennir y wybodaeth yn agored ledled y gymuned ffermio.

[77] **Leighton Andrews:** Oni ellir priodoli rhan o'r broblem hon i'r modd y gwneir prisiannau? Awgrymodd y Pwyllgor Cyfrifon Cyhoeddus, pan edrychodd ar iawndal ar gyfer clwy'r traed a'r genau, na ddylid caniatáu i'r rhai a allai dderbyn iawndal ddewis a phenodi'r priswyr. A ydych yn credu ei fod yn briodol bod y ffermwyr sy'n cael yr iawndal yn rhydd i ddewis pwy sy'n prisio eu da byw?

Mr Williams: Ein cyngor cyfreithiol yw na fyddai'n iawn atal ffermwyr rhag penodi prisiwr o'u dewis, mwy nag y byddai'n iawn atal ffermwyr rhag penodi unrhyw un arall—cyfreithiwr, ymgynghorydd, syrfêwr tir, neu unrhyw un arall—i'w cynrychioli. Bwriad defnyddio prisio deublyg oedd cymedroli gwerthoedd, ac nid yw hynny wedi gweithio. Pan gyhoeddir y ddogfen ymgynghori yr wythnos nesaf, bydd ganddi gyfres newydd o amgylchiadau a fydd yn cyfyngu ar allu ffermwyr i weithredu'n annibynnol ar y broses.

[78] **Leighton Andrews:** Pe bai un o'm hetholwyr yn ceisio gael budd-dal anabledd, ni fyddai o reidrwydd yn gallu dewis ei ymgynghorydd budd-daliadau ei hun i roi iawndal iddo. Beth a olygwch gan y cyngor cyfreithiol sydd gennych? A ydych yn golygu deddfwriaeth bresennol?

Mr Williams: Yes.

Sir Jon Shortridge: Just to say, it is very clear, because I have looked at the existing legislation, that farmers have this right. So we are clearly constrained by that. There is also a separate argument in the sense that if we want to get the animal off the farm, we need to have an agreed basis for doing it. If we cannot get that agreed basis for doing it, then we are magnifying the risks represented by the animal. So I think that that was the original thinking which has led to the existing system. The new arrangements which we will be consulting on, and which would apply to all animal diseases, not just TB, would seek to overcome that, because the basic valuation would be compensation at 100 per cent of the independently arrived at average market price, except in the case of high-value animals, and we have explained the main proposals that we are consulting on for those, as a way of just dealing with this situation.

[79] **Leighton Andrews:** But do you not accept that, if there has been a strong relationship over several years between a valuer and a farmer, in practice there will be a conflict of interest for the valuer if they are chosen by the farmer to make the judgment about compensation?

Sir Jon Shortridge: Yes, and that is one of the reasons why we moved to a situation where there are two valuers, one appointed by the State Veterinary Service and one by the farmer.

[80] **Leighton Andrews:** What about veterinary officers and their position? Do they not also have some kind of conflict in a sense between offering appropriate compensation where they are the valuer and rapidly removing farm animals which are affected?

Sir Jon Shortridge: I think that that is for Tony. I would say that, to the extent that they may have a conflict, it is lesser and different. They will be incentivised by wanting to get the animal off the farm as opposed to any ongoing relationship that they may have with the farmer.

Mr Williams: Ydw.

Syr Jon Shortridge: A gaf fi ddweud, mae'n amlwg iawn, oherwydd yr wyf wedi edrych ar y ddeddfwriaeth bresennol, bod gan ffermwyr yr hawl hwn. Felly mae'n amlwg bod hynny'n cyfyngu arnom. Mae dadl ar wahân o ran os ydym am symud yr anifail o'r fferm, rhaid i ni gael sail gytunedig dros wneud hynny. Pe na allwn gael y sail gytunedig honno dros wneud hynny, yna yr ydym yn cynyddu'r peryglon a gynrychiolir gan yr anifail. Felly credaf mai dyna oedd y rhesymau gwreiddiol a arweiniodd at y system bresennol. Byddai'r trefniadau newydd y byddwn yn ymgynghori arnynt, ac a fyddai'n berthnasol i bob clefyd anifeiliaid, nid TB yn unig, yn ceisio goresgyn hynny, oherwydd y prisiant sylfaenol fyddai iawndal o 100 y cant y o bris cyfartalog y farchnad a bennwyd yn annibynnol, ac eithrio yn achos anifeiliaid â gwerth mawr, ac yr ydym wedi egluro'r prif gynigion yr ydym yn ymgynghori arnynt ar gyfer y rheini, fel modd o ddelio â'r sefyllfa hon yn unig.

[79] **Leighton Andrews:** Ond onid ydych yn derbyn, os oes perthynas gref wedi bod rhwng prisiwr a ffermwr dros nifer o flynyddoedd, yn ymarferol bydd y prisiwr yn wynebu gwrthdaro buddiannau os caiff ei ddewis gan y ffermwr i wneud penderfyniad ynglŷn ag iawndal?

Syr Jon Shortridge: Ydw, a dyna un o'r rhesymau pam y bu inni symud at sefyllfa lle mae dau brisiwr, un wedi ei benodi gan y Gwasanaeth Milfeddygol Gwladol ac un gan y ffermwr.

[80] **Leighton Andrews:** Beth am swyddogion milfeddygol a'u sefyllfa? Onid ydynt hwy hefyd yn wynebu rhyw fath o wrthdaro o ran cynnig iawndal priodol lle mai hwy yw'r prisiwr a sicrhau bod anifeiliaid fferm sydd wedi eu heffeithio yn cael eu symud yn gyflym?

Syr Jon Shortridge: Credaf fod hynny ar gyfer Tony. Byddwn yn dweud, i'r graddau y maent o bosibl yn wynebu gwrthdaro, ei fod yn llai ac yn wahanol. Byddant yn cael eu hysgogi gan eu dymuniad i symud yr anifail hwnnw o'r fferm yn hytrach nag unrhyw berthynas barhaus sydd ganddynt o bosibl â'r

ffermwr.

Mr Edwards: Yes. First, we would only use veterinary staff for very small numbers of animals, perhaps one or two to a maximum of five. Secondly, we would never use veterinary staff for pedigree animals because it is a different game altogether. However, as Sir Jon has rightly pointed out, our aim is to get the animal off the farm as quickly as we can because of the disease risk that that animal poses. However, that is not to say that the vets, if they have any doubts about the valuation or the figure, cannot agree a figure with the farmer. My staff have been known to leave a farm and appoint a valuer straight away rather than go through the process of agreeing a figure that they think is not the appropriate one for the animal concerned.

Mr Edwards: Byddant. Yn gyntaf, byddem ond yn defnyddio staff milfeddygol ar gyfer niferoedd bach iawn o anifeiliaid, efallai un neu ddau hyd at uchafswm o bump. Yn ail, ni fyddem byth yn defnyddio staff milfeddygol ar gyfer anifeiliaid pedigri oherwydd mae'n fater cwbl wahanol. Fodd bynnag, fel y nododd Syr Jon yn gywir, ein nod yw symud yr anifail o'r fferm cyn gynted ag y gallwn oherwydd y perygl o glefyd y mae'r anifail hwnnw'n ei beri. Fodd bynnag, nid yw hynny i ddweud na all y milfeddygon, os oes ganddynt unrhyw amheuan ynghylch y prisiant neu'r ffigur, gytuno ar ffigur gyda'r ffermwr. Cyn hyn, mae fy staff wedi gadael fferm a phenodi prisiwr ar unwaith yn hytrach na mynd drwy'r broses o gytuno ar ffigur nad yw'n briodol yn eu barn hwy ar gyfer yr anifail dan sylw.

[81] **Leighton Andrews:** Do they receive training in valuing livestock?

[81] **Leighton Andrews:** A ydynt yn derbyn hyfforddiant ar brisio da byw?

Mr Edwards: No, they do not, but, as I said, 70 per cent of their time is spent working with the industry. They have regular access to market information, they spend time in markets, and they spend time on farms all the time talking to people in the industry. So I would suggest that they have as good a feel as anybody as to what the relative value of an animal is.

Mr Edwards: Nac ydynt, ond, fel y dywedais, treulir 70 y cant o'u hamser yn gweithio gyda'r diwydiant. Mae ganddynt fynediad rheolaidd i wybodaeth farchnad, maent yn treulio amser mewn marchnadoedd, ac maent yn treulio amser ar ffermydd drwy'r amser yn siarad â phobl yn y diwydiant. Felly byddwn yn awgrymu bod ganddynt syniad cystal â neb ynglŷn â beth yw gwerth cymharol anifail.

[82] **Janet Davies:** Alun, you wanted to enlarge a bit on this?

[82] **Janet Davies:** Alun, yr oeddech am ymhelaethu rywfaint ar hyn?

[83] **Alun Cairns:** Yes, thank you, Cadeirydd. I want to return to one of the points made by Mr Andrews to Mr Williams in relation to the freedom of a farmer to choose a valuer. Bearing in mind the freedom a farmer has to choose a valuer, could this potentially lead to competition among valuers in order to win a farmer's business and, therefore, lead to greater conflict in terms of increasing the compensation payment as a result and, arguably, putting considerable influence in a farmer's hands?

[83] **Alun Cairns:** Oeddwn, diolch, Gadeirydd. Yr wyf am ddychwelyd at un o'r pwyntiau a wnaed gan Mr Andrews i Mr Williams ynglŷn â rhyddid ffermwr i ddewis prisiwr. O gofio'r rhyddid sydd gan ffermwr i ddewis prisiwr, a oes posibilrwydd y gallai hyn arwain at gystadleuaeth ymhlith priswyr i ennill busnes ffermwr ac, felly, arwain at fwy o wrthdaro o ran cynyddu'r tâl iawndal o ganlyniad a, gellir dadlau, rhoi cryn ddylanwad yn nwylo ffermwr?

Mr Williams: I think that the short answer to that is 'yes', and it is a point made by the National Audit Office in its report.

Mr Williams: Credaf mai'r ateb byr i hwnnw yw 'oes', ac mae'n bwynt a wneir gan y Swyddfa Archwilio Genedlaethol yn ei

hadroddiad.

[84] **Jocelyn Davies:** May I just come in on that?

[84] **Jocelyn Davies:** A gaf ddod mewn yn y fan hon?

[85] **Janet Davies:** Yes.

[85] **Janet Davies:** Cewch.

[86] **Jocelyn Davies:** You mentioned that the valuer takes into consideration, or you felt that some valuers took into consideration, consequential losses. However, that is not allowed is it?

[86] **Jocelyn Davies:** Bu ichi sôn bod y prisiwr yn ystyried, neu'ch bod o'r farn bod rhai priswyr yn ystyried, colledion canlyniadol. Fodd bynnag, ni chaiff hynny ei ganiatáu na chaiff?

Mr Williams: No, it is not.

Mr Williams: Na, ni chaiff.

[87] **Janet Davies:** Do you want to come back on this point, Leighton?

[87] **Janet Davies:** A ydych am gyfrannu at y pwynt hwn, Leighton?

[88] **Leighton Andrews:** If examples are found where consequential losses are taken into account, are there legal sanctions that can be brought in?

[88] **Leighton Andrews:** Pe bai enghreifftiau'n cael eu canfod lle mae colledion canlyniadol yn cael eu hystyried, a oes sancsiynau cyfreithiol y gellir eu rhoi ar waith?

Sir Jon Shortridge: I think that we will have to give you a note on the legal sanctions. It is a question of how you prove it. What does happen, and Tony or Colin can give you some further help on this too, is that there are occasions when the valuation is challenged. On every occasion, I am told, when the valuation has been challenged, we have been given very substantial information to justify the valuation. So being able to prove that an irrelevant consideration has been taken into account is quite a difficult thing, I would suggest.

Syr Jon Shortridge: Credaf y bydd yn rhaid i ni roi nodyn ichi ar y sancsiynau cyfreithiol. Mae'n fater o sut yr ydych yn ei brofi. Yr hyn sydd yn digwydd, a gall Tony neu Colin roi rhywfaint o gymorth pellach ar hyn hefyd, yw bod achlysuron lle caiff y prisiant ei herio. Ar bob achlysur, dywedir wrthyf, pan fo'r prisiant wedi cael ei herio, yr ydym wedi cael gwybodaeth sylweddol iawn i gyfiawnhau'r prisiant. Felly byddwn yn awgrymu bod gallu profi bod ystyriaeth amherthnasol wedi cael ei hystyried yn beth eithaf anodd.

Mr Williams: I am happy to enter into record, Chair, an example of the justification that we got on one case where the valuation was challenged. I have the file here.

Mr Williams: Yr wyf yn fodlon rhoi ar gofnod, Gadeirydd, enghraifft o'r cyfiawnhad a gawsom mewn un achos lle heriwyd y prisiant. Mae gennyf y ffeil yn y fan hon.

[89] **Jocelyn Davies:** That is the justification?

[89] **Jocelyn Davies:** Dyna'r cyfiawnhad?

Mr Williams: That is the justification.

Mr Williams: Dyna'r cyfiawnhad.

[90] **Janet Davies:** Right. Well, we will have to think about that.

[90] **Janet Davies:** O'r gorau. Wel, bydd yn rhaid i ni feddwl am hynny.

[91] **Leighton Andrews:** But benefits files go into long, large pages of detail. If my constituents make false declarations in terms of benefits or inland revenue claims, they are

[91] **Leighton Andrews:** Ond mae gan ffeiliau budd-daliadau dudalennau mawr, hir o fanylion. Os yw fy etholwyr yn gwneud datganiadau anwir o ran hawliadau budd-

liable.

[92] **Janet Davies:** I do not know how you want to proceed, Jocelyn, because I know that some of your questions have actually been covered already.

[93] **Jocelyn Davies:** Yes.

[94] **Janet Davies:** Is there anything else that you would like to pursue?

[95] **Jocelyn Davies:** It was on that point. We are told in the report that the State Veterinary Service does occasionally send letters to valuers requesting justification, as we were just saying, and obviously you get a substantial reply. So have you never actually managed to reduce a valuation by this route?

Mr Edwards: The honest answer is 'yes'. We have actually referred a number of cases to arbitration as well, to the Royal Institute of Chartered Surveyors, when we felt that the valuation was too high. It has appointed an independent valuer on four occasions, to my knowledge. On each of those four occasions the independent valuer appointed by the RICS has come out with a higher valuation than either of the two that were already on the table.

[96] **Jocelyn Davies:** There does not seem much point in challenging the valuation if you are going to end up paying more. Are your staff able to assess the justifications? We have just seen a substantial file; are your staff able to look at that and assess whether that justification has merit?

Mr Edwards: I would suggest, as much as anyone else who is involved with the industry, yes.

[97] **Jocelyn Davies:** Okay. The other thing that I wanted to ask about, Janet, was this panel of fully independent valuers that is going to solve everything for us. Would that panel need to be independent of Government, as well as being independent of farmers?

Mr Williams: It depends what you mean by

daliadau neu gyllid y wlad, maent yn atebol.

[92] **Janet Davies:** Ni wn sut yr ydych am barhau, Jocelyn, oherwydd gwn fod rhai o'ch cwestiynau eisoes wedi cael eu trafod.

[93] **Jocelyn Davies:** Ydynt.

[94] **Janet Davies:** A oes rhywbeth arall yr hoffech ei holi?

[95] **Jocelyn Davies:** Yr oedd yn ymwneud â'r pwynt hwnnw. Dywedir wrthym yn yr adroddiad fod y Gwasanaeth Milfeddygol Gwladol yn anfon llythyron at briswyr o bryd i'w gilydd yn gofyn am gyfiawnhad, fel yr oeddem yn ei ddweud, ac mae'n amlwg eich bod yn cael ymateb sylweddol. Felly a ydych erioed wedi llwyddo i leihau prisiant yn y modd hwn?

Mr Edwards: Yr ateb gonest yw 'ydym'. Yr ydym mewn gwirionedd wedi cyfeirio nifer o achosion i gyflafareddiad hefyd, i Sefydliad Brenhinol y Syrffewyr Siartredig, pan oeddem o'r farn bod y prisiant yn rhy uchel. Mae wedi penodi prisiwr annibynnol ar bedwar achlysur, hyd y gwn i. Ar bob un o'r pedwar achlysur hynny mae'r prisiwr annibynnol a benodwyd gan y RICS wedi rhoi prisiant uwch nag yr un o'r ddau a oedd eisoes wedi eu cynnig.

[96] **Jocelyn Davies:** Nid yw'n ymddangos bod llawer o ddiben herio'r prisiant os ydych yn mynd i orfod talu mwy yn y pen draw. A yw'ch staff yn gallu asesu'r cyfiawnhad? Yr ydym newydd weld ffeil sylweddol; a yw'ch staff yn gallu edrych ar honno ac asesu a yw'r cyfiawnhad hwnnw'n deilwng?

Mr Edwards: Byddwn yn awgrymu, cymaint ag unrhyw un arall sy'n ymwneud â'r diwydiant, ydynt.

[97] **Jocelyn Davies:** O'r gorau. Y peth arall yr oeddwn am holi amdano, Janet, oedd y panel hwn o briswyr hollol annibynnol sydd yn mynd i ddatrys popeth i ni. A fyddai angen i'r panel hwnnw fod yn annibynnol ar y Llywodraeth yn ogystal ag yn annibynnol ar ffermwyr?

Mr Williams: Mae'n dibynnu ar beth yr

‘independent’, I suppose. The panel would be appointed by Government to act on its behalf in this new process and would be paid from Government sources, but it would be expected to act independently and professionally, in the light of the much improved market intelligence that will be made available, in arriving at a fair valuation for the disputed animals concerned.

[98] **Jocelyn Davies:** My other points, I think, have been covered in other questions.

[99] **Janet Davies:** Okay. Alun, you have a couple of questions on the issue of the oversight of valuations?

[100] **Alun Cairns:** Yes. I refer you to paragraphs 5.2 to 5.5, which highlight a catalogue of failures in relation to the management of the valuation process, including out-of-date guidance for valuers, an out-of-date valuation form and no management of or control over the valuers—and it appears that the Assembly had no right of sanction over the valuation. So why did the Assembly not manage in any way the performance of the valuers whose services the Assembly actually funds?

Sir Jon Shortridge: I think that I must ask Tony to come in on this. The basic position is, as I explained at the outset, that the State Veterinary Service acts as our agents in these matters, so we rely on it for the service we get from it on valuation matters.

Mr Edwards: It is true that some of the forms are out of date. As I referred to earlier, the IT system that we use was designed some time ago and has not been updated. Nevertheless, the instructions to the valuers as to how to complete the form were updated and are crystal clear about what is required of them. The forms are actually being updated on the new system as I speak.

[101] **Alun Cairns:** But is the form not indicative of the approach, Sir Jon, that the

ydych yn ei olygu gan ‘annibynnol’, am wn i. Byddai’r panel yn cael ei benodi gan y Llywodraeth i weithredu ar ei rhan yn y broses newydd hon a byddai’n cael ei dalu gan ffynonellau’r Llywodraeth, ond byddai disgwyl iddo weithredu’n annibynnol ac yn broffesiynol, yn sgîl y wybodaeth farchnad lawer gwell a fydd ar gael, i benderfynu ar brisant teg ar gyfer yr anifeiliaid dan sylw yn yr anghydfod.

[98] **Jocelyn Davies:** Credaf fod fy mhwyntiau eraill wedi cael eu trafod mewn cwestiynau eraill.

[99] **Janet Davies:** Iawn. Alun, mae gennych ambell gwestiwn ar y mater o oruchwyllo prisiannau?

[100] **Alun Cairns:** Oes. Fe’ch cyfeiriaf at baragraffau 5.2 i 5.5, sy’n tynnu sylw at gyfres o fethiannau mewn perthynas â rheoli’r broses brisio, gan gynnwys canllawiau priswyr nad oeddynt yn berthnasol mwyach, ffurflen brisio a oedd ar ei hôl hi a diffyg rheolaeth o’r priswyr—ac mae’n ymddangos nad oedd gan y Cynulliad unrhyw hawl sancsiwn dros y prisiant. Felly pam na wnaeth y Cynulliad reoli mewn unrhyw fodd berfformiad y priswyr y mae’r Cynulliad mewn gwirionedd yn ariannu eu gwasanaethau?

Syr Jon Shortridge: Credaf fod yn rhaid i mi ofyn i Tony gyfrannu yn y fan hon. Y sefyllfa sylfaenol, fel yr eglurais ar y dechrau, yw bod y Gwasanaeth Milfeddygol Gwladol yn gweithredu fel ein hasiantiaid yn y materion hyn, felly yr ydym yn dibynnu arno am y gwasanaeth a gawn ganddo ar faterion prisio.

Mr Edwards: Mae’n wir bod rhai o’r ffurflenni ar ei hôl hi. Fel y cyfeiriais ato yn gynharach, cafodd y system TG a ddefnyddiwn ei chynllunio beth amser yn ôl ac nid yw wedi cael ei diweddarau. Serch hynny, diweddarwyd y cyfarwyddiadau i’r priswyr ar sut i gwblhau’r ffurflen ac maent yn hollol glir am yr hyn a ddisgwylir ganddynt. Mae’r ffurflenni’n cael eu diweddarau ar y system newydd ar hyn o bryd.

[101] **Alun Cairns:** Ond onid yw’r ffurflen yn nodweddiadol o’r agwedd, Syr Jon, y

Assembly has taken in terms of the lack of control and management over this, even though the service is provided by the State Veterinary Service?

Sir Jon Shortridge: On one level, I must agree with you and accept that. This is not an acceptable situation and I very much regret it. On the other hand, I think that we just need to have some context. These arrangements were working largely satisfactorily up until 2000-01 and, as we have explained, some very unexpected changes have occurred in the way in which the valuation process has operated, which has exposed the weaknesses in the basic information and other systems that are in the SVS.

[102] **Alun Cairns:** Sir Jon, why has the Assembly not established clear sanctions to deal with valuers who consistently over-value, especially bearing in mind Mr Williams's comments, about there being an inclination to take account of consequential losses.

Sir Jon Shortridge: One of my concerns, when I became aware of this, was that we might find here that there had been serious collusion between the farmers and the valuers. What Sir John Bourn has written in his report is that he has found no basis to challenge the integrity of the professionals involved in the valuation process. I think that we need to be aware of that. So, what we have been seeking to do, since the publication of this report, is to work with the valuers to understand, in much more detail, how this situation has arisen and, in the very short term, to work with them to get them to address it. It is my impression, though I have not been directly involved in the discussions, that the various valuation interests concerned are being very receptive to the issues that are revealed in this report, and to those that we have put to them. So, our approach is very much to work with the industry to get a solution to this problem rather than to take a more adversarial approach.

[103] **Alun Cairns:** May I put it to you, Sir Jon, that it is not surprising that such a

mae'r Cynulliad wedi ei chymryd o ran y diffyg rheolaeth dros hyn, er bod y gwasanaeth yn cael ei ddarparu gan y Gwasanaeth Milfeddygol Gwladol?

Syr Jon Shortridge: Ar un lefel, rhaid i mi gytuno â chi a derbyn hynny. Nid yw hon yn sefyllfa dderbyniol ac yr wyf yn gresynu amdani'n fawr. Ar y llaw arall, credaf fod angen rhywfaint o gyd-destun arnom. Yr oedd y trefniadau hyn yn gweithio'n foddhaol i raddau helaeth hyd at 2000-01 ac, fel yr ydym wedi egluro, mae rhai newidiadau annisgwyl iawn wedi digwydd i'r modd y mae'r broses brisio wedi gweithredu, sydd wedi datgelu'r gwendidau yn y wybodaeth sylfaenol a'r systemau eraill sydd yn y Gwasanaeth Milfeddygol Gwladol.

[102] **Alun Cairns:** Syr Jon, pam nad yw'r Cynulliad wedi sefydlu sancsiynau clir i ddelio â phriswyr sy'n gorbriso'n gyson, yn enwedig o gofio sylwadau Mr Williams, ynglŷn â bod tuedd i ystyried colledion canlyniadol.

Syr Jon Shortridge: Un o'm pryderon, pan ddeuthum yn ymwybodol o hyn, oedd y gallem ganfod yn y fan hon fod cydgynllwyn difrifol wedi bod ar waith rhwng y ffermwyr a'r priswyr. Yr hyn y mae Syr John Bourn wedi ei ysgrifennu yn ei adroddiad yw nad yw wedi canfod unrhyw sail i herio gonestrwydd y bobl broffesiynol sy'n ymwneud â'r broses brisio. Credaf fod angen i ni fod yn ymwybodol o hynny. Felly, yr hyn yr ydym wedi bod yn ceisio ei wneud, ers cyhoeddi'r adroddiad hwn, yw gweithio gyda'r priswyr i ddeall, yn llawer manylach, sut mae'r sefyllfa hon wedi dod i'r fei ac, yn y tymor byr iawn, gweithio gyda hwy i wneud iddynt fynd i'r afael â hi. Yr argraff a gaf fi, er nad wyf wedi ymwneud yn uniongyrchol â'r trafodaethau, yw bod y buddiannau prisio amrywiol dan sylw yn agored iawn i'r materion a ddatgelir yn yr adroddiad hwn, ac i'r rheini yr ydym wedi eu trafod gyda hwy. Felly, ein hagwedd i raddau helaeth yw gweithio gyda'r diwydiant i gael ateb i'r broblem hon yn hytrach na mabwysiadu agwedd fwy gwrthdarol.

[103] **Alun Cairns:** A gaf fi awgrymu ichi, Syr Jon, nad yw'n syndod bod sefyllfa o'r

situation has arisen because of the lack of a relationship between the Assembly and the valuers themselves. If you agree with that point, do you accept that a closer relationship will help to improve the situation? What plans do you have in this respect?

Sir Jon Shortridge: Clearly, I agree that a closer relationship is required. Perhaps I can tell you of one or two of the things that we have done immediately in the light of this report. We have appointed our own Assembly liaison valuer to address the issues. Colin has met with members of the profession and has agreed a number of steps that they can take and changes that they can make in the way in which they approach the valuation process. We have invited the profession to devise means for capturing and reporting private sale values anonymously because, as Mr Williams indicated, I think that the private sale valuation is a relevant consideration on which we do not currently have information. We have also set up meetings with the valuers engaged by the Assembly to discuss the report and its new arrangements. So, all these things have taken place. I think that the main thing that we have done, which will, I hope, rapidly improve the situation under the existing arrangements, is to appoint our own liaison valuer.

[104] **Janet Davies:** Okay. Val, do you have some questions?

[105] **Val Lloyd:** I think that my questions have been overtaken.

[106] **Janet Davies:** Yes, I thought that they might have been. Denise, you have a question?

[107] **Denise Idris Jones:** I am looking at lessons that the Assembly could learn from elsewhere, and I think that we are comparing Northern Ireland with Wales. I noted, with interest, case study 4 on page 36 of the report, which describes some basic controls used by the livestock insurance industry to control costs. The insurers require an individual valuation by a breed expert for animals worth £3,000 or more. What lessons

fath wedi codi oherwydd y diffyg perthynas rhwng y Cynulliad a'r priswyr eu hunain. Os ydych yn cytuno â'r pwynt hwnnw, a ydych yn derbyn y bydd cydberthynas agosach yn cynorthwyo i wella'r sefyllfa? Pa gynlluniau sydd gennych mewn perthynas â hyn?

Syr Jon Shortridge: Yn amlwg, cytunaf fod angen cydberthynas agosach. Efallai y caf ddweud wrthyfch am un neu ddau o'r pethau yr ydym wedi eu gwneud ar unwaith yn sgîl yr adroddiad hwn. Yr ydym wedi penodi prisiwr cyswllt ein hunain ar gyfer y Cynulliad i fynd i'r afael â'r materion. Mae Colin wedi cyfarfod gydag aelodau'r proffesiwn ac wedi cytuno ar nifer o gamau y gallant eu cymryd a newidiadau y gallant eu gwneud i'r modd y maent yn mynd ati yn y broses brisio. Yr ydym wedi gwahodd y proffesiwn i ddyfeisio ffyrdd o ganfod prisiannau arwerthiannau preifat ac adrodd amdanynt yn anhysbys oherwydd, fel yr awgrymodd Mr Williams, credaf fod prisiant arwerthiannau preifat yn ystyriaeth berthnasol nad oes gennym wybodaeth yn ei chylch ar hyn o bryd. Yr ydym hefyd wedi trefnu cyfarfodydd gyda'r priswyr a gyflogir gan y Cynulliad i drafod yr adroddiad a'i drefniadau newydd. Felly, mae'r holl bethau hyn wedi digwydd. Credaf mai'r prif beth yr ydym wedi ei wneud, a fydd, yr wyf yn gobeithio, yn gwella'r sefyllfa dan y trefniadau presennol yn gyflym, yw penodi prisiwr cyswllt ein hunain.

[104] **Janet Davies:** O'r gorau. Val, a oes gennych gwestiynau.

[105] **Val Lloyd:** Credaf fod fy nghwestiynau wedi cael eu trafod.

[106] **Janet Davies:** Iawn, yr oeddwn yn meddwl efallai fod hynny'n wir. Denise, mae gennych gwestiwn?

[107] **Denise Idris Jones:** Yr wyf yn edrych ar wersi y gallai'r Cynulliad eu dysgu gan fannau eraill, a chredaf ein bod yn cymharu Gogledd Iwerddon â Chymru. Nodais, gyda diddordeb, astudiaeth achos 4 ar dudalen 36 yr adroddiad, sy'n disgrifio rhai mesurau rheoli sylfaenol a ddefnyddir gan y diwydiant yswiriant da byw i reoli costau. Mae'r yswirwyr yn gofyn am brisiant unigol gan arbenigwr brîd ar gyfer anifeiliaid sy'n werth

should the Assembly learn from the use of such thresholds to improve controls?

Sir Jon Shortridge: I think that, as a generalisation—the insurance industry operates in different circumstances from the ones in which we do, so it may be that the lessons are slightly less direct in that case. Unlike the insurance industry, we have, and will continue to have, a statutory responsibility to compensate farmers, whereas insurance companies can make their own commercial decisions about whether they want to provide cover, and what premium they should charge. I think that the lessons are arguably more ones that have come from similar regimes in other countries, and it is those lessons that DEFRA and we have sought to embed in the proposals in the consultation paper, which is to be issued next week.

[108] **Denise Idris Jones:** Right. The report also recommends that the Assembly conduct a cost-benefit analysis of the introduction of upfront disclosure of animals' maximum market value in tuberculosis hotspots. Those would act as a cap. Do you plan to examine the benefits of such a measure?

Sir Jon Shortridge: Yes, and perhaps Colin can provide further information on that, but, essentially, that is the substance of one of the things that we are proposing to do through the pre-registration of high-value animals. That would set the cap for those animals, and if there had been no pre-registration, the farmers concerned would be compensated at 100 per cent of the agreed average market price figure, and those market price figures would be kept up to date on a regular basis.

Mr Williams: That is absolutely right.

[109] **Denise Idris Jones:** You are happy with that. I did find it rather disturbing that the insurance industry identified that the valuations were unreasonable before the Assembly did, and changed the basis of its

£3,000 neu fwy. Pa wersi y dylai'r Cynulliad eu dysgu gan y defnydd o'r cyfryw drothwyon i wella mesurau rheoli?

Syr Jon Shortridge: Credaf, yn gyffredinol—fod y diwydiant yswiriant yn gweithredu dan amgylchiadau gwahanol i'r rhai yr ydym ni yn gweithredu oddi tanynt, felly mae'n bosibl bod y gwersi ychydig yn llai uniongyrchol yn yr achos hwnnw. Yn wahanol i'r diwydiant yswiriant, mae gennym gyfrifoldeb statudol, a byddwn yn parhau i fod â'r cyfrifoldeb hwnnw, i ddigolledu ffermwyr, tra gall cwmnïau yswiriant wneud eu penderfyniadau masnachol eu hunain ynglŷn ag a ydynt am ddarparu yswiriant, a pha bremiwm y dylent ei godi. Credaf y gellir dadlau mai'r gwersi, gan mwyaf, yw'r rhai sydd wedi deillio o drefniadau tebyg mewn gwledydd eraill, a'r gwersi hynny yw'r rhai y mae DEFRA a ninnau wedi ceisio eu gosod yn y cynigion yn y papur ymgynghori, sydd i'w gyhoeddi yr wythnos nesaf.

[108] **Denise Idris Jones:** Iawn. Mae'r adroddiad hefyd yn argymhell bod y Cynulliad yn cynnal dadansoddiad cost a budd o gyflwyno datgeliad o flaen llaw o uchafswm gwerth marchnad anifeiliaid mewn ardaloedd lle mae llawer o achosion o dwbercwlosis. Byddai'r rheini'n gweithredu fel terfyn. A ydych yn bwriadu archwilio buddiannau mesur o'r fath?

Syr Jon Shortridge: Ydym, ac efallai y gall Colin roi gwybodaeth bellach am hynny, ond, yn y bôn, dyna swm a sylwedd un o'r pethau yr ydym yn cynnig ei wneud drwy rag-gofrestru anifeiliaid â gwerth mawr. Byddai hynny'n gosod y terfyn ar gyfer yr anifeiliaid hynny, a phe na fyddai rhag-gofrestru, byddai'r ffermwyr dan sylw yn cael iawndal o 100 y cant o'r ffigur cyfartaledd pris marchnad y cytunir arno, a byddai'r ffigurau pris marchnad hynny'n cael eu diweddarau yn rheolaidd.

Mr Williams: Mae hynny'n hollol gywir.

[109] **Denise Idris Jones:** Yr ydych yn fodlon â hynny. Rhaid i mi ddweud i'r ffaith i'r diwydiant yswiriant nodi bod y prisiannau yn afresymol cyn i'r Cynulliad wneud hynny, a newid sail ei setliadau, beri peth bryder i

settlements. Why did it identify and grip this problem before the Assembly did?

Sir Jon Shortridge: Well, I am not sure precisely when it discovered that. I certainly would not challenge the fact in the report, but, as I think that we have indicated, and as I think that the report indicates, the very significant increase and take-off in valuations occurred from about 2001. We acted quickly in 2002, at least in terms of identifying this as a problem and seeking to get the necessary information that we required in order to understand what was causing the problem, so that it could be dealt with.

[110] **Denise Idris Jones:** Thank you. Paragraphs 5.9 to 5.13 in the report describe valuation arrangements in Northern Ireland, which differ greatly in important ways from those in Wales. What are the main lessons for the Assembly from the report's description of the arrangements for valuing animals in Northern Ireland, which we have not seemed to grasp in Wales?

Sir Jon Shortridge: Northern Ireland clearly invests much more heavily in civil servants to undertake this valuation work. I think it is clear that that has been successful up to now in suppressing the compensation valuations. As I said earlier, I think that there are indications that strains are appearing in that process, and that, as I understand it, farmers are increasingly challenging these valuations and doing so in the courts. So, while I acknowledge that, up to now, it has been a better system, I do not believe that it is necessarily a sufficiently sustainable system and therefore one that we should simply copy. It is partly from being informed by that and by what is going on in other countries, that the consultation paper, which is to be issued next week, will propose a standard system of compensation that will seek to minimise the amount of actual physical valuation that has to be done on individual animals, so that we can rely much more on a set of tables to produce what the valuation should be.

[111] **Denise Idris Jones:** What you are saying is that we are not actually going to copy the good practice of Northern Ireland.

mi. Pam y bu iddo sylwi ar y broblem hon a mynd i'r afael â hi cyn i'r Cynulliad wneud hynny?

Syr Jon Shortridge: Wel, nid wyf yn hollol siŵr pryd y darganfu hynny. Yn sicr ni fyddwn yn herio'r ffaith yn yr adroddiad, ond, fel y credaf yr ydym wedi ei nodi, ac fel y credaf fod yr adroddiad yn ei nodi, digwyddodd y cynnydd sylweddol iawn a'r codiad mewn prisiannau o tua 2001. Bu inni weithredu'n gyflym yn 2002, o leiaf o ran cydnabod bod hyn yn broblem a cheisio cael y wybodaeth angenrheidiol a oedd ei hangen arnom i ddeall beth a oedd yn achosi'r broblem, fel bod modd mynd i'r afael â hi.

[110] **Denise Idris Jones:** Diolch. Mae paragraffau 5.9 i 5.13 yn yr adroddiad yn disgrifio trefniadau prisio yng Ngogledd Iwerddon, sy'n gwahaniaethu'n fawr mewn ffyrdd pwysig i'r rheini yng Nghymru. Beth yw'r prif wersi i'r Cynulliad o ddisgrifiad yr adroddiad o'r trefniadau prisio anifeiliaid yng Ngogledd Iwerddon, y mae'n ymddangos nad ydym wedi eu deall yng Nghymru?

Syr Jon Shortridge: Mae Gogledd Iwerddon yn amlwg yn buddsoddi llawer mwy mewn gweision sifil i gyflawni'r gwaith prisio hwn. Credaf ei bod yn amlwg bod hynny wedi llwyddo hyd yn hyn i gadw prisiannau iawndal yn isel. Fel y dywedais yn gynharach, credaf fod arwyddion bod y broses honno dan bwysau, ac, yn ôl fy nealltwriaeth i, bod ffermwyr yn gynyddol herio'r prisiannau hyn ac yn gwneud hynny yn y llysoedd. Felly, tra fy mod yn cydnabod iddi fod, hyd yn hyn, yn system well, ni chredaf ei bod o reidrwydd yn system ddigon cynaliadwy ac felly'n un y dylasem ei chopio. Bydd y papur ymgynghori, sydd i'w gyhoeddi yr wythnos nesaf, yn rhannol yn sgîl y wybodaeth a ddaw o hynny ac o'r hyn sy'n digwydd mewn gwledydd eraill, yn cynnig system ddigolledu safonol a fydd yn ceisio lleihau cymaint â phosibl faint o brisio corfforol gwirioneddol sy'n rhaid ei wneud ar anifeiliaid unigol, fel y gallwn ddiybnyu'n llawer mwy ar gyfres o dablau i gynhyrchu'r hyn y dylai'r prisiant fod.

[111] **Denise Idris Jones:** Yr hyn yr ydych yn ei ddweud yw nad ydym mewn gwirionedd yn mynd i ail-greu arferion da

Are we going to take on any of these good practices in Wales?

Sir Jon Shortridge: I would describe Northern Ireland as better practice but not necessarily as sustainable good practice. The proposals in the consultation paper—and they will obviously need to be exposed to consultation from within the industry and, I imagine, the Committee may well want to take a close interest in it—are essentially an attempt to simplify and to minimise the opportunity for third parties to exercise discretion on what the value should be. So, sitting where I am, that gives me far more assurance than arrangements which would still require there to be lots of discussions and agreements between different sets of valuers.

[112] **Denise Idris Jones:** Thank you.

[113] **Janet Davies:** I think that we have come to the end of our questions, Sir Jon. It seems to me that you are moving forward to put new systems in place. Is there anything that you would like to add to what you have already told us about the way forward as you see it, accepting all the things that you said about Northern Ireland as well?

Sir Jon Shortridge: May I just say, Chair, that, as I indicated earlier, I was very alarmed when I read this report and I do take the issues in it very seriously. I can well understand the concerns that have been expressed by Members, in particular Mr Andrews. However, it is, I think, worth repeating that the arrangements that we operate in Wales for the payment of compensation are the same as those in England and what we have, therefore, been having to deal with is the particular circumstances in Wales that have led to an additional distortion in valuations as compared with those in England, although acknowledging that, to some extent, the same issues arise in England and there is, therefore, overpayment taking place in England as well. I would just like to say that we have responded to the report by tightening up our procedures, particularly those relating to financial accountability and value for money,

Gogledd Iwerddon. A ydym yn mynd i fabwysiadu rhai o'r arferion da hyn yng Nghymru?

Syr Jon Shortridge: Byddwn yn disgrifio Gogledd Iwerddon fel arferion gwell ond nid fel arferion da cynaliadwy o reidrwydd. Mae'r cynigion yn y papur ymgynghori—ac mae'n amlwg y bydd angen ymgynghori arnynt o fewn y diwydiant a, byddwn yn dychmygu, efallai y bydd y Pwyllgor yn dymuno cymryd diddordeb manwl ynddo—yn y bôn yn ymgais i symleiddio a lleihau'r cyfle i drydydd partion ddefnyddio disgrisiwn ynglŷn â beth ddylai'r gwerth fod. Felly, o'm safbwynt i, mae hynny'n rhoi llawer mwy o sicrwydd i mi na threfniadau a fyddai'n parhau i fod angen llawer o drafodaethau a chytundebau rhwng y gwahanol garfanau o briswyr.

[112] **Denise Idris Jones:** Diolch.

[113] **Janet Davies:** Credaf ein bod wedi dod at ddiwedd ein cwestiynau, Syr Jon. Mae'n ymddangos i mi eich bod yn symud ymlaen i roi systemau newydd ar waith. A oes unrhyw beth yr hoffech ei ychwanegu at yr hyn yr ydych eisoes wedi ei ddweud wrthym am y ffordd ymlaen fel y gwelwch chi bethau, gan dderbyn yr holl bethau a ddywedasoich am Ogledd Iwerddon hefyd?

Syr Jon Shortridge: A gaf fi ddweud, Gadeirydd, fel yr awgrymais yn gynharach, i mi gael braw pan ddarllenais yr adroddiad hwn ac yr wyf yn cymryd y materion ynddo o ddifrif. Gallaf ddeall yn iawn y pryderon sydd wedi eu mynegi gan Aelodau, yn enwedig Mr Andrews. Fodd bynnag, credaf ei bod yn werth ailadrodd bod y trefniadau a weithredwn yng Nghymru ar gyfer talu iawndal yr un fath â'r rheini yn Lloegr a'r hyn y bu'n rhaid i ni, felly, ymdrin â hwy yw'r amgylchiadau penodol yng Nghymru sydd wedi arwain at ystumio ychwanegol o ran prisiannau o'u cymharu â'r rheini yn Lloegr, er gan gydnabod, i ryw raddau, bod yr un materion yn codi yn Lloegr ac, felly, mae gordalu yn digwydd yn Lloegr hefyd. Hoffwn ddweud ein bod wedi ymateb i'r adroddiad drwy wneud ein gweithdrefnau, yn enwedig y rheini sy'n ymwneud ag atebolrwydd ariannol a gwerth am arian, yn fwy caeth a'n bod yn cymryd camau i

and we are taking action to break down the secondary market that has emerged. I have indicated some of the things that we are doing to achieve that, and the appointment of our liaison valuer, I think, has been a very important step forward. In the long term, I would hope that the new arrangements, which we will be consulting on from next week, will provide a solution to this problem, which will very much minimise the risks of overpayments occurring in the future. Certainly, for the time being, I am confident that the measures that we have put in place most immediately will affect the behaviour of valuers and the compensation market with the result that the levels of compensation that we are paying should be increasingly reduced over the next 12 months.

[114] **Janet Davies:** Right, thank you, Sir Jon. For the benefit of all the witnesses, as you know, the Audit Committee produces its own report. However, before it is produced, you will be sent a draft transcript of everything that has been said so that you can agree that for factual accuracy. We certainly do not want to publish anything that was not said. I thank you for your attendance this morning.

chwalu'r farchnad eilaidd sydd wedi dod i'r fei. Yr wyf wedi sôn am rai o'r pethau yr ydym yn eu gwneud i gyflawni hynny, ac mae penodi ein prisiwr cyswllt, yn fy marn i, wedi bod yn gam pwysig iawn ymlaen. Yn yr hirdymor, byddwn yn gobeithio y bydd y trefniadau newydd, y byddwn yn ymgynghori arnynt gan ddechrau'r wythnos nesaf, yn darparu ateb i'r broblem hon, a fydd yn lleihau'n fawr y perygl o ordaliadau yn digwydd yn y dyfodol. Yn sicr, am y tro, yr wyf yn hyderus y bydd y mesurau yr ydym wedi eu rhoi ar waith yn y lle cyntaf un yn effeithio ar ymddygiad priswyr a'r farchnad iawndal fel y dylai lefelau'r iawndal yr ydym yn ei dalu leihau'n gynyddol dros y 12 mis nesaf.

[114] **Janet Davies:** O'r gorau, diolch, Syr Jon. Er lles y tystion i gyd, fel y gwyddoch, mae'r Pwyllgor Archwilio yn cynhyrchu ei adroddiad ei hun. Fodd bynnag, cyn ei gynhyrchu, bydd trawsgrifiad drafft o'r cyfan sydd wedi cael ei ddweud yn cael ei anfon atoch er mwyn ichi allu cytuno arno o ran ei gywirdeb ffeithiol. Yn sicr nid ydym am gyhoeddi unrhyw beth na chafodd ei ddweud. Diolch ichi am eich presenoldeb y bore yma.

*Daeth y sesiwn cymryd tystiolaeth i ben am 10.53 a.m.
The evidence-taking session ended at 10.53 a.m.*

Adrian Crompton
Clerk
Audit Committee
National Assembly for Wales
Cardiff Bay
CARDIFF CF99 1NA

Sir Jon Shortridge KCB
Ysgrifennydd Parhaol
Permanent Secretary

1 December 2003

Dear Adrian

TB COMPENSATION TO FARMERS – EVIDENCE SESSION 23 OCTOBER 2003

In the course of my evidence to the National Assembly's Audit Committee of 23rd October 2003, I undertook to provide information on the legislative position in response to a number of questions put by Leighton Andrews, AM about mis-statements in relation to the pedigree status (or otherwise) of certain animals, these were:

- (a) "Whether it is an offence for farmers to falsely claim pedigree status for their animals?" (para 64, page 24 of the record);
- (b) "If it is an offence, whether any court cases have proceeded?" (para 65, page 24);
- (c) "Whether or not it is an offence for farmers to claim full pedigree status in respect of animals that do not have such status." (para 75, page 27);
- (d) "Do you think that it is appropriate that farmers who are getting the compensation should be allowed a free choice of who values their livestock?" (para 77, page 29);
- (e) "If examples are found where consequential losses are taken into account, are there legal sanctions that can be brought in?" (para 88, page 32).

I will start with question (d) above, since that relates to the choice of valuer, whereas all the others relate to the basis for the valuation. First and foremost the Assembly under the regulations relating to TB payments, The Brucellosis and Tuberculosis (England and Wales) Compensation Order 1978 (as amended) [the Order], appoints its own valuer and

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we act upon that valuer's advice. However a farmer may freely choose a valuer to act for him or her and there is no basis in current legislation for the farmer's choice of valuer to be restricted. That valuer acts on behalf of the farmer in discussing the valuation with the Assembly's valuer. If the valuers representing the Assembly and the farmer cannot reach agreement, the legislation provides for the appointment of a single, agreed, valuer, or, if there is no such agreement, an independent valuer appointed by the Royal Institute of Chartered Surveyors. There should therefore be no question of the farmer's valuer deciding the level of compensation – unless the Assembly's valuer has either agreed that valuation or the valuer has been appointed to act for both parties, making it a joint appointment.

Turning to the remaining questions on the basis of valuation, I should stress that the process starts not with a claim by the farmer, but by the selection of animals for slaughter by the State Veterinary Service (SVS). A farmer may provide information to assist with the valuation. The valuers, however they are instructed, are given standard forms to complete. The only reference to pedigree status is an instruction, "If pedigree write P next to the ear mark/tag number". The guidance notes do not deal with the issue of whether or not an animal counts as a pedigree animal (nor, indeed, to the issue of consequential losses).

The Order provides no assistance in relation to the question of pedigree status but, as a result of a request for advice from the Carmarthen Animal Health Office, guidance was provided to Assembly and SVS officials on the subject in January 2003, which those staff now follow. This was followed by a letter to valuers setting out what would be required to establish pedigree status.

The Animal Health Act 1981 and legislation made under it in relation to Tuberculosis create a number of offences, but these relate to failure to comply with requirements or with obstruction. They do not deal with the question of compensation, since this will only be paid if the amount has been agreed by the Assembly or its valuer or fixed by an independent valuer.

Unlike Social Security legislation, Animal Health legislation does not therefore make provision for specific offences of making false declarations. The relevant legislation would therefore be the general criminal law, as contained in the Theft Act 1968. A farmer or valuer who sought to deceive the Assembly into accepting a pedigree status for an animal could therefore be prosecuted.

It is apparent, however, that prior to the guidance issued in January 2003, what constituted pedigree status was not entirely clear. It would therefore be very difficult to establish that any suspected offence before January 2003 was truly dishonest, to the criminal standard of proof – beyond reasonable doubt. I am not aware of any prosecution having been brought on that basis.

Yours sincerely
Jon Shortridge

JON SHORTRIDGE

Proposals to rationalise compensation for notifiable animal disease control

A consultation document issued jointly by the Department for Environment, Food and Rural Affairs and the Welsh Assembly Government Agriculture and Rural Affairs Department to stakeholders in England and Wales

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This document is also available on the Defra website.

Published by the Department for Environment, Food and Rural Affairs. Printed in the UK, October 2003, on material containing 100% post-consumer waste.

Product code PB 8550

CONTENTS

Executive summary		4
Section 1	Introduction	6
Section 2	Background	7
Section 3	Detailed aspects and questions for consultation	8
Part 1	Background and development of our proposals	8
Part 2	Aims of the scheme	9
Part 3	Scope of scheme: diseases	10
Part 4	Scope of scheme: animal species	11
Part 5	Scope of scheme: high value animals	13
Part 6	Operation of scheme: calculation of average market price	14
Part 7	Operation of scheme: calculating average market prices during a suspension of livestock markets	16
Part 8	Operation of scheme: pre-valuations	16
Annex 1	Summary of a sample of existing compensation regimes	19
Annex 2	Consultation list	21

Executive Summary

This consultation document explores the Government's current thinking on compensation for notifiable animal diseases. It is clear from recent experiences in disease control situations that the differences in current regimes offer widely differing levels of compensation depending on the disease. The National Audit Office¹ and the Public Accounts Committee² have both produced reports looking at compensation paid during the Foot and Mouth outbreak in 2001. Both reports highlighted weaknesses in our control and monitoring of valuations. We also believe that a lack of certainty in this area has a fundamental effect on livestock owners' business decisions.

The central aim of the Government's attempt to rationalise compensation for notifiable disease is to produce a simple, transparent system that is standardised enough to deliver predictable levels of compensation whilst taking account of significant differences in value between individual animals. We want to offer fair compensation to farmers and avoid over-valuations of livestock. The consequential losses that arise from the destruction of an animal will remain outside of the scope of these proposals, the compensation we make reference to is purely compensation for the value of animals slaughtered.

We have carefully considered the current situation, taking account of conflicting priorities of incentives for reporting, accurate valuations, operational simplicity and value for the taxpayer. These proposals have been designed to comply with the Human Rights Act 1998 and state aids rules. We propose a scheme with the following elements:

- All animal diseases that the Government currently pays compensation for will eventually be covered by the scheme.
- The scheme will be implemented in two stages. In the first instance, only the following diseases will be covered by the scheme: Bovine TB, Enzootic Bovine Leukosis, Brucellosis, and BSE as they do not require primary legislation to make the necessary changes. All other species and diseases that will be covered by the scheme will be addressed through primary legislation.
- Regardless of the disease, the same compensation rate will be paid for categories within individual species.
- Standardised category based systems will be developed for cattle, sheep, pigs and poultry; consideration will also be given to minor species such as goats, camelids and deer.

¹ NAO Report (HC939 2001-2002): The 2001 outbreak of Foot and Mouth Disease

² PAC Report (HC487 2002-2003): The 2001 outbreak of Foot and Mouth Disease

- Compensation rates will be equivalent to the current average market price for each category of animal where there is sufficient market data to support such an approach.
- The current market values for cattle and sheep will be calculated and published on a monthly basis. Compensation for all other species will be calculated when required.
- A mechanism for continuing the calculation of current market values if markets are suspended.
- Animals worth significantly more than the current market value for an animal in their category can be pre-valued and registered with Defra. In such cases the compensation payable will be equivalent to the current pre-valuation.

This document invites you to comment on the specific elements of our proposals and the broader principles underlying them.

Section 1 Introduction

Purpose

1. This consultation document seeks your comments on the rationalisation of the compensation arrangements for the control of notifiable animal diseases. The Government has looked at current compensation arrangements and considers that they are in need of a complete overhaul. We are seeking your views on our proposals to simplify the whole approach.
2. In developing our proposals, we have looked at the lessons learned from recent outbreaks of exotic diseases and the strengths and weaknesses of existing compensation policy that were observed. We have also considered the compensation arrangements for endemic diseases, such as Transmissible Spongiform Encephalopathies (TSE) and Bovine Tuberculosis (Bovine TB), current regimes in other countries and compensation schemes for other situations, such as plant health.
3. Your responses to the questions throughout this paper will help inform our understanding and refine our proposals.

Consultation process

4. Responses to this consultation document should be sent to the following contact point in Defra:

Joe Parsons,
Animal Disease Control Division,
Defra,
Room 107,
1a Page Street,
London, SW1P 4PQ
(Telephone 020 7904 8168; Fax 020 7904 6128,
Email compensation.consultation@defra.gsi.gov.uk)

The deadline for responses is **7 January 2004**.

5. The list of organisations being consulted on these proposals is attached to this document. In addition, this consultation document is available on the Defra website for comment by other interested organisations and individuals.
6. At the end of the consultation period, in line with Defra's policy on openness, copies of the responses we receive will be made publicly available through the main Defra library at Nobel House, 17 Smith Square, London SW1P 3JR. The information they contain may also be published in a summary of responses. If you do not consent to this, you must clearly request that your response be treated confidentially. We will not treat any confidentiality disclaimer generated by your IT system in e-mail responses

as such a request. The library will supply copies of responses to personal callers or in response to telephone or e-mail requests (Tel: 020 7238 6575, e-mail defra.library@defra.gsi.gov.uk). Wherever possible, personal callers should give the library at least 24 hour notice of their requirements. An administrative charge will be made to cover photocopying and postage costs.

7. This document is being issued by Defra and the Welsh Assembly Government Agriculture and Rural Affairs Department to stakeholders in England and Wales only. The Devolved Administrations in Scotland and Northern Ireland will be holding parallel consultations with their stakeholders.

Section 2 Background

8. The recent incidence of animal disease, including the classical swine fever outbreak in 2000, the foot and mouth disease (FMD) outbreak in 2001 and the continuing problem with bovine TB, Bovine Spongiform Encephalopathy (BSE) and Scrapie, has highlighted that current compensation arrangements for disease control are fragmented and, in some cases, contradictory. It is our view that the current measures need to be rationalised, and that the compensation paid should reflect the market value of the animal and not be determined by the disease for which the animal was slaughtered. It is this approach we are setting out in this paper.
9. Currently, compensation for statutory slaughter of animals is calculated by a different method for each disease. Each mechanism has been set out under separate legislation with a case-by-case approach to calculating values, using the prevailing market value of livestock as a reference. In some cases, the compensation rates do not reflect current prices, such as the £20 maximum compensation offered for rinderpest (cattle plague). In other cases, market-tracking measures have diverged from real market trends, as is the case with Brucellosis compensation for dairy animals.
10. At the time that the provisions for compensation for each disease were made, there were sound reasons for the approach taken. As each scheme was designed, account was taken of the characteristics of the disease, circumstances of outbreaks, and overall, tried to balance providing a strong incentive to report the disease with the overall public benefit and burden on the taxpayer. These considerations have formed part of our approach to this exercise. **(A summary of some existing compensation regimes can be found at annex 1)**
11. The current fragmented compensation mechanisms make it very difficult for livestock owners to predict the potential impact of disease on their businesses. Transparent, predictable rates of compensation will improve certainty and allow livestock owners to take additional measures to insulate their businesses from potential risk. Equally, taxpayers need

assurance that compensation rates are a fair reflection of true market values.

12. Valuations at point of slaughter can interfere with disease control measures during an outbreak of a fast moving exotic disease. Increasing the efficiency and speed of settling compensation arrangements will increase the efficiency of disease control methods. Improvements in compensation procedures will also support the Bovine TB Strategy, as delays in removing TB reactors from farms are hampering disease control methods.

The proposed timetable for implementation

13. A number of the current cattle compensation schemes are set out in secondary legislation. As it is possible to replace existing secondary legislation, we plan to draft a Cattle Compensation Order to apply our proposals to Bovine TB, Enzootic Bovine Leukosis, Brucellosis and BSE. This will give us the opportunity to refine our approach before tackling all other diseases and species through primary legislation.
14. The Order will be drafted and consulted on following our consideration of the responses to this consultation document. We aim for an Order to be laid before Parliament by the end of March 2004 and to come into force before end 2004.
15. Legislation for all other diseases and species will be drafted and consulted on by mid 2004. These diseases and species will be dealt with through additional compensation Orders when arrangements are made through an Animal Health Bill, to be introduced to Parliament when the legislative timetable permits.

Section 3 Detailed aspects and questions for consultation

Part 1 Background and development of our proposals

16. In developing the options that make up our proposals, we have had to take account of many points of view. As we are proposing eventually to cover all notifiable animal diseases under one regime, we had to consider the effect that different levels of compensation would have on the reporting of diseases with widely varying effects and epidemiological profiles. If we are to have a consolidated approach to compensation, the system developed must be operationally suitable for fast moving exotic diseases (such as FMD and avian influenza), transmissible endemic diseases (such as bovine TB) and diseases with relatively low transmissibility (such as BSE).
17. Through experience of the development of other compensation schemes it is clear that any system adopted should, as far as reasonably practicable, recognise the individual circumstances of those affected.

18. Creating a compensation scheme that both reflects market trends and is also responsive to differences in the value of livestock kept by individual owners, requires detailed knowledge of the livestock industries and the animals within it. In addition to the input of Defra experts and discussions with representatives from a broad range of industry sectors, we commissioned a study, by ADAS Consulting Limited, to look into the detailed mechanics of the high value livestock markets (**the ADAS report is available at www2.defra.gov.uk/research/project_data/Default.asp searching for “valuing high value stock”**). The ADAS report is an investigation into possible methods of producing a system for high value livestock through the use of standardised criteria that are used to establish the value of animals at market.
19. The recently published Auditor General for Wales report into valuations for TB control in Wales is a useful insight into the problems and pressures associated with the use of valuers. We would want to implement the recommendations contained in the report regarding the control and monitoring of valuations. The report can be found online at: <http://www.agw.wales.gov.uk/whatsnew.htm>
20. We have used these considerations and the information we have gathered to form the basis of our approach. Now we hope to further refine our proposals through the responses to this consultation.

Part 2 Aims of the scheme

21. The rationalisation of compensation was initiated to improve operational simplicity, consistency and transparency. There are no plans to withdraw from or significantly reduce compensation for any disease we currently cover. We will offer fair compensation and it is expected that the new scheme will reduce delays in livestock owners receiving payments. However, we want to use the opportunity of change to increase the level of control and monitoring we have over valuations to reduce the risk of over-valuation. EU state aids rules mean that there are no plans to widen compensation to cover consequential losses. The principal aims of the scheme are as follows:
- To provide good incentives for timely reporting of disease.
 - To be operationally simple and remove potential obstacles to appropriate disease control measures.
 - To provide transparent, predictable and fair rates of compensation.
 - To be flexible and responsive to changes in circumstances.
22. The rationalised scheme will categorise different types of animals within each species. Our aim is that the majority of animals to which compensation could apply would be covered by these categories. Paragraphs 25 to 29 discuss the development of these categories in

relation to cattle, sheep and pigs and other species. We recognise that these categories will not be appropriate for certain high value animals, and paragraphs 30 to 33 set out our proposals in this regard. There are particular difficulties in developing categories for poultry; these are addressed in paragraphs 27 and 40.

Part 3 Scope of scheme: diseases

23. All diseases for which the Government would, under current legislation, pay compensation for the slaughter of animals will be included. We have some reservations over compensation in relation to diseases of horses; these are explained more fully in paragraph 29. This table summarises the diseases in question:

Notifiable Disease	Species Affected
African horse sickness	Horses
African Swine Fever	Pigs
Aujeszky's Disease	Pigs and other mammals
Bluetongue (for ruminating animals)	Ruminants
Bovine Spongiform Encephalopathy	Cattle
Brucellosis (<i>Brucella abortus</i>)	Cattle
Classical Swine Fever	Pigs
Contagious agalactia	Sheep and goats
Contagious Bovine Pleuro-pneumonia	Cattle
Contagious epididymitis	Sheep and goats
Diseases of poultry (including salmonella, Newcastle disease and Avian influenza)	Poultry
Enzootic Bovine Leukosis	Cattle
Epizootic haemorrhagic virus disease	Deer
Foot and Mouth Disease	Cattle, sheep, pigs and other cloven hoofed animals
Goat pox	Goats
Lumpy skin disease	Cattle
Peste des petits ruminants	Sheep and goats
Rabies	Dogs and other mammals (compensation for companion and other non-farmed animals is outside of the scope of these proposals. Please see paragraph 24)
Rift valley fever	Cattle, sheep and goats
Rinderpest (cattle plague)	Cattle
Scrapie	Sheep and goats
Sheep pox	Sheep
Swine Vesicular Disease	Pigs
Teschen disease	Pigs
Tuberculosis (Bovine TB)	Cattle and deer

Vesicular stomatitis	Cattle, pigs and horses
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24. Although rabies is a notifiable disease for which powers exist to slaughter animals with compensation in certain circumstances in an outbreak, the animals most likely to be affected are dogs and cats. Clearly the approach outlined in this document could not apply to companion animals. Compensation for cats and dogs and other non-farmed animals under the Rabies (Compensation) Order 1976 is therefore outside the scope of these proposals.

Part 4 Scope of scheme: animal species

25. The rationalised compensation regime will use a system of categories for cattle, sheep and pigs.

26. The following proposed categories are designed to make definition of individual animals as straightforward as possible based on objective criteria. This is aimed at both reducing delays in a disease control situation and avoiding disputes over the type of animal and its intended use. The categories have to be suitable both for compensation for individual animals (e.g. BSE offspring cull) and for larger numbers, such as an outbreak of a fast moving exotic disease. The categories also reflect factors that give animals an intrinsic value relative to other categories within the same species.

Cattle

Category & Definition
Any female animal over 24 months old that has had at least one calf
Any male animal over 24 months old being used for breeding purposes
Any male animal up to 6 months old
Any entire male animal between 6 and 12 months old
Any castrated male animal between 6 and 12 months old
Any male animal between 12 and 24 months old
Any male animal over 24 months old not used for breeding
Any female animal up to 12 months old
Any female animal between 12 and 24 months old
Any female animal over 24 months old not in-calf or calved

Sheep

Category & Definition
Any female sheep with at least 1 pair of permanent incisors
Any entire male sheep with at least 1 pair of permanent incisors
Any other sheep

Pigs

Category & definition
Pigs – Breeding sows and replacements (any female animal which has given birth and any female animal 85 kg and over intended for breeding, but not yet farrowed).
Pigs – Breeding boars (any boar used, or intended to be used for breeding, 100 kg and over)
Pigs – Non breeding stock between 0 and 11 weeks
Pigs – Non breeding stock between 11 and 26 weeks

Question 1 **Do you feel that the categories we have developed adequately describes the variety of stock in the market place, bearing in mind the need for operational simplicity?**

Question 2 **What alternative approach can you suggest? What advantages might it have over the categories presented here?**

27. We are currently conducting a scoping study to attempt to identify suitable categories for domestic and other species of poultry. We intend to continue using the current salmonella compensation scheme as means of calculating poultry compensation values. The system, at present, only has categories of broiler and layer breeding birds for domestic fowl.

Question 3 **How might we expand the categories used in the salmonella compensation scheme to cover other types and species of poultry?**

28. Due to the comparatively small size of the markets for deer, goats and camelids and the lack of market data, the range of categories for these species will be limited. We would want to apply the same principles that cover the major commercial species to the smaller livestock sectors but require more information from the individual sectors to be able to do so.

Question 4 Can you suggest possible categories for deer, goats and camelids?

29. The risk of an outbreak of the diseases that affect horses, listed above, is very low. However, as we would like to be as comprehensive as possible in this consultation, it is important to explore all compensation issues. We currently have no policy for the compensation of horses. It would be very difficult to set standard rates of compensation given the extremely wide distribution of prices within the horse market. We do not believe that it would be right or proportionate for the taxpayer to underwrite the value of very high value racehorses and bloodstock against notifiable disease. Government involvement in compensation in this area could also distort existing insurance arrangements.

Question 5 How do you think we should approach compensation for horses, if at all?

Part 5 Scope of scheme: high value animals

30. While we aim to encompass the majority of animals in a standard compensation scheme, we are aware that we will have to make arrangements for a significant minority of higher value animals. Through research, we have established that the complexities in the way the high value animal market operates makes any standardised approach very difficult. The distribution of prices is extremely wide and there are no characteristics or criteria with which to establish acceptable standard categorisation at the top end of individual livestock markets.

31. The comparatively small size of the high value livestock market also discourages an attempt at standardisation. Our studies have shown that 1-2% of most livestock species could be described as elite breeding stock and attract extremely high prices. A further 5-12% of most livestock species could be described as significantly above average in quality and value. This is more pronounced in the dairy industry, with about a third of animals being considerably above the average commercial values.

Question 6 In your experience, what proportion of animals within individual livestock sectors are significantly above average market prices and what distribution of prices could we expect to see?

32. A standardised system for high value animals would also undermine our proposals for commercial animals. Further standard categories will increase the grey areas between individual categories and will reduce transparency and operational simplicity.

33. It is unlikely that a standard system, no matter how complex, would be able to forecast the true value of every individual animal. For these reasons the new arrangements would provide a mechanism for establishing the worth of high value animals.

Question 7 Do you feel it is appropriate to have a separate scheme for high value animals?

Operation of the scheme

34. The remainder of this document outlines how the elements of the scheme will operate. How we will set compensation rates for the standard category based system is described in paragraphs 35 to 42. The proposed procedures for continuing to produce compensation rates in the absence of live market data are set out in paragraphs 43 to 44. The proposed system for pre-valuing and registering high value animals is outlined in paragraphs 45 to 50.

Part 6 Operation of scheme: calculation of average market price

35. Standard compensation rates for all cattle and sheep categories will be calculated and published on a monthly basis. Compensation rates for other species, where compensation cannot be based on live market data, will be calculated as required.

36. The main aim of the standard scheme is for compensation levels to reflect actual trends in the livestock markets to produce more representative values. We therefore need to find a way of calculating an appropriate market price. This requires a large and relevant statistical base. After assessing an array of available data sources, we have concluded that live statistical data is not available for all the categories required for the scheme. Some of the categories within species rarely, or never, appear at market.

37. To address these weaknesses for cattle and sheep, market price data will be collected for the category from each species that has the largest representation at market in that period. From this, a monthly average market price for that category will be calculated. Using this market price as a base, compensation rates for all other categories within the species will be derived through relative value ratios.

38. It is important that the ratios are set in an objective and transparent way, using the best available expertise. It is important for the credibility of the compensation regime that ratios are set in partnership with industry. We will invite representatives of the national species associations to be members of an expert working group, one group for each species, dedicated to the maintenance of credible ratios. The working groups will need to be supported with a variety of statistics on market trends and information on associated costs in order to inform their decisions.

Question 8 What types of information and statistics do you think the working groups would need to enable them to set credible ratios?

Question 9 How do you see the ratios being set?

39. Setting these ratios will be complex. We are aware that the relationship between values in the different categories is dynamic and not easily captured by fixed ratios. The frequency and timing of ratio adjustments will have an impact on the ability of the system to successfully reflect seasonal variations and other market trends. We therefore propose to adjust the ratios at appropriate periods.

Question 10 At what times of year do you feel that significant changes occur in the prices of individual categories, so as to require an adjustment of the ratios?

Question 11 What market forces, if any could require the ratios to change?

40. There are some species where it would be difficult to develop compensation categories based on open market prices. As there is no open market for most categories of poultry, we propose to continue using the compensation categories currently used for salmonella, where they apply to domestic fowl. The system produces values for three categories of domestic fowl, based on the costs of a variety of inputs and the value of poultry products. We are conducting a scoping study to see if the system can be adapted, based on industry agreed formulae, to apply to the broad number of husbandry situations and the variety of possible species that might be involved.

Question 12 Do you agree that the valuation scheme for salmonella can be adapted and extended to cover other diseases of poultry and other species and categories of poultry?

Question 13 For what categories of poultry (including game birds) do markets exist to allow values to be set on market values?

41. The closed breeding pyramid structure in the pig industry produces a similar problem to that of the poultry industry. With a lack of live market data, it is difficult to follow the same approach as for cattle and sheep. We propose that our agreed categories, for commercial animals, will have to rely on dead weight prices as a basis. We understand that commercial pig producers already list their assets under categories that reflect the production cycle.

Question 14 What approach should we take to setting base level compensation for pigs?

42. As the markets for deer, goats and camelids operate on a much smaller scale than the main commercial animals there is less data on which to base a credible market price for different categories. We would like, as far as possible, to apply the same principles we are suggesting for the major

commercial species but understand that the limited market for some species might require a different approach.

Question 15 **How might we overcome the shortage of market price information for deer, goats and camelids in order to develop acceptable compensation values?**

Part 7 Operation of scheme: calculating average market prices during a suspension of livestock markets

43. If, as during the 2001 Foot and Mouth outbreak, market closure removes the live data required to run the standard system, a contingency arrangement has to be in place to continue the operation of the scheme.

44. In order to avoid seasonal variations adversely affecting the rate set during market closure, the level should be maintained at an average of an appropriate period of complete data, until such time as market data becomes available again. To avoid the short-term distortions to markets at the end of an outbreak, live data compensation calculation should only recommence after an appropriate period of uninterrupted data is available.

Question 16 **How do you think we should deal with the problem of widespread market closures.**

Question 17 **If we were to use averages of previous compensation rates, what periods should be used to reduce seasonal distortions?**

Part 8 Operation of scheme: pre-valuations

45. In order to address the issue of high value animals that cannot be included in the standardised system we suggest a pre-valuation approach. Owners, who consider the value of their livestock to be above the standard rates we publish, will have the opportunity for a pre-valuation of their animals to be conducted by a valuer drawn from a panel of independent valuers maintained by Government. This valuation would be conducted at the livestock owners' expense.

46. There will be a list of approved valuers available to carry out this work. When valuers have been used in previous disease control situations, we have been criticised for our lack of control over the valuations carried out. By approving valuers ourselves we can ensure that valuations are fair and reflect the real market situation. Certain standard criteria would have to be met in order to apply for entry to the list, such as experience of auctioneering.

Question 18 What criteria should qualify a valuer for this work?

47. Pre-valuations will have to follow a specific format, using documentary evidence to support the valuer, including sales receipts, pedigree certificates, any breed society recording statistics that indicate relative value and market data.

Question 19 What sort of information do you feel is important to record on a pre-valuation form? What sort of documentary evidence is available to support valuations and ensure a consistent approach across Great Britain?

48. We are aware of the pressures that can lead to inflated valuations. In order to monitor and control valuations a sample of pre-valuation work would be audited each year to establish the accuracy and effectiveness of the system. If evidence is uncovered that a valuer is providing inaccurate or fraudulent valuations, they will be removed from the approved list.

Question 20 What methods could be used for establishing the accuracy of valuations?

49. We envisage that pre-valuations would have to be submitted for registration each year. We are aware that because market valuations fluctuate over the year and that animals are born, bought and sold, it is difficult to reflect all animals' values in a single annual "snapshot". It would be for the livestock owner to decide how often they wish to re-value animals. However, we consider that it would be an important principle for the values to be updated on an annual basis at the very least, after a given period the registered value would lapse and the standard price would apply. A regular registration exercise would be needed to protect the Government against increased levels of speculative valuation during periods of high disease risk.

Question 21 What would be the most efficient way of running a registration exercise?

Question 22 How long should a pre-valuation be valid for before lapsing?

Question 23 Taking into account fluctuations during the year, how could valuations be adjusted with the minimum cost and bureaucracy?

Question 24 How should we operate the system to be as open and cost free as possible to genuine applicants at the same time as being resistant to speculative valuations?

50. There will be circumstances where registered pre-valuations, when used to calculate compensation, no longer accurately describe the value of the animals it was produced for. Time, movements on and off the farm and

changes in the condition of the animals and other circumstances will all have an effect on the accuracy of any pre-valuation. Where there are large changes in numbers of animals or their value, livestock owner might consider registering an updated valuation. In situations where this is not possible, there would be recourse to an appeals process. Documentary evidence would be put before an independent appeals panel to substantiate claims that there had been a significant change of value since the registration of the pre-valuation. This process would also be available to the Government where it feels that the pre-valuation is higher than the actual value at time of slaughter.

Question 25 **Under what circumstances do you consider that an appeals mechanism would be required?**

Question 26 **Independence is important if both livestock owners and the Government will have the right to appeal. How should an appeals panel be set up and who should sit on it?**

Summary of a sample of existing compensation regimes

Disease	Compensation Paid
African Swine Fever and Classical Swine Fever	Affected animals: half the value of the animal immediately before it became affected: in every other case, the value of the animal immediately before it was slaughtered.
Aujeszky's Disease	Market value of the animal: maximum £300
Brucellosis	<p>Affected animals or reactors: an amount equal to 75% of either: - (i) its market value, or (ii) 125% of the average price two months previously (calculated from the average price at specified markets) rounded down to the nearest multiple of £4. - whichever is the less.</p> <p>("market value" here means in the case of a bovine animal over 30 months old, either; (a) the price which might reasonably have been obtained at the time of valuation from a purchaser in the open market: or (b) the purchase price had the animal been slaughtered - whichever is the higher:</p> <p>For a bovine animal under 30 months, same as (a) above</p> <p>Maximum currently payable is £567 for each animal (cattle) slaughtered.</p>
BSE	<p>If BSE confirmed (via lab examination): 100% of market value or the indicative market price that is a weighted average of prices in 36 markets (IMP), whichever is less. If not confirmed as having BSE, rate is the market value of the animal or 125% of the IMP, whichever is less. Valuation carried out by DEFRA Vet and farmer.</p> <p>Cohorts, exposed animals and offspring of BSE cows are compensated at other rates.</p>

Enzootic Bovine Leukosis (EBL)	<p>The lesser of £567 or 100% of the market value of the animal.</p> <p>Note: Compensation provisions not currently applied, as disease has not been identified in UK recently.</p>
Foot & Mouth	100% of valuation (of individual animal) carried out by independent valuer (though at one stage in the 2001 outbreak farmers were able to opt for standard values)
Salmonella	<p>Compensation is paid at 100% of the market value immediately before slaughter in the case of breeding flocks and at 100% of the market value at the time of seizure in the case of hatching eggs.</p> <p>Valuation scales for compensation are set monthly for breeding flocks by an independent consultant (ADAS) to reflect the changes in commercial values of poultry and the rate used is that for the month in which the birds are slaughtered. A valuation for compensation for the seizure of hatching eggs is also set by ADAS as required.</p>
Scrapie	Compensation paid for reported cases that are slaughtered (compulsory) for diagnosis. For confirmed cases the rate is £30 for cull ewes and £90 for any other animal. For suspect cases not diagnosed with Scrapie, the same rates apply, unless documentary evidence is produced to show that the value was greater, in which compensation is that value up to a ceiling of £400
Tuberculosis (TB) in cattle	100% of market value
Tuberculosis (TB) in deer	<p>The lesser of £600 or 50% of the market value of the animal</p> <p>Valuation by specialist valuer, agreement between owner and DEFRA or average market price.</p>

Consultation list

A I G Europe (UK) Ltd
A O N
Action with Communities in Rural England
ADAS
ADAS (Cardiff)
Agricultural Credit Corporation
Agricultural Economics Society
Agricultural Insurance Underwriting Agencies Ltd
Agricultural Law Association Auctioneers
Agritech International
All Wales Committee for Health Professionals
AMP Pearl Assurance
Anglia Quality Meat Association
Animal Health Trust
Askham Bryan College
Association of British Abattoir Operators
Association of British Insurers
Association of Independent Meat Suppliers
Association of Meat Inspectors
Assured British Meat
Assured Food Standards
Badger Face Welsh Mountain Sheep Society
Balwen Welsh Mountain Sheep Society
Barclays Bank plc
Beef Shorthorn Cattle Society
Beltex Sheep Society
Benfield Group
Bernard Matthews plc
Berrichon Du Cher Society Ltd
Beulah Speckled Face Society
Bio-Dynamic Agricultural Association
Biotechnology & Biological Sciences Research Council
Black Welsh Mountain Sheep Breeders Association
Blaenau Gwent
Blonde D'Aquitaine Breeders Society of Great Britain

Bluefaced Leicester Sheep Breeders Association
Braunvieh Cattle Society
Brecknock Hill Cheviot Sheep Society
Bridgend
British Bankers Association
British Bazadaise Cattle Society
British Belgian Blue Cattle Society
British Bleu Du Maine Sheep Society

British Camelids Owners & Breeders Association
British Cattle Veterinary Association
British Charolais Cattle Society
British Charollais Sheep Society
British Coloured Sheep Breeders Association
British Deer Farmers Association
British Deer Society
British Domesticated Ostrich Association
British Egg Industry Council
British Food Trust
British Free Range Egg Producers Association
British Friesian Breeders Club
British Goat Society
British Goose Producers Association
British Holstein Society UK and Ireland
British Icelandic Sheep Breeders Group
British Inra 401 Sheep Society
British Institute of Agricultural Consultants
British Limousin Cattle Society
British Llama and Alpaca Association
British Meat Federation
British Meat Manufacturers Association
British Milksheep Society
British Piemontese Cattle Society
British Pig Association
British Poultry Breeders and Hatcheries Association
British Poultry Council
British Rouge de l'Quest Sheep Society Ltd
British Sheep Dairying Association
British Simmental Cattle Society Ltd
British Small Animal Veterinary Association
British Texel Sheep Society
British Veterinary Association
British White Cattle Society
British Wild Boar Association
Bro Taf Health Authority
Brown Swiss Cattle Society (UK)
Business Connect Wales
C G N U
Caerphilly
Cambridge Sheep Society
Cardiff
Carmarthenshire
Castlemilk Moorit Sheep Society
Central Association of Agricultural Valuers
Centre for Agricultural Strategy
Centre for Agricultural, Food and Resource Economics
Centre for Food Policy

Centre for Rural Economy
Ceredigion
Chair of Welsh Lamb and Beef Suppliers
Charmoise Sheep Society
Chartered Institute of Environmental Health
Churches and Rural Chaplaincy
Clun Forest Sheep Breeders Society Ltd
Colbred Sheep Society
Commercial Farmers Group
Confederation of British Industry
Consumers Association
Consumers In Europe Group
Conwy
Co-operative Women's Guild
Cotentin Sheep Society
Cotswold Sheep Society
Council for the Protection of Rural England
Country Land and Business Association
Country Landowners Association
Countryside Agency
Countryside Alliance
Countryside Council for Wales
Cumbria Rural Enterprise Agency
Dairy Industry Association Limited
Dalesbred Sheep Breeders Association Ltd
Dartmoor Sheep Breeders Association Ltd (Greyface)
Deer Initiative
Denbighshire
Derbyshire Gritstone Sheep Breeders Society
Devon and Cornwall Longwool Association
Devon Cattle Breeders Society
Devon Closewool Sheep Breeders Society
Devon Red Ruby Cattle Society
Dexter Cattle Society
Dorset Down Sheep Breeders Association
Dorset Horn and Poll Dorset Sheep Breeders' Association
Dyfed Powys Health Authority
Dyfed Powys Police
English Goat Breeders Association
English Guernsey Cattle Society
English Heritage
English Hill Farming Initiative
English Nature
Environment Agency
Environment Agency, Wales
Epynt Action Group
Est A Laine Merino Sheep Society
European Research into Consumer Affairs

Exmoor Horn Sheep Breeders Society
F.A.W.C.
Family Farmers Association
FARM
Farm and Food Society
Farm Animal Care Trust
Farm Assured British Beef and Lamb
Farm Assured British Pig
Farm Consultancy Group
Farm Crisis Network
Farm Livestock Advisory Group
Farm Retail Association
Farmers Guardian
Farmers Link
Farmers Union of Wales
Farmers Weekly
Farming & Livestock Concern UK
Farming and Rural Conservation Agency
Farming and Wildlife Advisory Group
Federation of Agricultural Co-operatives
Federation of City Farms and Community Gardens
Federation of Small Businesses
Federation of Veterinarians in Europe
Flintshire
Food and Drink Federation
Food Commission
Food from Britain
Food Standards Agency
Freedom Food
Friends of Animals Under Abuse (FAUNA)
Friends of the Earth
Friesland Sheep Society
Game Conservancy Trust
Genesis Quality Assurance
Goat Advisory Bureau
Goat Veterinary Society
Goats Milk Processors Federation
Golden Guernsey Goat Society
Gotland Sheep Society
Greenway Farm Ltd
Guild of Welsh Lamb & Beef
Guy Carpenter & Company Ltd
Gwent Health Authority
Gwent Police
Gwent Tertiary College
Gwynedd
H & H Park International Ltd
H S B C

Hampshire Down Sheep Breeders Association
Harper Adams Agricultural College
Health and Safety Executive
Heath Lambert Ltd
Hebridean Sheep Society
Henry Doubleday Research Association
Herdwick Sheep Breeders' Association
Hereford Cattle Society
Hill Farming Advisory Committee
Hill Radnor Flock Book Society
Holstein UK
Humane Slaughter Association
Iechyd Morgannwg Health Authority
Ile de France Sheep Society
Incorporated Society of Valuers & Auctioneers
Institute for Animal Health
Institute of Agricultural Management
Institute of Animal Technology
Institute of Rural Health
Institute of Rural Studies
Institute of Trading Standards
International Fund for Animal Welfare
International Meat Trade Association
Intervet UK Limited
Isle of Anglesey
Jacob Sheep Society
Jersey Cattle Society
Joint Consultative Council for Meat Trade
Ladies In Pigs
Lantra
Leicester Longwool Sheep Breeders Association
Licensed Animal Slaughterers and Salvage Association
Lincoln Longwool Sheep Breeders Association
Lincoln Red Cattle Society
Linking Environment and Farming
Livestock Auctioneers Association
Livestock Group of the Road Haulage Association - HQ
Livestock Marketing Alliance
Livestock Traders Association
Llanwenog Sheep Society
Lleyn Sheep Society
Lloyd's
Lloyds TSB General Insurance
Local Authority Confederation of Regulatory Standards
Local Food Works
Local Government Association
Longhorn Cattle Society
Lonk Sheep Breeders Association

Manx Logthan Sheep Breeders Group
Meat & Livestock Commission, Wales
Meat and Livestock Commission
Meat Industry Liaison Group
Meat Training Council
Meatline
Merthyr
Meuse Rhine Issel Cattle Society
Milk Development Council
Monmouthshire
Morris Associates
Murray Grey Beef Cattle Society
National Animal Welfare Society
National Association of British Market Authorities
National Association of Catering Butchers
National Association of Farmers Markets
National Association of Valuers and Auctioneers
National Beef Association
National Cattle Association (Dairy)
National Consumer Council
National Dairy Council
National Dairymen's Association
National Farmers Union
National Farmers Union Mutual
National Farmers Union of Wales
National Federation of Consumer Groups
National Federation of Meat and Food Traders
National Federation of Young Farmers' Clubs
National Foot & Mouth Group
National Insurance Guarantee
National Office of Animal Health
National Pig Association
National Sheep Association
National Trust
National Westminster Bank
Neath Port Talbot
Newport
Norfolk Horn Breeders Group
North Country Cheviot Sheep Society
North Ronaldsay
North Wales Health Authority
North Wales Police
Organic Farmers and Growers Limited
Organic Farming Centre for Wales
Organic Food Federation
Organic Milk Suppliers Co-operative
Oxford Down Sheep Breeders Association
Pembrokeshire National Park

Pencoed College
Pig Disease Information Centre Ltd
Pig Veterinary Society
Plumpton College
Plunkett Foundation
Political Animal Lobby
Portland Sheep Breeders Group
Poultry Club of Great Britain
Powys
Provision Trade Federation
Public Health Laboratory Service in Wales
Quality Meat and Livestock Alliance
Ramblers Association
Rare Breeds Survival Trust
Reaseheath College
Red Meat Strategy Group
Red Poll Cattle Society
Regional Development Agencies
Rhondda Cynon Taff
Romney Sheep Breeders Society
Rough Fell Sheep Breeders Association
Royal & Sun Alliance Insurance Group plc
Royal Agricultural Society of England
Royal Association of British Dairy Farmers
Royal Bank of Scotland
Royal College of Veterinary Surgeons
Royal Smithfield Club
Royal Society for Nature Conservation
Royal Society for the Prevention of Cruelty to Animals
Royal Veterinary College
Royal Welsh Agricultural Society
RSPCA - Regional HQ Wales
Rural Development Commission
Rural Stress Information Network
Rural Women's Network
Ryeland Flock Block Society Ltd
Salers Cattle Society of the UK and Ireland
Sheep Trust
Shorthorn Society of UK and Ireland
Shropshire Sheep Breeders Association
Silsoe Research Institute
Small Abattoirs Federation
Small Business Service
Small Farms Association
Snowdonia National Park
Soay
Soil Association
South Hams Agriculture Forum

South Wales Mountain Sheep Society
South Wales Police
Southdown Sheep Society
Suffolk Sheep Society
Sussex Cattle Society
Sustain
Sustainable Development Commission
Swaledale Sheep Breeders Association
Swansea
Teeswater Sheep Breeders Association Ltd
Tenant Farmers Association
The Shared Earth Trust
Torfaen
Traditional Farmfresh Turkey Association
UK Food Group
UK Register of Organic Food Standards
UK Renderers Association
UK Round Table on Sustainable Development
UKASTA
United Pig Marketing
Universities Federation for Animal Welfare
University of Wales Bangor
Vale of Glamorgan
Vegetarians International Voice for Animals
Vendeen Sheep Society Ltd
Veterinary Deer Society
Volac International Limited
Wales Council for Voluntary Action
Wales Rural Forum
Wales Tourism Association
Wales Tourist Board
Wales Wildlife Link
Wales Young Farmers Union
WDA Food Directorate
Welsh Agricultural Organisation Society Ltd
WELSH ASSEMBLY
Welsh Assembly of Women
Welsh Black Cattle Society
Welsh Consumer Council
Welsh Consumer Society
Welsh Hill Speckled Face Sheep Society
Welsh Institute of Rural Studies
Welsh Lamb and Beef Promotions Ltd
Welsh Livestock Auctioneers Association
Welsh Local Government Association
Welsh Meat Company (Abattoir)
Welsh Mountain Sheep Society
Welsh Scientific Advisory Committee

Welsh Tourism Association
Wensleydale Longwool Sheep Breeders Association
White Face Dartmoor Sheep Breeders Association
White Faced Woodland Breeders Association Group
White Park Cattle International
Whitebred Shorthorn Association
Wildfowl and Wetlands Trust
Wildlife Trust
Women Farmers Union
Womens Food and Farming Union
Wrexham
Writtle Agricultural College
Youth Hostels Association

THE AUDIT COMMITTEE

The National Assembly's Audit Committee ensures that proper and thorough scrutiny is given to the Assembly's expenditure. In broad terms, its role is to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales; and to consider reports by the Auditor General for Wales on examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions. The responsibilities of the Audit Committee are set out in detail in Standing Order 12.

The membership of the Committee as appointed on 3 June 2003:

Janet Davies (Plaid Cymru) - Chair
Leighton Andrews (Labour)
Mick Bates (Liberal Democrat)
Alan Cairns (Conservative)
Jocelyn Davies (Plaid Cymru)
Christine Gwyther (Labour)
Denise Idris-Jones (Labour)
Mark Isherwood (Conservative)
Val Lloyd (Labour)
Carl Sargeant (Labour)

Further information about the Committee can be obtained from:

Adrian Crompton
Clerk to the Audit Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA
Tel: 02920 898264
Email: Audit.comm@wales.gsi.gov.uk