

# INDUSTRY RESOURCE TOOLKIT SERIES:

## OWNER REIMBURSEMENT COSTS - AN OVERVIEW

This content has been developed in collaboration with Plant Health Australia to increase awareness of national response arrangements under the Emergency Plant Pest Response Deed (EPPRD).

### Owner Reimbursement Costs – an overview

In this article, you will learn about Owner Reimbursement Costs (ORCs), under the [Emergency Plant Pest Response Deed](#) (EPPRD) including:

- What are ORCs?
- Who is eligible for an ORC payment?
- How are ORCs calculated?
- What can you do to be prepared for an ORC claim?

#### Key points

- ORCs are a payment that may be available to growers who are directly impacted by a response plan or Emergency Plant Pest (EPP) incursion.
- ORCs provide reimbursement for specific costs and losses that an impacted crop owner may experience as a direct result of actions outlined in a response plan to an EPP.
- Different crops have different formulas used to calculate an ORC payment, which is based on the type of production system.
- It is important that, as a grower, you keep proper records to ensure timely and accurate valuation of ORC payments.

#### What are ORCs?

During an emergency response, a range of eradication and containment activities are carried out by a lead agency to stop the spread of pests and diseases and achieve eradication. These activities may include destroying crops that host the pest, additional chemical treatments, or implementing movement controls.

These actions are critical to successfully eradicating a pest and to avoid ongoing costs to the whole industry of managing the pest in the long term. However, implementing these activities can result in additional costs and potential losses for growers directly affected by the actions.

Industry and government signatories to the EPPRD have agreed to a framework for reimbursing affected growers for specific costs and losses under the national response arrangements in the form of ORCs. ORCs are a payment made by a lead agency to a grower who is directly impacted by activities carried out under a response plan and are cost shared by governments and affected plant industries. ORC payments provide reimbursement for specific costs and losses that are outlined in the EPPRD.

ORCs are intended to support affected growers who, through no fault of their own, may be financially impacted by response actions. They also remove disincentives for growers to report suspicious pests or pathogens, and increase the chance of early detection and successful eradication of EPPs.

#### Who is eligible for an ORC payment?

ORCs may be available to the owners of commercial crops whose crops, equipment or stored produce are destroyed or significantly devalued as a direct result of actions taken in implementing an agreed response plan. These actions must have been undertaken by or at the direction of the lead agency.

Only owners of commercial crops that are represented by a signatory to the EPPRD are eligible for ORCs for a response to a pest under the EPPRD. The Australian Lychee Growers Association (ALGA) is a signatory to the EPPRD therefore growers who produce crops represented by ALGA would be eligible. The full list of crops represented by ALGA can be found in Schedule 7 of the EPPRD.

If the applicable crop or cropping sector is not represented by a signatory to the EPPRD, an ORC payment may be available if the local value of production of the cropping sector is less than \$20 million and the payment is agreed by the National Management Group (NMG).

Please note that any owner who has been convicted of an offence directly related to the eradication of the emergency plant pest to which the claim relates, will not be paid an ORC payment.

## What is covered by an ORC?

Losses and costs to be included in an ORC payment will depend on the specific actions required under the response plan and whether those losses/costs meet one or more of the criteria set out in the EPPRD. Broadly, the following costs may be claimed as ORCs when relevant:

- the farm gate value of crops destroyed (or where the economic value of the crop is destroyed, for example due to movement restrictions)
- the loss of the estimated farm gate value of crops foregone, minus the costs of production, resulting from an order being given that a property lie fallow for a period
- the depreciated replacement cost (on a like-for-like basis) of any capital items destroyed
- costs above normal operating costs resulting from actions taken in accordance with the response plan such as additional pest control measures and special machinery and equipment.

In addition, owners of crops grown on perennial trees or vines may be eligible for some costs associated with tree destruction and replanting and loss of profits from the non-bearing period in immature trees.

Not all costs and losses associated with a response plan will be covered by ORCs. Please contact ALGA, for the costs and losses that may be included in an ORC payment for your industry.

## How is an ORC calculated?

ORCs are calculated based on crop-specific formulas set out in Schedule 6 of the [EPPRD](#), which detail the particular costs and losses that can be included in the ORC payment. Please contact ALGA to find out which formula is relevant to your industry.

The lead agency will appoint an independent assessor to calculate the ORC value based on the relevant formula and evidence provided by the grower for each element of the formula. Evidence will likely need to be provided on the value of the crop or stored produce destroyed, normal production and harvesting costs, and the depreciated value of any capital items that were destroyed.

The sources of evidence that the independent assessor uses are based on an industry-specific ORC evidence framework developed by the relevant national peak industry body and agreed to by all governments and PHA. The ORC evidence framework details a hierarchy of evidence used to calculate the ORC payment, usually starting with a grower's own verifiable records from previous years and moving to region or state-wide sources of data if grower records are not available.

Where possible the auditable records from the owner of the impacted crop are used to support an ORC calculation. This ensures the most accurate calculation of an ORC payment for their ORC claim. If an impacted grower can't supply adequate records, an independent assessor will use available economic data based on regional or state averages to determine the ORC values.

Most of the evidence needed to support an ORC calculation is recorded as part of a business' accounting and farm management records. These may include:

- previous crop yield and price data for the crops produced
- record of purchase of capital items
- production costs including purchasing cost of seed/seedlings/rootstock, costs associated with planting, fertilizing, pest management, harvesting and post-harvest treatments.

The ability to provide evidence of costs at each stage of production and not just total costs will further support potential ORC claims.

## How and when to apply for an ORC?

If you have been impacted by response actions that are eligible for ORCs then the lead agency will guide you through the process for submitting your claim. This will include providing you with a copy of the ORC claim form and guidance outlining the specifics of the assessment and payment process.

If you have been affected by emergency response activities, it is important that you begin to assemble information to support your ORC claim as early as possible. A claim must be submitted by the owner (or their representative) to the lead agency within 90 days after:

- (a) the date of destruction of the crops or other property
- (b) the date on which the owner receives an order for a fallow period as part of a response plan.

The information an impacted grower needs to provide will vary based on which industry they belong to, and the costs or losses they have incurred arising from actions carried out under an agreed response plan.

Throughout a response ALGA will work with you to support your understanding of ORCs and the claim process.

## What you can do now

Contact ALGA to discuss industry Owner Reimbursement Costs (ORC's). ORC is a type of payment made under the EPPRD to an individual to reimburse them for specific defined costs or losses incurred following the implementation of a response plan. The provisions of the EPPRD define what comprises an ORC payment, who may receive a payment, how cost sharing is applied, and the general valuation and payment processes undertaken.

Further information on ORCs may be found on PHA's website ([www.planthealthaustralia.com.au/orcs/](http://www.planthealthaustralia.com.au/orcs/))

## Resources

### Read: Want to learn more?

- [Owner Reimbursement Cost Frequently Asked Questions](#)
- [ORC evidence frameworks](#)
- [CIE Guidelines for ORCs](#)

For more information refer to Article 6 'Movement restriction during a response'.