



27th February 2018

The Chairman
Mr Rick Wilson MP
House of Representatives Standing Committee on Agriculture and Water
Resources
PO Box 6021
Parliament House
Canberra ACT 2600

**Inquiry based on the Auditor-General report No. 56 (2016-17): Pesticide
and Veterinary Medicine Regulatory Reform**

Dear Mr Wilson

The PGA has become aware that the Standing Committee on Agriculture and Water Resources are inquiring into the Australian Pesticides and Veterinary Medicines Authority's (APVMA) efforts to adopt the Australian National Audit Office's (ANAO) recommendations to improve risk management, governance and performance measures.

The Pastoralists and Graziers Association of WA (Inc) (PGA) is a non-profit industry organisation established in 1907, which represents primary producers in both the pastoral and agricultural regions in Western Australia.

As a state farming organization and representative body for end users, the PGA has a genuine interest in retaining access to cost effective agricultural and veterinary chemicals to assist in farming operations.

The legislative reform that the ANAO refers to followed a Government direction to the Commonwealth Department of Agriculture to consult with the agvet chemical industry on the development of measures to improve the efficiency and effectiveness of regulatory arrangements and provide better protection for human health and the environment.

The subsequent report prepared by the Department of Agriculture led to legislative reforms in 2014 following the passage of the *Agricultural and Veterinary Chemicals Legislation Amendment Act 2013* and its regulations

through the Australian Parliament.

These were designed to address the issues outlined in the department's review such as;

- the absence of a clear risk-based regulatory framework; statutory timeframes for the review of registered products and chemicals; and intermediate enforcement measures between the extremes of warning letters and criminal prosecution,
- inefficient preliminary assessment arrangements, and
- delays to the completion of assessments due to applicants providing additional information during the assessment process.

The ANAO report said that the delivery of key reforms with a legislated deadline, such as the provision of enhanced guidance to industry, the establishment of pre-application assistance, and the introduction of an online application lodgement system, were prioritised by the APVMA and delivered on-time, but those reforms that did not have legislated deadlines for implementation, are yet to be completed, years after they were first proposed.

Further, the report states that although those project outcomes with legislated deadlines were met, they still required ongoing remediation. This would imply they were not fit for purpose at the time of delivery.

This is a disappointing outcome to a reform process.

The report also observes that despite this legislated reform, the regulation and government administration of the agvet chemical industry continues to be scrutinised.

The Department of Industry and Science, on behalf of COAG engaged consultants in 2015 to review Commonwealth chemicals assessment functions with a focus on complementary regulatory and administrative functions. At the time of the ANAO report, the review was yet to be finalised, pending further consideration by COAG.

In 2015 the Government's Agricultural Competitiveness White Paper noted that agvet chemical regulation imposes a heavy regulatory burden on industry that is often disproportionate to the risks that products pose.

In 2015 the Treasurer requested the Productivity Commission to undertake an inquiry into the regulatory burden imposed on Australian farm businesses. The Commission's report recommended that the APVMA increase its use of international evidence in its assessments.

In 2015 Agriculture commissioned a review of the duplication of effort and unnecessary costs on industry associated with their compliance with agvet chemical legislation and the *Work Health and Safety Act 2011*. The review recommended that the APVMA continue to work with Safe Work Australia to assist industry on labelling requirements; consider work health and safety labelling as part of any future changes to agvet labelling requirements; and apply discretion where possible to enable veterinary chemical producers to re-label products at

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the point of supply.

Reviews are always welcome, but action does need to be taken if government is to address the problems, as opposed to simply identifying the problems again.

The PGA notes that the poor timeframe performance (despite a small improvement on the previous quarter) for registration of crop protection products reported in the 2017 September quarter cannot have been assisted by the forced and artificial relocation of the APVMA from Canberra to Armidale, and the earlier resignation of its CEO in April 2017.

Such a turnover at the executive level in advance of a major relocation cannot have assisted business as usual, let alone change management.

Given that the APVMA's own relocation strategy (APVMA in Armidale: Relocation Strategy) expects only about 10 - 15 per cent of current staff to move to Armidale, the relocation can only add to the difficulties being experienced by the APVMA.

Whilst the staffing strategies being developed are sensible responses to such a problem, there will be additional expense and disruption incurred in implementing the attractive retention packages required to ensure business continuity by retaining as many staff as possible until the Canberra office closes, the design and implementation of a revised business model with a digital strategy, the training of new recruits and making sure there is knowledge transfer between outgoing staff and these new trainees.

It is not surprising then that the performance of the APVMA has suffered.

As the ANAO report notes, the APVMA lacks robust performance reporting, so the PGA supports its use of a proxy efficiency index.

This index compared actual assessment completion durations (outputs) with assessment fees charged to industry (inputs) as a proxy measure of efficiency over time.

According to the Australian Government Cost Recovery Guidelines 2014, application fees should be set so that revenue (fees) generated from the assessment is equal to the expenses (resource time cost) incurred in undertaking the assessment

The assessment period in which the APVMA is required to finalise an application varies depending on the complexity of the application, and its fee structure generally correlates less complex assessments with shorter timeframes and lower fees.

Such a measurement of outputs (revenue or sales) less inputs (cost of production) is how business measures its own performance (profits).

This index suggests an overall decrease in efficiency in the post-reform period compared with the pre-reform period.

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The ANAO report also observes that the ongoing assessment of agvet product and chemical applications in the post-reform period has not been supported with fit-for-purpose workflow management systems and a robust quality control framework.

The lack of reporting systems on internal efficiency prevents the APVMA from delivering efficiency dividends to chemical registrants.

The overall lack of efficiency costs the agvet chemical industry.

As chemical registrants will pass this cost down the chemical supply chain, distributors and retailers will need to increase their prices by more than the actual increase in price to maintain an adequate margin for the product. It is unlikely any of these sectors can absorb this extra cost, and inevitably this cost will be passed back to the producer.

The APVMA noted in its response to the ANAO report that considering the scale of reform undertaken, the implementation timeframes were challenging and the resourcing required to fully deliver within these timeframes was limited.

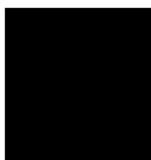
The resourcing of the APVMA is entirely within the purview of government.

According to Crop Life Australia, Australian farmers have missed out on a significant number of important agricultural products, putting them at a massive disadvantage to their international competitors.

It appears that there is a requirement to stabilise the operations of the APVMA, so it can refine its internal systems and complete its reform process.

In conclusion the PGA notes that unless the APVMA can meet its statutory timeframes, the lack of access to chemical tools will mean that Western Australian farmers will be unable to meet the continuing productivity challenge of producing more with fewer inputs.

Yours Faithfully



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