

Chapter 2

The process of making the order

Introduction

2.1 This chapter outlines the process leading to the making of the order including the policy development process and the consultation undertaken by the government. Entities that may be subject to this order and other similar orders and the regional locations that may be eligible for a relocated agency will also be discussed. The principles that should underpin any decentralisation policy will also be explored.

The order

2.2 In June 2016, as part of the election commitment to create centres of excellence in agriculture, the Coalition announced that 'within the first year of re-election, the Coalition will proceed with the relocation of the Australian Pesticides and Veterinary Medicines Authority (APVMA) to Armidale, New South Wales'.¹

The order

2.3 On 23 November 2016, the Minister for Finance, Senator the Hon Mathias Cormann made the following order, [Public Governance, Performance and Accountability \(Location of Corporate Commonwealth Entities\) Order 2016](#) (the order). Section 5 of the order specified that the subject of this order is the APVMA. Section 4 of the order specified the location of the APVMA:

(1) It is a policy of the Australian Government that a corporate Commonwealth entity with agricultural policy or regulatory responsibilities is to be located:

- (a) in a regional community; and
- (b) within 10 kilometres by road of the main campus of a regional university that is recognised for research and teaching in the field of agricultural science.

(2) In this section:

regional community means a community that is not within 150 kilometres by road of Canberra or the capital city of a State.²

2.4 The order was made under subsection 22(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).³ This subsection empowers

1 The Coalition's Policy for a Stronger Agriculture Sector, June 2016, p. [7].

2 [Public Governance, Performance and Accountability \(Location of Corporate Commonwealth Entities\) Order 2016](#).

3 The PGPA Act 'sets out the requirements for the governance, reporting and accountability of Commonwealth entities and Commonwealth companies, and for their use and management of public resources'. (See: Department of Finance, [Accountability and internal controls](#)).

the Finance Minister to make an order that specifies a policy of the Australian Government that affects corporate Commonwealth entities. Such orders are known as government policy orders (GPO).⁴ This is the first order made under the PGPA Act, and the first GPO made since 2008.⁵ The committee notes that, despite the order being a legislative instrument, it is not subject to disallowance motions in either House of the Parliament.⁶

The APVMA

2.5 The APVMA is 'an Australian government statutory authority established in 1993 to centralise the registration of all agricultural and veterinary chemical products into the Australian marketplace'.⁷ The APVMA is part of the Agriculture and Water Resources portfolio and considered a corporate Commonwealth entity under the Public Governance and Performance and Accountability Act 2013 (PGPA Act).⁸

2.6 The APVMA has been based in Canberra since 1993. Croplife explained the genesis of the APVMA:

The National Registration Authority for Agricultural and Veterinary Chemicals (NRA), which subsequently became the APVMA, was established in 1993 under Commonwealth and state and territory agreement and corresponding legislation to centralise the registration of all agricultural and veterinary chemical products into the Australian marketplace. Prior to this, each state and territory government had its own individual system for the registration for agricultural and veterinary chemical products.⁹

2.7 The APVMA's principal responsibilities are laid out in the *Agricultural and Veterinary Chemicals (Administration) Act 1992* and the *Agricultural and Veterinary Chemicals Code Act 1994* and include:

The PGPA Act replaced the *Commonwealth Authorities and Companies Act 1997* (CAC Act). The PGPA Act government policy order process 'closely reflects the arrangements under the former CAC Act'. (Department of Finance, *Submission 1*, p. 2).

4 PGPA Act 2013, ss 22(1).

5 Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation, Department of Finance, *Proof Hansard*, Canberra, 11 April 2017, p. 45.

6 *PGPA Act*, ss 22(4). Section 42 of the *Legislative Instruments Act 2003* does not apply to government policy orders. Prior to the enactment of the PGPA Act, the equivalent of government policy orders — general policy orders — were also not subject to disallowance. See: *Commonwealth Authorities and Companies Act 1997*, s. 48B (5).

The Explanatory Memorandum to the PGPA Act explains that government policy orders are not disallowable on the basis that 'policies are matters for the Government'. EM (PGPA Act), p. 61.

7 APVMA, *About*, <http://apvma.gov.au/node/1063> (accessed 23 February 2017).

8 Department of Finance, *Flipchart of Commonwealth entities and companies*, <https://www.finance.gov.au/resource-management/governance/> (accessed 23 February 2017).

9 Croplife, *Submission 115*, p. 3. See also: Answers to questions on notice (Attachments A–D), 11 April 2017 hearing, from the Department of Agriculture and Water Resources, received 6 June 2017.

- registration of pesticides and veterinary chemicals;
- oversight of manufacturing standards; and
- compliance and enforcement of permit and manufacture conditions.¹⁰

2.8 The APVMA is largely funded through cost-recovery whereby:

...registrants pay application fees to register products, and an annual fee to maintain product registrations. Registrants also pay levies based on the annual wholesale sales value of registered products.¹¹

2.9 The APVMA receives over 3, 500 applications per year.¹²

Which agencies could this order apply to?

2.10 Although the department highlighted that this order 'could feasibly apply to other entities, to date it has only been applied to the APVMA'.¹³

2.11 The APVMA is the only Commonwealth entity subject to this particular order. However, the committee has sought to clarify the meaning of section 4 of the order which suggests that other Commonwealth agricultural entities may be subject to similar orders in the future.¹⁴

2.12 Mr Andrew Thompson, First Assistant Secretary, Department of Agriculture and Water Resources (DAWR) could not confirm whether or not other corporate Commonwealth entities would be subject to the order. Notwithstanding this, Mr Thompson provided a list of entities responsible for agricultural policy or regulation that could be subject to the criteria within the order, some of which had already been relocated:

They are the APVMA; the Australian Grape and Wine Authority; the Cotton R&D Corporation, which is in Narrabri; the Fisheries R&D Corporation; the Grains Research and Development Corporation; the Rural Industries R&D Corporation; and the Murray-Darling Basin Authority.¹⁵

2.13 Research undertaken by the Parliamentary Library for Mr Joel Fitzgibbon MP found that just four regional centres met the criteria set out in the order—Rockhampton and Townsville in Queensland, and Bathurst and Armidale in NSW.¹⁶ The committee also received research prepared for Senator Bridget McKenzie by the

10 APVMA, *About*, <http://apvma.gov.au/node/1063> (accessed 29 March 2017).

11 APVMA, *About*, <http://apvma.gov.au/node/1063> (accessed 29 March 2017).

12 Tabled document 1, Letter from Ms Kareena Arthy, CEO APVMA, to the Hon Barnaby Joyce MP, 31 July 2015, received 12 April 2017, Canberra.

13 Department of Agriculture and Water Resources, *Submission 125*, p. 5.

14 *Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016*, s. 4 & 5.

15 Mr Andrew Thompson, First Assistant Secretary, Sustainable Agriculture, Fisheries and Forestry Division, DAWR, *Proof Hansard*, Canberra, 11 April 2017, p. 40.

16 Additional information provided by Senator McAllister, received 31 May 2017.

Parliamentary Library which indicated that seventeen communities would be eligible for relocation of a Commonwealth agency under the order.¹⁷ The key difference between the two pieces of research is that Mr Fitzgibbon's research was undertaken on the basis that the distance from a capital city (150 kilometres) was calculated from the outskirts whereas Senator McKenzie's research calculated the distance from the GPO centre of the capital.

2.14 Under either analysis, this order would exclude many regional communities from hosting a decentralised government department. As an example, the town of Lithgow (NSW) would not be considered a regional community under the government's policy as it is less than 150 kilometres from Sydney CBD and does not have a university campus in town. Another example is the town of Dubbo (NSW) which, despite being nearly 400 kilometres from both Canberra and Sydney and having a university campus, is also not eligible, as its university campus does not provide coursework or research in agricultural science.¹⁸

2.15 The prescriptive approach taken by the government in this order goes beyond a general view of promoting decentralisation of government functions to regional areas. The order specifies how far such entities must be from capital cities and their proximity to regional universities with expertise in the 'research and teaching' of 'agricultural science'.¹⁹ Some submitters, such as Cessnock City Council, disagreed with the prescriptive approach:

Council takes the view that strategic centres such as Cessnock LGA [Local Government Area] would not need to be in such close proximity to the main campus of a University due to a number of factors, such as proximity to markets, digital advancements, investment in the NBN [National Broadband Network] and critical transport and connectivity infrastructure.

Further, the Order is for the relocation of corporate Commonwealth entities to regional communities as stated under “(1) a. in a regional community”. This appears totally incongruent with (1) b. above, as regional areas generally have greater geographical distribution of business, population and service centres and excluding University towns, many regional centres would be unable to meet this very restrictive criteria.²⁰

17 Tabled document, Senator Bridget McKenzie, Townsville, 19 May 2017.

18 See: Dubbo Regional Council, *Submission 173*; Regional Development Australia—Orana, *Submission 145*; Lithgow City Council, *Submission 98*; Lithgow District Chamber of Commerce, *Submission 117*.

19 [*Public Governance, Performance and Accountability \(Location of Corporate Commonwealth Entities\) Order 2016*](#), s. 4.

20 Cessnock City Council, *Submission 112*, p. 8. See also: Orange City Council, *Submission 121*, p. [3]; Regional Development Australia—Mid North Coast NSW, *Submission 139*, p. [11]; Maranoa Regional Council, *Submission 148*, p. [1]; Ricegrowers Association, *Submission 174*, p. [4].

Timeline

2.16 Table 1.1 provides a timeline of key events that led to the making of the order and the announcement of the APVMA's relocation to Armidale.

Table 1.1: Timeline of key events leading to the making of the order and the announcement of the relocation of the APVMA to Armidale.

2013 election—Coalition puts forward broad policy to relocate Commonwealth agencies from Canberra to regional areas²¹

12 May 2015—Letter from the Deputy Prime Minister and Minister for Agriculture and Water Resources the Hon Barnaby Joyce MP (the Minister) to Ms Kareena Arthy (APVMA CEO) proposing the relocation of the APVMA from Canberra to Armidale or Toowoomba, and seeking the feedback of the APVMA to this proposal²²

15 May 2015—The Minister announces commencement of consultation with stakeholders for relocation of a number of Commonwealth agricultural agencies from Canberra to regional locations. The Minister flags that the APVMA may be relocated to either Armidale or Toowoomba.²³

31 July 2015—Letter from Ms Arthy (CEO APVMA) to the Minister noting the APVMA's reluctance to relocate; however, also noting that if it were to be relocated, that the APVMA would prefer to relocate to Toowoomba instead of Armidale.²⁴

January 2016—Letter from Minister to Ms Arthy informing the APVMA that a cost-benefit analysis would be undertaken on the relocation from Canberra to Armidale.²⁵

3 May 2016—Department of Agriculture and Water Resources (DAWR) commissions Ernst and Young (EY) to conduct a cost-benefit analysis (EY cost-benefit) on the relocation of the APVMA from Canberra to Armidale²⁶

9 June 2016—The Minister announces the Coalition policy that the APVMA will relocate from Canberra to Armidale²⁷

1 August 2016—EY cost-benefit provided to the DAWR.²⁸

2 November 2016—Cabinet decision to relocate Commonwealth entities (agricultural policy or

21 DAWR, *Submission 125*, p. 7.

22 Answer to question taken on notice at 11 April from APVMA, received 26 April 2017, letter from the Deputy Prime Minister and Minister for Agriculture and Water Resources the Hon Barnaby Joyce MP (the Minister) to Ms Kareena Arthy (APVMA CEO)

23 DAWR, *Submission 125*, p. 7.

24 Tabled document 1, Letter from Ms Kareena Arthy, CEO APVMA to The Hon. Barnaby Joyce MP, dated 31 July 2015.

25 Mr David Williamson, Deputy Secretary, Department of Agriculture and Water Resources, *Proof Hansard*, Canberra, 11 April 2017, p. 38.

26 DAWR, *Submission 125*, pp 8–9.

27 DAWR, *Submission 125*, p. 1. See also: The Coalition's Policy for a Stronger Agricultural Sector, June 2016, <https://cdn.liberal.org.au/pdf/policy/2016%20Coalition%20Election%20Policy%20-%20A%20Stronger%20Agriculture%20Sector.pdf> (accessed 23 February 2017).

28 DAWR, *Submission 125*, p. 8.

regulatory) from Canberra to regional communities²⁹

10 November 2016—Letter from the Minister to Ms Arthy informing the APVMA of the cabinet decision to relocate the APVMA to Armidale and seeking advice on the draft order³⁰

18 November 2016—Letter from Ms Arthy to the Minister advising of the APVMA's plans and strategies relating to the relocation.³¹

23 November 2016—Minister for Finance makes the PGPA (Location of Corporate Commonwealth Entities) Order which required the APVMA to relocate to a regional community (more than 150km from Canberra and less than 10km from regional university specialising in agricultural science). This order came into effect on 25 November 2016.³²

5 November 2016—The Minister publicly announces that the government has settled implementation of the relocation and that \$25.6 million would be made available to fund the relocation.³³

25 November 2016—EY cost-benefit is publicly released.³⁴

2.17 Key points on this timeline are discussed in greater detail below.

The policy

2.18 In its submission to the committee, the Department of Finance noted that:

For the purposes of the PGPA Act, a policy of the Australian Government is a policy that is approved by the Government, usually by Cabinet, the Prime Minister or the Minister responsible for the policy acting in their area of delegated authority.³⁵

2.19 Prior to the federal election in July 2016, the Liberal and National parties (the Coalition) released a policy relating to the creation of centres of excellence in agriculture. This policy stated that:

The Coalition will establish Centres of Excellence in Agriculture in regional areas, with government agencies partnering with regional universities and industry research organisations to become agricultural research hubs.

Within the first year of re-election, the Coalition will proceed with the relocation of the Australian Pesticides and Veterinary Medicines Authority to Armidale, New South Wales.

29 DAWR, *Submission 125*, Appendix J.

30 DAWR, *Submission 125*, Appendix H.

31 DAWR, *Submission 125*, Appendix I.

32 [*Public Governance, Performance and Accountability \(Location of Corporate Commonwealth Entities\) Order 2016*](#).

33 DAWR, *Submission 125*, p. 2.

34 DAWR, *Submission 125*, p. 8.

35 Department of Finance, *Submission 1*, p. 2.

The Coalition will also commence formal consultations with other government agencies to examine relocation options to other regional towns and cities.³⁶

2.20 As noted in a letter from the Deputy Prime Minister and Minister for Agriculture and Water Resources, the Hon Barnaby Joyce MP to the Minister for Finance on 23 November 2016, this policy was formalised in early November 2016:

As agreed by the Cabinet on 2 November 2016, it is the government's policy that a corporate Commonwealth entity with agricultural policy or regulatory responsibilities is to be located in a regional community and within 10 kilometres by road of the main campus of a regional university that is recognised for research and teaching in the field of agricultural science.³⁷

Ernst and Young cost-benefit analysis

2.21 On 3 May 2016, the DAWR commissioned an 'independent cost, benefit and risk analysis of the relocation of the APVMA to Armidale, NSW' (the analysis). The analysis was completed on 1 August 2016³⁸ but not publicly released until 25 November 2016.

2.22 The analysis examined the following two options:

- option 1: Status quo – this option represents the current prevailing situation (i.e. assumes that the APVMA will continue to operate as it currently does in Canberra); and

36 The Coalition's Policy for a Stronger Agricultural Sector, June 2016, <https://cdn.liberal.org.au/pdf/policy/2016%20Coalition%20Election%20Policy%20-%20A%20Stronger%20Agriculture%20Sector.pdf> (accessed 23 February 2017).

37 Department of Agriculture and Water Resources, *Submission 125*, p. [52].

38 Department of Agriculture and Water Resources, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, <http://www.agriculture.gov.au/ag-farm-food/ag-vet-chemicals/apvma-cost-benefit-analysis> (accessed 23 February 2017). This report was publicly released on 25 November 2016.

On 19 April 2016, the Senate put and passed a motion calling on the cost-benefit analysis to be made public. *Journals of the Senate*, No. 150—19 April 2016, pp 4136–4137.

On 13 September 2016, the Senate ordered that the cost-benefit analysis and any related information be tabled. *Journals of the Senate*, No. 5—13 September 2016, p. 174.

On 18 October 2016, the Assistant Minister for Agriculture and Water Resources, Senator the Hon. Anne Ruston made a public interest immunity claim in relation to these documents. This claim was made on the basis that such documents were 'prepared to assist Cabinet's deliberation' and that 'the confidentiality of the Cabinet process' would be compromised by the release of these documents. [Correspondence](#) received as additional information to the Rural and Regional Affairs and Transport Committee's Supplementary Estimates 2016–17.

- option 2: Relocation of the APVMA to Armidale with the maintenance of current functions – this option examines the impact of moving the APVMA to Armidale.³⁹

2.23 Option 2 has been modelled to reflect two scenarios reflecting different mechanisms for accommodating the APVMA. Scenario 1 includes the construction of a purpose built facility co-located at the University of New England in Armidale. Scenario 2 involves renting an existing building, the WJ McCarthy Building, in the Armidale CBD.

2.24 Under scenario 1, if the APVMA is relocated to Armidale, the analysis estimated an economic cost to the federal government of \$23.19 million over 20 years, with this cost being driven by the 'cost of constructing a new building, moving costs and costs associated with recruitment, training, redundancy and oversight'. The cost of accommodation for the APVMA in Armidale is a significant component of the economic cost in scenario 1.⁴⁰ In comparison, scenario 2 is instead estimated to have an economic cost of \$11.54 million over 20 years.⁴¹

2.25 The analysis concluded that 'the strategic and operational benefits of having the APVMA operate out of Armidale appear to be limited'. Significantly, the analysis concluded 'that there is no material economic benefit associated with enhanced proximity to end users and other agricultural researchers and this aspect has therefore been excluded from the cost benefit analysis assessment'.⁴²

Consultation

2.26 In its submission, the Department of Finance highlighted that:

The Finance Minister must, before making a GPO, be satisfied that the [Minister responsible for the policy] has consulted the body or bodies to which it will apply on the application of the policy.⁴³

2.27 DAWR submitted that the 'Finance Minister made the order following the Deputy Prime Minister's consultation with the Chief Executive Officer of the [APVMA]'.⁴⁴ This consultation was formalised in correspondence between the

39 Ernst and Young, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 1, <http://www.agriculture.gov.au/SiteCollectionDocuments/apvma-cost-benefit-analysis.pdf> (accessed 27 February 2017).

40 Ernst and Young, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 3.

41 Ernst and Young, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 2.

42 Department of Agriculture and Water Resources, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, pp 1 & 24, <http://www.agriculture.gov.au/ag-farm-food/ag-vet-chemicals/apvma-cost-benefit-analysis> (accessed 23 February 2017).

43 Department of Finance, *Submission 1*, p. 2.

44 Department of Finance, *Submission 1*, p. 1.

Minister for Agriculture and Water Resources and the APVMA Chief Executive Officer (CEO) Ms Kareena Arthy prior to the issuance of the order.⁴⁵

2.28 During the 2013 election, the Coalition flagged an election commitment for 'Commonwealth agencies or functions to be relocated in whole or part from Canberra to regional areas'. A number of agricultural agencies were put forward including the APVMA. DAWR noted that this election commitment was progressed in mid 2015:

On 15 May 2015, the Deputy Prime Minister announced the commencement of consultation with staff and stakeholders on the potential regional relocation of these select portfolio agencies. The Deputy Prime Minister consulted the University of New England, the University of Queensland and the University of Southern Queensland about the merits of their university as a potential co-location for the APVMA. The Deputy Prime Minister also wrote to CropLife Australia, the Veterinary Manufacturers and Distributors Association, Animal Medicines Australia, the National Farmers' Federation and the NSW Farmers' Association encouraging them to engage with the APVMA on the potential regional relocation.⁴⁶

2.29 In its submission, the DAWR noted its consultation with a wide range of stakeholder groups for the draft scope of work for the cost-benefit analysis.⁴⁷ The APVMA also sought to consult on the relocation by appointing a number of key stakeholders to its APVMA Relocation Advisory Committee (ARAC).⁴⁸ The cost-benefit analysis and the ARAC are discussed further in the next chapter.

2.30 At the committee's Townsville hearing, the Australian Public Service Commission (APSC) could not confirm whether it was consulted in relation to the policy order prior to it being made. However, after the order had been made, the APVMA sought the advice of the APSC in relation to staffing issues and other matters.⁴⁹ The APSC advised that this engagement began on 15 February 2017.⁵⁰

2.31 With the exception of Armidale Regional Council (ARC), no local governments and regional organisations that appeared as witnesses before the committee were approached by the federal government to put forward or 'pitch' a case for the relocation of the APVMA to their region. Many of these groups stressed the need for transparency in any process of decentralisation.⁵¹ This contrasted with a description by Mr Tony Broomfield of ARC of a formal meeting between the ARC

45 Department of Agriculture and Water Resources, *Submission 125*, pp 45–51.

46 Department of Agriculture and Water Resources, *Submission 125*, p. 7.

47 Department of Agriculture and Water Resources, *Submission 125*, p. 8. See also, pp 64–65.

48 Department of Agriculture and Water Resources, *Submission 125*, p. 13.

49 Ms Kerryn Vine-Camp, First Assistant Commissioner, Australian Public Service Commission, *Proof Hansard*, Townsville, 19 May 2017, pp 1–2.

50 Answers to questions on notice on 19 May 2017 from the APSC, received 31 May 2017.

51 See, for example: Townsville City Council, RDA—Townsville and NW Queensland, Townsville Enterprise Limited, *Proof Hansard*, Townsville, 19 May 2017, pp 10–11.

General Manager and Mr Joyce in December 2014. At this meeting, the possibility of relocating federal agencies to regional areas was discussed. During the next six months, both the ARC and the Toowoomba Regional Council travelled to Canberra and met with the APVMA 'to put a case forward' to move the APVMA to their respective cities.⁵²

Consultation with the states and territories

2.32 As noted above, the APVMA was formed by agreement between the Commonwealth and the states and territories. At the committee's Canberra public hearing, the department noted that the states and territories were not consulted prior to the decision being taken to relocate the APVMA. Notwithstanding this, consultation has occurred with states and territories since the announcement.⁵³

Consultation with staff

2.33 It appears that staff at the APVMA were made aware of plans to relocate the organisation from Canberra to Armidale through the media. Mr Ron Marks, CPSU delegate at the APVMA explained:

It was through the media—a statement by the minister. It then gathered momentum as that was repeated. It led to a staff survey by the APVMA, and that was in May or June 2015. That was used in the CEO's letter to the minister to explain...what the impact could be. There was this slow but gradually increasing burn that unsettled people. Clearly they started to vote with their feet between 1 July 2015 and 30 June 2016 because 48 people left in that time period, which is well above the usual separation rate.⁵⁴

2.34 Mr Marks noted that the uncertainty continued for an extended period of time before staff were finally formally notified of the relocation:

There was not very much that management could do for staff other than to hold regular briefs, and the CEO did that. But, because there was no decision, no plans could be put in place. Until there was a decision and there was a knowledge of how much money might be available, if indeed it was going to happen, then policies could not be put in place for retention until the lights got turned off or relocation. Once the decision was announced in late November last year, the CEO very quickly informed staff and started the process of consultation with staff to generate a relocation and a retention [plan] until the 'lights off' policy.⁵⁵

52 Mr Tony Broomfield, Program Manager, Armidale Regional Council, *Proof Hansard*, Townsville, 19 May 2017, p. 17 & 19.

53 Mr David Williamson, Deputy Secretary, Department of Agriculture and Water Resources, *Proof Hansard*, Canberra, 11 April 2017, p. 41.

54 Mr Ron Marks, CPSU Delegate, APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 59.

55 Mr Ron Marks, CPSU Delegate, APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 59.

The role of the Finance Minister

2.35 In evidence to the committee, Dr Stein Helgeby, Deputy Secretary at the Department of Finance provided background to the making of GPOs and the Finance minister's role in the making of the GPO.

2.36 Dr Helgeby noted that prior to 2008, individual ministers not the Finance Minister, were able to make GPOs. This posed difficulties, as the 'cost implications' were not visible to the Finance Minister.⁵⁶

2.37 However, despite transferring the authority to make GPOs to the Finance Minister to ostensibly improve the visibility of the costs associated with the making of a GPO, the evidence indicates that neither the Finance Minister nor his department applied financial or policy scrutiny to the application from the Deputy Prime Minister. Dr Helgeby said:

We support the minister in the making of the GPO. There was a decision made by government that there be a GPO. We supported the minister and he signed it—because he is the only one who can—and that is about it.⁵⁷

Other options to implement the election policy

2.38 In its submission, DAWR noted its examination of a number of 'potential statutory mechanisms to bring the APVMA's move into effect, including whether there were options under the *Agricultural and Veterinary Chemicals (Administration) Act 1992* and the *PGPA Act*'.⁵⁸

Were other locations considered?

2.39 A key component of the APVMA's relocation to Armidale is as part of a broader centre of excellence in agriculture. The centre will be established at the University of New England and allow the APVMA to co-locate and partner with the UNE and its established agricultural research units. The APVMA will also partner with the UNE to develop a regulatory science course.⁵⁹

2.40 In his May 2015 letter to Ms Arthy, the Deputy Prime Minister indicated that both Armidale (NSW) and Toowoomba (QLD) would be considered as potential locations for the APVMA. In her July 2015 response, Ms Arthy highlighted the APVMA's opposition to the move; however, if the move were to proceed Ms Arthy

56 Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation, Department of Finance, *Proof Hansard*, Canberra, 11 April 2017, p. 45.

57 Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation, Department of Finance, *Proof Hansard*, Canberra, 11 April 2017, p. 45.

58 Department of Agriculture and Water Resources, *Submission 125*, p. 5. In answers to questions on notice the department confirmed that 'options were considered, including legislation and the government policy order instrument'. See DAWR answers to questions on notice number 5 from 11 April 2017 hearing, received 6 June 2017.

59 The Hon Barnaby Joyce MP, Deputy Prime Minister, *APVMA Jobs Boost for Armidale*, 9 June 2016, <http://nationals.org.au/apvma-jobs-boost-for-armidale/> (accessed 20 April 2017).

expressed the preference of the APVMA to relocate to Toowoomba instead of Armidale.⁶⁰

2.41 Ms Arthy was quite clear on the reasons why Toowoomba was preferred:

Given that more [APVMA staff] would consider Toowoomba and the greater potential to source skilled staff, I would recommend Toowoomba as the preferred location should the APVMA relocate.⁶¹

2.42 In addition, Ms Arthy noted the higher availability of Queensland Government scientific staff in both Toowoomba and Brisbane.⁶² Mr Joyce's own letter noted that not only is the University of Southern Queensland—with agricultural science research and teaching—located in Toowoomba, but the University of Queensland has a campus less than 40 kilometres to the east in Gatton:

The Gatton campus is a leading research provider in the field of agricultural and veterinary science, with a range of new and advanced facilities, including a Wind Tunnel Research Facility for spray drift studies. The campus also hosts one of the best veterinary schools in the country.⁶³

2.43 Some submitters felt that the establishment of the centre should not be contingent on the relocation of the regulator. Many submitters and witnesses felt that establishing a regulatory science course would be good for workforce development for all Australian regulators including the APVMA.⁶⁴ Mr Bernard Lee of Chemistry Australia stated that it would be better to invest the funding for the relocation into the establishment of the centre of excellence and the regulatory science course:

I think you could have spent the \$28 million investing just in the University of New England. I have obviously been in the room listening to the evidence of others talking about the general lack of [a] regulatory science course, particularly in the agricultural area. In Australia there is none. We have looked globally and, in the agricultural space, there is not much in terms of regulatory science education in universities. In the United States there is a fair bit of regulatory science education associated with pharmaceuticals, but not other products, be they industrial chemicals, agricultural chemicals or veterinary medicines. Our view was that the \$28 million or however much money is being spent—you could have had a win-win. You could have left the APVMA where it was and you could have invested \$28 million in the University of New England building a centre of

60 Tabled document 1, Letter from APVMA CEO, Ms Kareena Arthy to the Deputy Prime Minister, the Hon Barnaby Joyce MP, 31 July 2015.

61 Tabled document 1, Letter from APVMA CEO, Ms Kareena Arthy to the Deputy Prime Minister, the Hon Barnaby Joyce MP, 31 July 2015, p. 1.

62 Tabled document 1, Letter from APVMA CEO, Ms Kareena Arthy to the Deputy Prime Minister, the Hon Barnaby Joyce MP, 31 July 2015, p. 4.

63 Answer to question taken on notice taken at 11 April hearing from APVMA, received 26 April 2017.

64 See, for example: Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 6; VMDA, *Submission 198*, p. [2].

excellence on its own. In our opinion, it does not need to be co-located with the APVMA to be a centre of excellence.⁶⁵

New policy of decentralisation

2.44 Since the initiation of this inquiry into the move of the APVMA, the Minister for Regional Development announced in April 2017 that 'departments will need to indicate that they're suitable to move to the regions or justify why all or part of their operation is unsuitable.'⁶⁶ The next day, the Deputy Prime Minister ruled out moving entire departments from Canberra,⁶⁷ before the creation of the template that would be used to assess suitability for decentralisation.

2.45 As indicated in Chapter 1, the committee received a number of submissions and form letters that have considered either the government's new announcements regarding decentralisation, or the broader policy issues of decentralisation of government functions to regional areas.

2.46 The committee does not consider it appropriate or necessary to discuss these aspects of the submissions in light of the narrow focus of its terms of reference. However some submitters gave evidence about the interaction between the government's new policy of decentralisation and the move of the APVMA. This evidence is canvassed below.

2.47 As noted earlier, none of the local councils were consulted before the order was made to relocate the APVMA. Similarly, none of the witnesses representing local councils at the Townsville public hearing were aware of any consultation with the government in relation to its broader decentralisation policy.⁶⁸ Councillor Mulholland, President of the Northern Rivers Regional Organisation of Councils expressed her confusion at the approach taken by the government:

...with the APVMA, there is looking at relocating that, but I guess from our perspective one of the key questions would be around—Mr Joyce has come out and said that the agriculture portfolio will not be one of these agencies to be decentralised. However, in the order, it states that agricultural policy specifically will be decentralised. I would like clarification around that as well, please.⁶⁹

2.48 At the committee's recent budget estimates, the government's broader decentralisation agenda was canvassed. The Finance Minister confirmed that this agenda had not been developed beyond the announcement by the Minister the Hon

65 Mr Bernard Lee, Director, Policy and Regulation, Chemistry Australia, *Proof Hansard*, Canberra, 11 April 2017, p. 15.

66 Senator the Hon Fiona Nash, 'Coalition begins decentralisation process', 19 April 2017, Media release.

67 Tom McIlroy, 'ATO, Finance, Treasury and Agriculture safe in Canberra: Barnaby Joyce', *Canberra Times*, 20 April 2017.

68 See, for example: Orange City Council, NOROC & Cessnock City Council, *Proof Hansard*, Townsville, 19 May 2017, pp 28–29.

69 Cr Danielle Mulholland, President, NOROC, *Proof Hansard*, Townsville, 19 May 2017, p. 30.

Fiona Nash in a speech, a press conference and three listed criteria in the budget papers:

- the supply of skills or policy connection between the potential host regions and the operations of specific entities;
- telecommunications capability, services and infrastructure available to support the relocation of entities and accommodate their staff; and
- specialist staff retention and associated impacts on the specific entity performance.⁷⁰

2.49 The Finance Minister could not confirm whether the relocation of the APVMA met any of these criteria, and conceded that any future decentralisation process would be implemented under a 'more structured process for assessment' compared to the approach used to relocate the APVMA. The committee heard that the Department of Finance is developing a business case template to assist individual agencies and departments in putting forward a case as to whether these agencies or departments should be relocated from Canberra to a regional area.⁷¹ The Finance Minister could not confirm whether a cost-benefit analysis would form part of that template.⁷²

2.50 The committee was also told that portfolios have until the end of this year to present a case to government as to why they should or should not be moved, and that these decisions will flow into the 2018–19 federal Budget. It is not clear when the business case template will be completed and ready for departmental use.⁷³

2.51 The next chapter details the significant effects that relocation will have on the performance of the APVMA.

70 Budget Paper 4, 2017–18, 'Budget 2017–18: Agency Resourcing'. p. 4, http://www.budget.gov.au/2017-18/content/bp4/download/Budget2017-18_BP4.pdf (accessed 25 May 2017). See also: Senator the Hon. Matthias Cormann, Finance Minister, *Budget Estimates*, 25 May 2017, p. 54.

71 Senator the Hon. Matthias Cormann, Finance Minister, *Budget Estimates*, 24 May 2017, pp 87–88.

72 Senator the Hon. Matthias Cormann, Finance Minister, *Budget Estimates*, 25 May 2017, p. 53.

73 Senator the Hon. Matthias Cormann, Finance Minister, *Budget Estimates*, 24 May 2017, pp 87–88.