

Chapter 3

The APVMA's performance of its functions under the order

3.1 This chapter examines the Australian Pesticides and Veterinary Medicines Authority's (APVMA) performance of its functions as a result of the relocation order. The chapter focuses in particular on the risks associated with the relocation, the impact these will have on the performance of the APVMA, and the strategies being employed by the APVMA to mitigate the disruption caused by the move.

The risks associated with the move

3.2 A number of key risks were identified in the government commissioned Ernst and Young cost-benefit analysis for the relocation of the APVMA:

- the APVMA may be unable to relocate, or recruit and replace, key APVMA executive, management and technical assessment staff;
- during transition and in the short term, the APVMA may not be able to sustain its rate of effort for registration of new agricultural and veterinary chemical products;
- the APVMA may be unable to maintain and grow its capability in the medium term; and
- the APVMA may have reduced access to stakeholders.¹

3.3 Ernst and Young highlighted that the most significant risk will be the loss and replacement of staff. The former CEO of the APVMA, Ms Kareena Arthy, agreed. In a letter to the Minister for Agriculture and Water Resources, the Hon Barnaby Joyce MP, Ms Arthy noted that 'being able to source regulatory scientists in a new location is a critical consideration'. Ms Arthy expressed her concerns around the loss of staff and replacing them if the move went ahead:

It is highly questionable whether recruitment of the scale needed to get the APVMA back to full strength in terms of scientific capability would be possible in a capital city let alone a regional centre. Finding a minimum of 55–60 scientists with sufficient attributes or experience either in the region or willing to move to the regional location would be difficult and would take time...it could be years before capability is restored.²

3.4 The loss of staff and its subsequent impact on the performance of the agency as well as the mitigation strategies recommended in the cost-benefit analysis will be

1 Department of Agriculture and Water Resources, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 4, <http://www.agriculture.gov.au/ag-farm-food/ag-vet-chemicals/apvma-cost-benefit-analysis> (accessed 19 April 2017).

2 Tabled document 1, Letter from Ms Kareena Arthy (APVMA CEO) to The Hon. Barnaby Joyce MP, 31 July 2015, p. 3.

discussed later in the chapter. The cost-benefit analysis recommended a number of mitigation strategies which will also be discussed later in the chapter. The effects on current and future performance of the APVMA are discussed in the next section with a specific focus on capability, economic, environmental and animal welfare factors.

Performance of functions

3.5 Many submitters who are key stakeholders of the APVMA put forward their opposition to the APVMA's move from Canberra.³ The key reason for this opposition is the potential impact that the relocation will have on the APVMA's performance.

Effect on capability

3.6 A number of submitters highlighted their concerns with the current and future performance of the APVMA.⁴ The APVMA itself has acknowledged that the proportion of applications that were meeting expected timeframes are falling noting that 'we are missing the deadlines by between two and five weeks'.⁵ The Ricegrowers Association (RGA) noted that only '50 per cent of pesticide applications for the quarter were completed on-time'. RGA made a further observation:

This inefficiency has flow on impacts for the Australian rice industry as the adoption of pesticides that improve production is delayed due to the administrative inefficiency.⁶

3.7 The Veterinary Manufacturers and Distribution Association (VMDA) provided their assessment of the APVMA's current performance citing its 'inability to meet timeframes for registration approvals':

It is important to note that while the authority's reported 'time frame performance' appears to be in excess of 80% for veterinary applications, that 80% figure applies almost exclusively to applications that are administrative in nature, or to applications that require no or minimal scientific assessment. 80% of the assessments that the APVMA receives are in this category, and given that these should be completed within time frame because of their relatively simple nature, it follows that of the other 20% of applications that are for actual new products, and that do require scientific assessment, virtually none is completed within the statutory time frame.⁷

3.8 Croplife observed:

The performance statistics show that the APVMA only processed 50 per cent of crop protection product applications within statutory timeframes.

3 See, for example: Australian Veterinary Association Limited, *Submission 149*, p. 2.

4 See, for example: Animal Medicines Australia, *Submission 34*; National Farmers Federation, *Submission 118*; Chemistry Australia, *Submission 38*; Agsense and Gaven & Associates, *Submission 39*.

5 Senate Rural and Regional Affairs and Transport, *Proof Estimates*, 28 February 2017, p. 44.

6 RGA, *Submission 174*, p. [3].

7 VMDA, *Submission 198*, p. 1. Underline in original text.

This is a sharp fall from processing 82 per cent of crop protection product applications within statutory timeframes in the previous quarter and below the 57 per cent recorded in the 2015–16 December quarter. Thus, the number of crop protection product applications currently 'in progress' has also increased with only 69 per cent of those are still within timeframe, indicating that performance is unlikely to improve in the short to medium-term.⁸

3.9 Since submissions were received for this inquiry, the agency's performance has deteriorated further. The most recent performance statistics detailing the March quarter results (January to March 2017) showed that only 30 per cent of pesticide product applications were completed on time. This fell from 50 per cent in the previous quarter (October to December 2017). In the 2014–15 year, 81 per cent of applications were completed on time.⁹ There is a clear downward trend during the period since the relocation was first flagged and then announced.

3.10 Mr Ron Marks, a Community and Public Sector Union (CPSU) delegate at the APVMA spoke of the effects on remaining staff of not meeting the timeframes as well as the economic consequences for applicants:

Our statistics, which are public, pretty much indicate that only 50 per cent of pesticide applications are coming in on time. It is almost a case of: if you get one application off your desk, two get put back on. It is quite distressing for people because they want to meet what is the kind of implied contract with a registrant, which is: you give us what we need and, if it passes muster, we will give you an answer within a time frame. That can have very serious financial implications for some companies because they only have a very narrow time, for instance, where they can sell a particular product—if it is only used at seeding, for instance. They do their marketing plans based on us meeting our time frame. If we miss our time frame then they have lost income from that product for at least 12 months. I noticed that one of the submissions—Agsense, I think it was—quoted one client who lost \$750,000 in sales because the product was registered late. This really has a very distressing effect on staff. It is a challenge to their professional esteem.¹⁰

3.11 Many of the submitters expressed concern that the relocation to Armidale would further compromise the APVMA's capabilities.¹¹ One submitter observed that 'steady improvements in performance by the APVMA have been obliterated by the impact of the order'.¹² Animal Medicines Australia noted that the relocation of the

8 Croplife, *Submission 115*, p. 2.

9 APVMA, *Quarterly performance statistics*, 11 May 2017, <https://apvma.gov.au/node/26876> (accessed 15 May 2017).

10 Mr Ron Marks, APVMA CPSU Delegate, *Proof Hansard*, Canberra, 11 April 2017, p. 58.

11 See, for example: Animal Medicines Australia, *Submission 34*; National Farmers Federation, *Submission 118*; Chemistry Australia, *Submission 38*; Agsense and Gaven & Associates, *Submission 39*.

12 Croplife, *Submission 115*, p. 5.

APVMA 'will result in net costs to our members as well as diminishing the productivity and profitability of Australian farmers'.¹³ Croplife provided the following assessment:

Relocating the APVMA from Canberra to a regional centre without adversely impacting its ability to regulate consistency, predictability and efficiency presents a significant challenge. The core concern is the loss of key senior and experienced technical assessment staff, which is a key driver of the regulator's capability and efficiency.

A significant negative disruption to the operations of the APVMA is not just a threat to the plant science industry or individual crop protection product companies, it is a threat to the nation's farming sector and its productivity, profitability and international competitiveness.¹⁴

3.12 In their submission, Mr Stephen Pettenon and Mr Michael Gaven—who hold a combined 42 years' experience dealing with the APVMA—observed that 'the APVMA has taken a dramatic downturn since the possibility of a regional relocation was formalised'.¹⁵

Statutory and governance performance requirements

3.13 The committee heard that the APVMA has a statutory obligation to process applications within certain timeframes.¹⁶ Currently and in the past, these timeframes have not been complied with.¹⁷ Submitters are concerned that the relocation will increase these timeframes. Ms Arthy explained that this statutory performance requirement would continue not to be met in the foreseeable future noting:

I can quite unequivocally say that we will not be meeting our 100 per cent time frame performance.¹⁸

3.14 In relation to governance, Animal Medicines Australia pointed out that the 'Government Policy Order appears inconsistent with the general governance duties outlined in section 15 of the PGPA Act'.¹⁹ Section 15 of the PGPA Act places a duty of governance on Commonwealth entities to 'promote the proper use and management of public resources' and 'to promote the achievement of the purposes of the entity'.²⁰ The cost-benefit analysis has highlighted a number of financial and capability risks to

13 Animal Medicines Australia, *Submission 34*, p. 1. See also: AVA, *Submission 149*, p. 2.

14 Croplife, *Submission 115*, p. 2.

15 Agsense and Gaven & Associates, *Submission 39*, p. [3].

16 *Agricultural and Veterinary Chemicals Code Act 1994*; and Part 2 of Schedule 6 of *Agricultural and Veterinary Chemicals Code Regulations 1995*.

17 Croplife, *Submission 115*, p. 5; NSW Farmers Association, *Submission 182*, p. 5; APVMA, *Submission 35a*. The timeframes for different types of applications can be found on the APVMA website, <http://apvma.gov.au/node/667> (accessed 26 April 2017).

18 Ms Kareena Arthy, CEO APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 43.

19 Animal Medicines Australia, *Submission 34*, p. 6.

20 Animal Medicines Australia, *Submission 34*, p. 4.

the APVMA, and as such, Animal Medicines Australia has argued that the relocation order undermines the 'APVMA CEO's duty under [section] 15' of the PGPA Act.²¹

Economic and commercial impacts

3.15 Throughout the inquiry, the committee heard about the critical role that the APVMA plays for Australian agriculture and other users of pesticides and veterinary medicines. Submitters described the importance of crop protection products—such as herbicides, insecticides and fungicides—to farmers, consumers and environmental managers:

Farmers need these products because of the benefits they provide to their businesses. Consumers need these products to ensure they have access to safe, affordable and nutritional food. These products also enable land and environment managers, such as parks and wildlife services, to protect Australia's native flora and fauna from noxious weeds and invasive pests.²²

3.16 Croplife elaborated:

The [Food and Agriculture Organization of the United Nations] estimates that with access to current crop protection products, between 20 and 40 percent of global crop yields are reduced each year due to the damage wrought by plant pests and diseases. Without access to these tools, up to 50% of current crop production would be lost. By way of example, Australian farmers would not be able to commercially produce almonds, apples, asparagus, grapes, hops, lettuce, nectarines, peaches, pears, strawberries, many other fruits, vegetables, nuts and many other crops without crop protection products.²³

3.17 The committee heard that there can be profound impacts to the pesticides and veterinary medicines industry and the agricultural sector more broadly with any delays to the registration of products by the APVMA:

Based on conservative estimates of a one year delay in the approval of new products, the potential impact on the agriculture sector for crops alone could be between \$64 million and \$193 million per annum. The risks to the agvet chemical industry associated with moving the APVMA are also significant with a one year delay in the approval of new chemicals potentially impacting industry to the value of between \$0.8 million and \$2.7 million per annum in terms of lost revenues.²⁴

3.18 The importance of this role was underlined by many submitters and witnesses to the inquiry including Mr Matthew Cossey, CEO of Croplife:

21 Animal Medicines Australia, *Submission 34*, p. 4.

22 Croplife, *Submission 115*, p. 1.

23 Croplife, *Submission 115*, p. 1.

24 Department of Agriculture and Water Resources, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 4, <http://www.agriculture.gov.au/ag-farm-food/ag-vet-chemicals/apvma-cost-benefit-analysis> (accessed 19 April 2017).

The plant science industry in Australia is worth more than \$2.5 billion annually. Most importantly, it is our industry's products, those registered by the APVMA, that directly underpin and facilitate more than \$18 billion a year of agricultural crop production in Australia.²⁵

3.19 Since the announcement of the relocation, current applicants before the APVMA are experiencing greater delays. These delays have real financial imposts on applicants and their customers. A practical example of delayed registration was described by representatives from Croplife:

To give a realistic example, I know from a discussion just the other week that one of our member companies has a brand-new, mode-of-action, pre-emergent herbicide that was meant to have been approved by the end of last year or the beginning of this year and has missed the time frame. It is out of time frame and will miss the entire season, and to them alone it will be about a \$1.7 million loss, let alone the loss of productivity that farmers would have from that...

The example provided by Mr Cossey explains that a pre-emergent herbicide only has a small window in a year for it to be used, so if there is a delay and you miss that window then it is effectively a 12-month delay.²⁶

3.20 Another potential outcome of the announced relocation is that multinational chemical companies are considering whether to enter the Australian market due to the lack of certainty around registration prior to and during the relocation process. These companies could target other markets where greater certainty exists around registration timeframes:

We have heard anecdotally from our heads of companies discussion about how they are at a global level having to assess whether they come to the Australian market with everything just at the moment. Certainty is a very important thing for bringing a new product to market. It is not simply a matter of dropping a registration in and being ready to go. There are 3½ thousand retail distribution stores around the countries—logistic suppliers and launchers. The stats that the APVMA recently released confirm that there are clearly people bypassing the market with a 28 per cent reduction in the number of applications going in.²⁷

3.21 Animal Medicines Australia agreed and were specific about the effect in their industry:

We talk about innovation and most of the innovation right now in this space that is coming through internationally is to protect pets against the paralysis tick in Australia, which is deadly. I know that a number of our members, including ourselves, have had significant delays to the tune of 12 months,

25 Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 1.

26 Mr Matthew Cossey, CEO & Mr Alastair James, Director—Agricultural Chemical Policy, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 5.

27 Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, pp 6–7.

18 months and two years in getting some of these products through registration and onto the Australian market. That is just on the pet side.

If you look at the agricultural side, what is a greater risk is that we are not even bothering. We are not even investing because we have no certainty of a result through the regulator. We make investment decisions every day, and I certainly know that New Zealand is far more attractive for us because their [Agricultural Compounds and Veterinary Medicines] is much more open and pragmatic on the importance of agriculture to New Zealand. So we invest our money there, particularly in the dairy industry and so forth. It is unfortunate. We are making commercial decisions that are not to the benefit of Australia.²⁸

3.22 The effect of increased timeframes is that Australian farmers and pet owners will not have access to the most effective products to protect their crops and animals in a timely manner. Ultimately, this lack of access will result in Australian agriculture becoming less competitive and animal welfare outcomes becoming compromised. Mr Benjamin Stapley, Executive Director at Animal Medicines Australia explained:

The potential delay in access to the latest veterinary medicines is likely to have an impact on animal welfare and animal health. So not only will that put agricultural producers at a disadvantage in comparison to overseas competitors; on the animal medicines side there will be an impact on pet owners who may not be able to access in a timely manner products for their pets which may be available to pet owners in other comparable markets.²⁹

3.23 A number of case studies are provided in Box 3.1 which outline the impact on applicants of delays to registration of their products.

28 Mr Andrew Mason, President, Animal Medicines Australia, *Proof Hansard*, Canberra, 11 April 2017, p. 24.

29 Mr Benjamin Stapley, Executive Director, Animal Medicines Australia, *Proof Hansard*, Canberra, 11 April 2017, p. 24.

Box 3.1: Case studies outlining the impact of delays to pesticide applications with the APVMA

Case Study 1 - Client A spends 40 months and over \$150K in preparing a data package in support of an Item 10 registration application. The applicant prepares the application on advice following the use of a pre application service. Submitted in Jan 2017, the APVMA accepts the application and initial fee of \$15K and advises of a December 2017 finalisation date. On request, the APVMA confirms that the application is complete but advises that it cannot commence processing the application until July 2017. Due to staff shortages, the client is advised by the APVMA that approval by the legislative time frame cannot be confirmed. In order to enter the 2018 market in time, Client A is now considering entering into a commercial agreement with an existing registration holder and withdrawing the January lodged application.

Case Study 2 - Client B lodges an innovative product combination aimed at improving the control of tolerant broadleaf weeds in wheat and barley. The application is lodged in June 2015 after 3 years in preparing data for the submission at a cost of \$200K. In January 2016, the APVMA advises that a full OHS assessment is required and requests an additional \$15K in processing fees. Due in October 2016, the application is held up because assessment of the OHS Module is yet to be completed. The product is finalised 5 months overdue in March 2017. It is revealed that the draft OHS assessment that was due in June 2016 had been completed in April 2016 but not finalised until January 2017 due to staff movements. This delay changed the launch strategy for the client at an estimated loss in the order of \$750,000.

Case Study 3 - Client C lodges an application for a new product in November 2015 and is advised in December 2015 that a full toxicology assessment is required. The APVMA confirms a finalisation date of October 2016 although the product remains in evaluation and has not entered the month long finalisation stage. Status of the application remains a mystery. Client's plan to launch product delayed at significant financial cost.

Case Study 4 - Client D successfully lodges an Item 10 application in January 2016 and is advised by the APVMA that finalisation is expected in December 2016. Status of the application is still in assessment and the APVMA is unable to advise when it will be completed.

Source: Agsense and Gaven & Associates, Submission 39, pp [3-4].

Possible environmental and animal welfare impacts

3.24 There are impacts to the environment and to animal welfare which will result from the further deterioration of the APVMA's performance. Witnesses indicated that the APVMA is currently empowered to issue emergency permits to deal with emergency situations that require swift registration of a chemical for a specific purpose such as responding to a locust or mouse plague. The committee received evidence suggesting that the relocation may impact on the APVMA's capacity to respond to such requests.³⁰ Chemistry Australia submitted that the relocation will impact on the APVMA's capacity to 'respond to any potential animal health outbreak that might require the emergency approval of veterinary medicines'.³¹ Although the

30 Mr Bernard Lee, Director, Chemistry Australia, *Proof Hansard*, Canberra, 11 April 2017, p. 15.

31 Chemistry Australia, *Submission 38*, p. 2.

committee did not receive any evidence quantifying the impact of delays to emergency permits, it is likely that significant crop and animal losses could be incurred as a result of any delays to emergency approvals.

Staffing

3.25 It is clear that the decline in the APVMA's performance is largely driven by the loss of experienced staff and the difficulties in recruiting suitably qualified replacements. A number of submitters have expressed concerns about the APVMA's staffing arrangements during and after the relocation to Armidale.³² In evidence to the committee, Mr Lee noted:

Our concern is the loss of expertise. As has already been stated earlier, 90 per cent of the regulatory scientists are saying they will not move with the APVMA. No proper-functioning organisation could lose 90 per cent of its expert staff and not have a serious impact upon their ability to do the job. If Telstra lost 90 per cent of the staff that were doing crucial engineering work, I am sure it would impact Telstra's ability to deliver.³³

3.26 In its cost-benefit-analysis, Ernst and Young highlighted that 'stakeholders are concerned that delays to the approval of new chemicals will arise as a result of the loss of staff'.³⁴ As noted earlier, the delays to pesticide registration will impact not only on companies seeking to register and sell pesticides but also on the agricultural sector more broadly.

Loss of experienced staff

3.27 In a July 2015 letter to the Deputy Prime Minister, the Hon Barnaby Joyce MP, the CEO of APVMA, Ms Kareena Arthy explicitly warned against the relocation on the basis that experienced staff would be lost and not able to be replaced which would adversely impact the performance of the APVMA:

A loss of regulatory scientists of the magnitude indicated by the staff survey would have major impacts on the APVMA and its ability to deliver its legislative obligations. There would be major gaps in the expertise needed to assess the 3 500 applications for chemical registration the APVMA receives each year.³⁵

3.28 Many submitters have highlighted the fact that less than 29 employees (15 per cent) of the APVMA's current staff have expressed an interest in relocating from

32 See: CPSU, *Submission 78*; Dr Joe Smith, *Submission 67*.

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

34 Department of Agriculture and Water Resources, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 4, <http://www.agriculture.gov.au/ag-farm-food/ag-vet-chemicals/apvma-cost-benefit-analysis> (accessed 23 February 2017).

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

Canberra to Armidale.³⁶ Furthermore, of these 29 employees, 24 have indicated that 'they *may* be willing to move' and that only 5 'are willing to move'.³⁷

3.29 In previous evidence to the Senate Rural and Regional Affairs and Transport Committee (RRAT), Ms Kareena Arthy noted that one-fifth of the APVMA's regulatory scientists (20 out of 100 staff) had left the APVMA in the last 12 months. APVMA has noted previously that the average length of service for all ongoing APVMA staff is 6.5 years.³⁸

3.30 The CPSU has stated that since the relocation plans came to light, over half (96 out of 172 employees) of the APVMA's staff have left the organisation causing a 'significant loss of corporate knowledge and the inability to meet key timeframes'.³⁹ Animal Medicines Australia observed in the 'last eight months since the election, nearly 25 per cent of APVMA staff have departed the agency', some with more than 20 years' experience.⁴⁰

3.31 The loss of staff compounds an already heavy workload on the staff that remain. The pressure to perform under these circumstances often exerts a personal toll on each of these workers. Mr Ron Marks observed:

I expect that the current high level of staff stress and distress will not ease and I expect their passion to continue being eroded by this as the job gets harder and harder to do adequately. Consequently, it is my opinion that staff losses are very likely to continue at the high rate that is currently occurring, as staff decide their only solution to this stressful and distressing situation is to leave.⁴¹

Difficult to replace

3.32 Not only are staff leaving amid the uncertainty but it is difficult to replace them. In February 2017, Ms Arthy explained to RRAT why it is so difficult to replace such highly specialised staff:

The area where we are finding our gaps at the moment is in our regulatory science area, and that is because people leave. We do not deal with just one species. We deal with multiple crops. We are not like the TGA, where we just deal with humans. We deal with multiple crops and multiple animals. We have people who are experts in particular areas and, if they leave, we

36 See: VMDA, *Submission 198*, p. 2; Tabled document 1, Letter from Ms Kareena Arthy, CEO APVMA, to the Hon Barnaby Joyce MP, 31 July 2015, received 12 April 2017, Canberra.

37 Department of Agriculture and Water Resources, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 26, <http://www.agriculture.gov.au/ag-farm-food/ag-vet-chemicals/apvma-cost-benefit-analysis> (accessed 23 February 2017). Emphasis added.

38 Answer to question on notice 70, Senate Rural and Regional Affairs and Transport Committee Supplementary Estimates 2016–17.

39 CPSU, *Submission 78*, p. 9.

40 Animal Medicines Australia, *Submission 34*, p. 6.

41 Mr Ron Marks, CPSU Delegate, APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 58.

have a gap. We do not have the sort of luxury of having the depth and backup.⁴²

3.33 Ms Arthy also explained that it was 'proving challenging' finding new recruits who were prepared to move to Armidale.⁴³ In a letter to the Minister, Ms Arthy noted that once regulatory scientists leave the APVMA they are not easily replaced:

Most regulatory scientists exist in government or in the chemical industry itself. It is not as matter of directly recruiting university students or academics as they are not suitably skilled to do the type of analysis the APVMA undertakes. It takes between two and five years to train a regulatory scientist, on top of their university qualifications, depending on the discipline.⁴⁴

3.34 In its submission, the Community and Public Sector Union (CPSU) observed:

CPSU members have also raised concerns that APVMA may be approaching a critical point where the number of remaining experienced staff is insufficient to maintain current work levels (i.e. time frame performance), and train the new staff coming on board (particularly in the science ranks). This extra stress, above the already high stress levels, may cause a significant number (especially scientists) to leave sooner than later.⁴⁵

3.35 In the event that new staff are recruited, there is a lag period as new recruits are trained and are brought up to full working capacity. Mr Cossey highlighted some of the difficulties in recruiting new inexperienced scientists and the impact this has on the timeliness of the application process:

Our member companies know that, if you get a new regulatory scientist who has just joined the APVMA on your case, you are going to have an application that takes significantly longer than if you get one that has five years experience. Like all things, experience adds high value to it. But, longer term, a connection with an educational institution specifically training to the needs of a regulator will certainly provide some benefit.⁴⁶

Impediments to staff relocating to Armidale

3.36 As noted, the overwhelming majority of current APVMA staff are reluctant to move to Armidale with the agency. There are good reasons for this reluctance. The staff survey conducted by the APVMA found that the predominant factors related to an employee's personal circumstances including:

42 Senate Rural and Regional Affairs and Transport, *Proof Estimates*, 28 February 2017, p. 45.

43 Senate Rural and Regional Affairs and Transport, *Proof Estimates*, 28 February 2017, p. 45.

44 Tabled document 1, Letter from Ms Kareena Arthy (APVMA CEO) to The Hon. Barnaby Joyce MP, 31 July 2015, p. 3.

45 CPSU, *Submission 78*, p. 10.

46 Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 6.

- difficulty for an employee's partner to find work (75 per cent of employees who were against move);
- limited opportunities for future employment progression (72 per cent);
- strong ties to the Canberra region (58 per cent);
- extended family responsibilities or family support in the Canberra region (50 per cent); and
- children settled in school in Canberra (44 per cent).⁴⁷

3.37 These concerns are not isolated to the APVMA. The Rural Industries Research and Development Corporation (RIRDC), another government agency subject to relocation from Canberra, experienced similar impediments to relocation within its staff.⁴⁸

3.38 It was pointed out to the committee that the decision making process of government in relation to the relocation is not consistent with the decision making processes that the staff apply in their regulatory roles.

[APVMA staff] are required to make evidence-based decisions, and one of the reactions to members in this agency comes from the lack of evidence, so it is a particularly blunt instrument. There is a lack of evidence in terms of, 'Does this particular relocation make sense?' That is what would appear to be the evidence that they see, and these are people required to make decisions based on evidence. So it is really difficult coming from that space, as you expect your public servants to do.⁴⁹

3.39 The proposed centre of excellence in agriculture to be established in Armidale was discussed earlier in this report. The VMDA made the point that the centre of excellence in Armidale should not come at the expense of the 'centre of opportunity' that already exists here in Canberra for many highly qualified and dedicated APVMA staff, their families and extended networks.⁵⁰

3.40 No staff member within the APVMA is immune from the challenges of being asked to relocate from Canberra. Notably, the APVMA CEO Ms Kareena Arthy has resigned to accept a comparable position in Canberra.⁵¹

Importance of the location of the regulator

3.41 The Australian Veterinary Association (AVA) noted the importance of having the regulator located in Canberra:

47 Tabled document 1, Letter from Ms Kareena Arthy (CEO APVMA) to The Hon Barnaby Joyce MP, p. [16]. See also: Lachlan Shire Council, *Submission 4*.

48 RIRDC, *Submission 157*, p. 6.

49 Mr Rupert Evans, Deputy National President, Community and Public Sector Union, *Proof Hansard*, Canberra, 11 April 2017, pp 65–66.

50 VMDA, *Submission 198*, p. 2.

51 APVMA, *APVMA CEO Resigns*, Media Release, 21 April 2017, <https://apvma.gov.au/node/26811> (accessed 24 April 2017).

The AVA appreciates the direct access to APVMA that is currently possible as a result of the organisation's location in Canberra, where the AVA's veterinary policy activities are based. We value the level of interaction between the two organisations and the ability to consult directly with the APVMA's management and expert scientists as required.

It would seem similarly advantageous that the APVMA is located near its other key stakeholders, who are the livestock industry peak bodies, and the representatives of the product registrants such as Animal Medicines Australia, all largely based in Canberra.⁵²

3.42 The CPSU has also noted that 'the ability to meet and have easy access to all [of APVMA] stakeholders is important' for it to conduct its work.⁵³ In an answer to a question on notice, APVMA held '109 face-to-face meetings with external stakeholders per month in Canberra'. Some of these meetings were held with regulatory partners such as the Therapeutic Goods Administration (TGA), the National Industrial Chemicals Notification and Assessment Scheme (NICNAS), and Food Standards Australia and New Zealand (FSANZ). Many of these organisations are based in Canberra.⁵⁴

3.43 The VMDA pointed out that, whilst moving the regulator to regional Australia may place it closer to the end-users of pesticides and veterinary medicines, the APVMA has very few dealings with end-users. The 'primary areas of consultation are with peak bodies representing industry, government and others on a national level', most of whom are based in Canberra.⁵⁵

3.44 The committee also heard about the added impost and cost for chemical applicants having to travel to Armidale instead of Canberra. Mr Trevor Ranford, a representative of companies who regularly make applications to the APVMA submitted:

As an individual, representing horticultural industry organisations, I have had and continue to have a need to meet with APVMA representatives to discuss specific issues through face-to-face meetings.

While travelling to Canberra, from Adelaide, is costly enough having to travel to Armidale is going to be even more costly. I have a meeting planned with APVMA on the 15th March. To go to Armidale would have cost me at least an additional \$150 in airfare costs and the loss of a complete day for maybe a 1 to 2 hour meeting. All of these costs would be passed onto the industry and ultimately a cost to the growers.⁵⁶

52 Australian Veterinary Association Limited, *Submission 149*, p. 2.

53 CPSU, *Submission 78*, p. 11.

54 Answer to question on notice 71, Senate Rural and Regional Affairs and Transport Committee Supplementary Estimates 2016–17.

55 VMDA, *Submission 198*, p. 2. See also: Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 2.

56 Mr Trevor Ranford, *Submission 127*, p. 2.

3.45 In their submission, Agsense and Gaven & Associates agreed, highlighting their current interactions with the APVMA and how those will adversely change when the APVMA relocates to Armidale:

Both authors of this submission travel interstate to attend all seminars held by the APVMA. In the last three years, venues have been in Sydney, Melbourne, Canberra and Perth. Moving the APVMA to a regional centre is a problem for interstate clients already burdened by the time and cost of such travel. Less interaction between clients and the APVMA will rein in the progress made through regular face to face contact.⁵⁷

Funding for the relocation

3.46 Some witnesses expressed concern that the government had allocated insufficient funding for the move and that additional costs and the cost of product registration delays may be borne by industry. Mr Matthew Cossey of Croplife explained:

An associated issue of concern relates to the cost and funding of relocation. The Ernst & Young report highlights a transitional funding cost of \$34.7 million to relocate the APVMA to Armidale over the first four years. However, the government is only providing \$25.6 million. We have serious concerns regarding this funding shortfall. The relocation of the APVMA should not come at the cost of the Australian plant science industry or the national farming sector. In addition, any cost caused by the inevitable delays to product registrations should be a matter that is given consideration by the government and should not be borne by product registrants.⁵⁸

3.47 Mr Cossey emphasised the importance of this issue:

Our concern is that the entire risk of those efficiencies being delivered is being borne by the regulator. We think the whole amount should be provided to the regulator and when those efficiencies are delivered it is then paid back to the Commonwealth as opposed to that risk being borne directly by the regulator. This is a very specialised regulator. There is no other like it, in that its entire operating budget is provided through industry fees and levies. Costs that are borne by the regulator are then borne by our members and other registrants, which are then obviously passed on at the farm gate. That is only with regard to relocation. We think it is very important that those costs are met.⁵⁹

3.48 As an agency run largely on a cost-recovery basis, other submitters and witnesses also expressed fears that registration and application fees may increase to cover any shortfall in funding related to the move. The VMDA noted:

57 Agsense and Gaven & Associates, *Submission 39*, p. [4].

58 Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 1.

59 Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 2.

There is no doubt that there will be additional, unforeseen and ongoing costs associated with the move would be borne by industry, with a consequent flow-on effect to farmers and other consumers.⁶⁰

3.49 Mr Stephen Pettenon, an applicant, argued that the trend over recent years has been for the APVMA to increase registration and application fees:

...the registrants, who pay in excess of \$30 million annually through registration and application fees. These fees have increased in recent years, and this burden has been borne solely by the registrants.⁶¹

3.50 Furthermore, Mr Pettenon and others expressed their opposition to any registration fees being applied to the relocation:

We do not want to see these funds allocated to the relocation of the APVMA.⁶²

3.51 The Deputy Prime Minister has not clarified how the entire cost will be met. In a letter to the APVMA CEO, he acknowledged that the relocation cost would need to be absorbed by the agriculture portfolio, but did not specify how:

As the APVMA is a cost-recovered agency, I will need to find offsets from within my portfolio to fund the move.⁶³

Office space

3.52 A more practical consideration for the APVMA is where it will be based in Armidale, both during the transition and permanently. The Department of Agriculture and Water Resources (DAWR) has indicated that the construction of a new purpose built office will be required, co-located at the UNE campus in Armidale. DAWR confirmed that arrangements for the new building were in the development phase, with DAWR still undecided about commissioning construction itself or entering into a pre-commitment lease arrangement.⁶⁴ As noted in Chapter 2, construction of a new building was the more expensive option identified in the cost-benefit analysis with the construction of the new office block modelled to cost \$11.65 million.⁶⁵

3.53 A corporate property services company has been contracted to locate suitable transition premises.⁶⁶ The next challenge for the APVMA rests with securing the construction of their permanent accommodation in Armidale, which the APVMA

60 VMDA, *Submission 198*, p. 2.

61 Mr Stephen Pettenon, *Proof Hansard*, Canberra, 11 April 2017, p. 14.

62 Mr Stephen Pettenon, *Proof Hansard*, Canberra, 11 April 2017, p. 14. See also: Croplife, *Submission 115*, p. 8.

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

64 DAWR, *Submission 125*, p. 11.

65 Ernst and Young, *Cost benefit and risk analysis of the potential relocation of the APVMA*, 1 August 2016, p. 3. See also: DAWR, *Submission 125*, p. 11.

66 Answers to questions taken on notice at 11 April hearing from APVMA, received 5 May 2017, p. [4].

expects to be completed and able to be occupied by mid-2019, a little over two years away.⁶⁷

3.54 Although remote working and the digital strategy will be discussed in more detail later in the chapter, it is appropriate to briefly mention the remote working arrangements in respect to office arrangements. The APVMA's intent is to provide interim remote working arrangements for current staff who do not wish to relocate to Armidale. These staff will work from home rather than from an office co-located with other employees. This goes against Ms Arthy's own view on how workplaces should be structured:

..it is always better when you have an organisation that is co-located and can be able to have that more structured presence and where we can really get the culture and the team building working.⁶⁸

3.55 The NSW Farmers Association also expressed its concern at the inefficiencies of the proposed digital strategy that seek to make staff work from home rather than in a co-located space. The NSW Farmers Association suggested that a co-located space in Canberra should be pursued as this would create a more productive workplace at no additional cost to the Commonwealth:

Finally, the Association is concerned that the proposed remote working model, where more than half of the APVMA's regulatory scientists will remain Canberra-based, is an inefficient use of taxpayers' resources...

Noting the Commonwealth's significant over-supply of rented property in the Canberra market place, we believe a suitable workspace could easily be found within this surplus property leasehold which would enable these staff to work together. Given the Commonwealth is already meeting the expense of the rent until the end of the property's relevant lease period, this would not result in any additional expense to the Commonwealth taxpayer. This should be pursued in the best interests of improving the efficiency of the APVMA and enabling flow-on benefits for Australian agriculture.⁶⁹

Mitigating the damage

3.56 As a response to the significant relocation risks identified in the Ernst and Young report, two key mitigation strategies have been proposed. The first element is the establishment and implementation of a relocation strategy. The APVMA Relocation Advisory Committee (ARAC) comprised of industry stakeholders provides advice to the APVMA on the development and implementation of the strategy. The second component is the formation and application of a digital strategy.

67 DAWR, *Submission 125*, p. 11.

68 NSW Farmers Association, *Submission 182*, p. 6. See also: Ms Kareena Arthy, CEO APVMA, Senate Rural and Regional Affairs and Transport Committee, *Committee Hansard*, 28 February 2017, p. 66.

69 NSW Farmers Association, *Submission 182*, pp 6–7.

Relocation Strategy and the Relocation Advisory Committee

3.57 As part of its planning for the relocation to Armidale, the APVMA has 'prepared a high level relocation strategy'.⁷⁰ This strategy was released in November 2016, and it:

...outlines the broad activities needed to efficiently transfer APVMA functions from Canberra to Armidale. This relocation strategy is focussed on what needs to happen to move the APVMA, while minimising potential issues during the transition, and to maximise capacity when it operates from Armidale. It is necessarily high-level and the detailed transition planning to follow will ensure that all risks to the APVMA's operations are identified and mitigation measures implemented.⁷¹

3.58 In addition, the APVMA has established the APVMA Relocation Advisory Committee (ARAC). The purpose of ARAC is 'to provide strategic advice on major aspects of the relocation and the transition of the APVMA from Canberra to Armidale'.⁷²

3.59 At the Canberra hearing, Mr Cossey emphasised the constructive manner in which the APVMA has used these processes to engage with stakeholders on the move:

I would have to commend the APVMA on their very open and constructive consultations, on the way they are engaging with all stakeholders. They are being extraordinarily open in the challenges and issues that they are dealing with and the detailed ways in which they are seeking to address the relocation.⁷³

3.60 Despite these positive comments, some concerns were raised about where these processes were up to. For instance, members of ARAC could not identify a consolidated risk register or risk management document. One of the reasons that a risk register has not been finalised is that risks are still being identified:

...in terms of separate documentation of a risk register, that has never actually been presented. Certainly, there have been some surprises. I think the biggest surprise to the whole of the APVMA, particularly in terms of human resources, has been the impact of partners being in other parts of the Public Service and the impact on people actually wanting to move and things like that. So it is quite significant that they are uncovering a number

70 Department of Agriculture and Water Resources, *Submission 125*, p. [48].

71 APVMA, *APVMA Relocation*, 16 February 2017, <http://apvma.gov.au/node/20996> (accessed 23 February 2017). See also: APVMA, *Submission 35.2*.

72 APVMA, *APVMA Relocation*, 16 February 2017, <http://apvma.gov.au/node/20996> (accessed 23 February 2017). See also: APVMA, *Submission 35.3*. See also: APVMA, *APVMA Relocation Advisory Committee terms of reference*, 16 February 2017, <http://apvma.gov.au/node/26466> (accessed 27 March 2017).

73 Mr Matthew Cossey, CEO, Croplife, *Proof Hansard*, Canberra, 11 April 2017, p. 3.

of risks which were not originally identified and which I do not think anyone would have actually gone looking for.⁷⁴

3.61 The APVMA also highlighted that the relocation strategy is being rolled out at the same time as a broader long-term 'change agenda'.⁷⁵ Ms Arthy noted:

We have been undergoing change for a few years now—looking at how we can improve our efficiency, implement lower regulatory pathways to registration and improve our customer service. We began to see the results of this work in the middle of 2016, and we were very pleased to see our time frame performance get over 80 per cent in the September quarter.⁷⁶

Digital Strategy

3.62 As part of the relocation process, the government will provide '\$288 000 to support developing a fully-costed digital strategy to underpin the APVMA's new business model for operating from Armidale'.⁷⁷ The department has stated that this approach will 'bolster its relocation' and provide a further 'risk mitigation measure'.⁷⁸

3.63 In correspondence to the Minister, Ms Arthy stressed the practical role that the digital strategy would play for APVMA and its relocation:

I propose to change the business model of the APVMA and enable regulatory scientists to work remotely.

While my strong preference is to have regulatory scientists based in Armidale—and incentives will be provided to staff to encourage them to relocate—having the option to work remotely will enable me to retain current expertise and open up options for recruitment from elsewhere in Australia.⁷⁹

3.64 Notwithstanding this, the CEO warned that this approach would not enable the APVMA to maintain its current workforce numbers and capability:

Please note that I don't expect this approach to fully offset the risks posed in relation to access to scientific expertise as I anticipate a number of staff will retire or choose not to work remotely, meaning there will likely be a smaller pool of scientists interested in obtaining employment with the APVMA, both in the lead up to relocation and once in Armidale.⁸⁰

3.65 The APVMA has been clear that it does not intend to operate an office in Canberra for remote workers. Mr Marks, CPSU delegate at the APVMA provided his

74 Mr Ian Saunders, President & Mr Jim Adams, Executive Director, Veterinary Manufacturers and Distributors Association, *Proof Hansard*, Canberra, 11 April 2017, p. 24.

75 Ms Kareena Arthy, CEO, APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 37.

76 Ms Kareena Arthy, CEO, APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 37.

77 Department of Agriculture and Water Resources, *Submission 125*, p. [46].

78 Department of Agriculture and Water Resources, *Submission 125*, p. 6.

79 Department of Agriculture and Water Resources, *Submission 125*, p. [49].

80 Department of Agriculture and Water Resources, *Submission 125*, p. [50].

assessment of the remote working policy, especially if remote workers are compelled to work from home isolated from their colleagues:

That is one of the main concerns that the staff have, and that is why they are very keen to get the remote working policy draft and to be consulted on it, because that is exactly what staff said: 'How will we have collaboration within our immediate work group? How will we have collaboration between the work groups?' IT management could be a bit of a nightmare because you could have people in Bungendore, Yass and Canberra. These concerns may not be insurmountable, but nobody has put together a package indicating how it might work.⁸¹

3.66 In evidence to the 2016–17 Additional Estimates hearing of the RRAT, Ms Arthy noted that the funding envelope of \$288 000 would not cover the implementation of the digital strategy. Ms Arthy was not able to provide an indicative figure for the implementation, but noted that 'the remote working relies on our IT systems being completely rebuilt'.⁸² Again, at the committee's Canberra hearing, Ms Arthy was not able to provide a costed figure on the digital strategy beyond an acknowledgement that it would be a 'multimillion' dollar figure.⁸³

3.67 Under further questioning, Ms Arthy and the department told the committee that not only was the strategy un-costed, but that when the figure is finally announced, it would be considered outside the 'standard budget processes'.⁸⁴

3.68 The committee was also informed that the digital strategy would be developed and costed, agreed to by government and then put out for consultation with the ARAC.⁸⁵

Additional mitigation measures

3.69 Some submitters have flagged additional measures which may be used to mitigate the APVMA relocation if it goes ahead.⁸⁶

3.70 Although opposed to the move, the NSW Farmers Association made a number of constructive suggestions to mitigate the disruption that will be caused by the relocation. The NSW Farmers Association told the committee that the relocation should occur in a 'staged manner':

This could begin with the transfer of some limited functions now, with a staged transfer of responsibilities to Armidale over time. This will ensure the retention of knowledge within the organisation along with the opportunity to refresh with new staff in a new setting...

81 Mr Ron Marks, CPSU Delegate, APVMA, *Proof Hansard*, Canberra, 11 April 2017, p. 60.

82 Senate Rural and Regional Affairs and Transport, *Proof Estimates*, 28 February 2017, p. 49.

83 Ms Kareena Arthy, APVMA CEO, *Proof Hansard*, Canberra, 11 April 2017, p. 50.

84 Ms Kareena Arthy, APVMA CEO, *Proof Hansard*, Canberra, 11 April 2017, p. 49.

85 Mr Benjamin Stapley, Executive Director, Animal Medicines Australia, *Proof Hansard*, Canberra, 11 April 2017, pp 23–24.

86 See, for example: Croplife, *Submission 115*; VMDA, *Submission 198*.

The Association would support the relocation on the basis that it was voluntary and staged, enabling those scientists willing to move to Armidale now to do so, while preferring new scientists to be based in Armidale as vacancies arise.⁸⁷

3.71 As noted earlier, the NSW Farmers Association also recommended that a co-located space be retained or established for remote workers who would remain in Canberra. The committee notes that such an approach would preserve elements of the APVMA workforce who do not wish to relocate but would otherwise remain working at the APVMA. Those who leave the APVMA as a result of natural attrition could then be replaced with new staff in Armidale.

87 NSW Farmers Association, *Submission 182*, p. 6.