

Chapter 4

Conclusions and recommendations

4.1 The committee considers this government policy order is deficient in a number of key areas. This order is opposed by stakeholders, the agricultural sector, and the regulator itself on the basis that it is 'all cost and no benefit'.¹ Tellingly, the government's own cost-benefit analysis reached the same conclusion, finding no strategic or other benefits to the move. This analysis also found that the benefit to Armidale from the move would be less than the economic loss to Canberra from losing the agency.

4.2 To date, a significant amount of damage has been done to the APVMA throughout this process. Many highly specialised and dedicated regulatory scientists who otherwise may have stayed with the regulator have already left—likely permanent losses to the regulator. This is a sector already characterised by a shortage of regulatory scientists. In some ways, the consequences of these losses are irreversible; however, to continue with the relocation will only lead to further damage. On that basis, the committee is of the view that the order should be revoked.

Recommendation 1

4.3 The committee recommends that the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016 be revoked.

4.4 The risks associated with the relocation of the APVMA to Armidale are well-known and not in dispute. The loss of experienced staff and the inability to recruit similarly qualified and experienced personnel at the new location is the most pronounced risk. Over 90 per cent of current employees have indicated they are not able to relocate themselves and their families to Armidale—over 700 kilometres away. Putting aside concerns about disruption caused before, during and after the move, the loss of staff is central to fears that the APVMA's performance will continue to decline. The committee received evidence suggesting that it may take from five to seven years to train new recruits. Put simply, it is the committee view that the APVMA is not going to be able to function effectively for a considerable period as a result of this move.

4.5 As a direct result of this staffing risk, the committee has considerable concerns about the ability of the APVMA to perform its statutory functions in the lead up to, and after the relocation of the regulator to Armidale. There is already evidence that the relocation is adversely impacting on the agencies stakeholders and end-users, including the farming sector. The failure of the relocated APVMA to undertake timely assessments will have an extensive financial impact on pesticide companies and Australian farmers. There will be a substantial opportunity cost as a result of the Australian farm and food sector not being able to take advantage of the soft

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

commodity boom. The pesticide industry told the committee that investment from these companies in Australia has decreased due to fears of uncertain approval processes as a result of the relocation.

4.6 Undertaking either a major business model review, or a move to a regional centre, would be a major operational undertaking for any organisation. Undertaking both at the same time under a new interim CEO, whilst experiencing ongoing staffing losses, is a difficult ask.

4.7 The committee notes that there is ongoing confusion regarding the move. The APVMA's review of its business model has consequences for numerous aspects of the logistics of the move, such as the design of the digital strategy.

4.8 The committee considers that it would be preferable if the order was revoked and the move cancelled. At a minimum, however, the move should be paused until the APVMA's review of its business model can be completed.

Recommendation 2

4.9 The committee recommends that the move of the APVMA be paused until the APVMA concludes its review of its business model.

Establishment of the regulatory science course

4.10 The committee supports one aspect of this move and that is the establishment of a regulatory science course at UNE. There is a recognised shortage of regulatory scientists, not just at the APVMA, but at other regulators including the TGA and FSANZ. A new course—not currently available in Australia—which trains scientists in risk management and statutory interpretation is welcomed by industry. However, as noted by several submitters and witnesses to the inquiry, the establishment of this course should be mutually exclusive from the relocation.

Recommendation 3

4.11 The committee recommends that the establishment of the regulatory science course at the University of New England is actively encouraged and supported by the Commonwealth. The establishment of this course should not be contingent on the relocation of the APVMA.

Consultation and policy development leading to the making of the order

4.12 Consultation in relation to this move has been virtually non-existent. Staff and stakeholders found out about the move through a ministerial media release. The consultation with the APVMA prior to the decision to relocate being taken was also inadequate. The APVMA strongly recommended against the move, but in the event it was relocated outlined its reasons for choosing Toowoomba over Armidale. This advice appears to have been ignored on both accounts, with the Minister announcing that the APVMA would not only move, but that it would move to Armidale. The states and territories, who by agreement formed the APVMA in 1993, also appear not to have been involved in any consultation. It is clear that the pesticide industry, the agricultural sector, the states and territories, DAWR and the APVMA played no role in the development of this policy.

4.13 It appears that no other location was ever under serious consideration by the government. The committee received no evidence that other regions were consulted or provided with the opportunity to compete for the APVMA. Toowoomba, raised as an option in the Deputy Prime Minister's letter to the CEO of the APVMA, and preferred by the CEO in her reply, appears to have been dismissed very early. At the Canberra hearing, both the Department of Agriculture and Water Resources and the APVMA admitted that the Deputy Prime Minister did not request nor did they provide any information or analysis about the unsuitability of Toowoomba or the benefits that Armidale held over Toowoomba.²

4.14 The lack of clarity regarding the decision-making process and the absence of a transparent selection process leads the committee to conclude that there is only one obvious driver for the decision, and that is political self-interest.

Role of the Finance Minister

4.15 The committee is concerned that the Finance Minister does not appear to have scrutinised the Deputy Prime Minister's proposed order to ensure that it represents value for money for the taxpayer, nor whether the order would detrimentally affect the performance of the affected agency. In adopting this approach, it appears that the Finance Minister did not question why a government commissioned cost-benefit analysis was completely ignored. This narrow interpretation of the Finance Minister's role seems inadequate in the face of evidence of the significance and potential impact of this decision.

4.16 The committee notes the Finance Minister's observation that a 'more structured process for assessment' would be utilised in the future. It is the committee's view that the government's acknowledgement of the need for a more structured process moving forward indicates that the process used for the relocation of the APVMA was inadequate.

Risks to compliance with the APVMA's governance and statutory obligations

4.17 Questions remain as to how the APVMA will meet its statutory timeframes for applications, and how it will meet its duty of governance as required by section 15 of the PGPA Act. It is not clear to the committee how the APVMA will be able to meet either of these requirements if the relocation proceeds.

Recommendation 4

4.18 The committee recommends that the Finance Minister apply greater scrutiny to future requests or orders to be made under the Public Governance, Performance and Accountability Act 2013 with a specific focus on consideration being given to the following:

- **the financial and governance implications on an agency from an order under the Public Governance, Performance and Accountability Act 2013; and**

2 Ms Kareena Arthy, APVMA CEO & Mr David Williamson, Deputy Secretary, Department of Agriculture and Water Resources, *Proof Hansard*, Canberra, 11 April 2017, p. 38.

- **a cost-benefit analysis. In the event that a cost-benefit analysis does not identify a net benefit from the proposed order, the Finance Minister should require the relevant minister to explain the grounds on which the order should be made.**

Decentralisation policy

4.19 As noted earlier, this inquiry has received a large volume of submissions regarding broader decentralisation policy. There is a clear groundswell of interest in rural and regional Australia for a broad parliamentary inquiry into decentralisation.

4.20 This committee was not in a position to satisfy that interest through this inquiry. It is best if an inquiry into decentralisation is undertaken by a committee with broadly drafted terms of reference that empower that committee to speak to a range of policy experts and stakeholders. The committee considers such an inquiry ought to be undertaken by a committee comprised of members of both Houses of Parliament.

Recommendation 5

4.21 The committee recommends that a broad inquiry led by representatives from both Houses of Parliament be undertaken into the merits of decentralisation, and the appropriate policy mechanisms for undertaking it.

Senator Jenny McAllister

Chair