

10 March 2017

Senate Standing Committees on Finance and Public Administration

Via email: fpa.sen@aph.gov.au

**Submission into the operation, effectiveness, and consequences of
the Public Governance, Performance and Accountability (Location of
Corporate Commonwealth Entities) Order 2016**

GrainGrowers welcomes the opportunity to provide a submission to this inquiry.

GrainGrowers is an independent and technically resourced, grain farmer representative organisation with 17,500 members across Australia.

GrainGrowers' goal is to foster a more efficient, sustainable and profitable grain production sector that benefits all Australia grain growers and the wider grains industry.

As a general principle, GrainGrowers supports decentralisation and the relocation of agricultural policy and regulatory entities (or some of their key activities) to regional areas, with the clear proviso that an entity's performance, post relocation, is maintained and preferably enhanced.

Further, GrainGrowers considers these same principles should be applied across all Commonwealth agencies, and not just limited to agricultural-related entities, in order to grow regional economies and create sustainable jobs in regional locations. A closer alignment of agencies with regional Australia is likely to lead to better regulatory outcomes (in the case of environment, transport and workplace relations) and improved service delivery (in the case of telecommunications, health and education).

GrainGrowers expects all relocations to be assessed on an individual basis, supported by a robust business case and underpinned by a clear, and fully costed, relocation strategy. GrainGrowers does not support decentralisation of agencies where an adequate case for change cannot be articulated.

In many instances, GrainGrowers would expect the activities and efficiency of an organisation to be improved in regional centres because of:

- closer proximity to key stakeholders which facilitates a better understanding of the issues and needs of agricultural industries, and allows more direct interaction between agency and clients, and
- synergies created with other related businesses in the regional centre, with the ability to build critical mass, expertise, capacity and/or infrastructure.

Such relocations also provide strong employment and professional opportunities in regional areas and underpin the viability and sustainability of regional communities.

While it is not for GrainGrowers to identify corporate Commonwealth entities that could be affected, any relocation should:

- a. be done in consultation with industry and stakeholders
- b. ensure the continuity of service delivery in the short term and be designed to deliver longer term enhanced service capabilities
- c. clearly identify strategic and operational risks and ensure these are addressed through a comprehensive mitigation strategy
- d. positively contribute to existing regional hubs which service the agricultural sector.

Pertinent to this inquiry, grain farmers are directly impacted by the recent relocation decision in relation to the APVMA and the steps taken by the Grains Research and Development Corporation (GRDC) to increase regional presence. GrainGrowers has assessed these relocations in terms of ensuring an efficient regime exists for the registration and regulation of agricultural chemicals and to maximize the effectiveness of grains research, development and extension delivered to growers.

GRDC

As a grains Representative Organisation, GrainGrowers strongly supports the partial relocation of some GRDC activities and the creation of a hub and spoke model.

GRDC has transitioned from a single Canberra office, to additional offices across the regions and now has a staffing presence in Toowoomba, Dubbo, Adelaide, and Perth. Under this model, the regional offices allow GRDC to better engage with stakeholders including both farmers and the research community. This fosters enhanced collaboration and relationships with grain researchers based across Australia and also provides direct access for levy payers with GRDC to better understand the research, development and extension work under way.

Given the consultative process undertaken through this process and the fact that GRDC itself was able to develop a relocation proposal, GrainGrowers anticipates no adverse economic, environmental and capability implications from the policy with respect to GRDC. GrainGrowers commends GRDC on their current hub and spoke model and encourages them to continue to consider their regional footprint and opportunities to engage more with grain levy payers, while delivering broader strategic imperatives.

APVMA

GrainGrowers is concerned about the decision to relocate the APVMA to Armidale and its direct impact on the authority's ability to perform its key functions in both the short and longer term.

It is essential that grain farmers have timely access to a range of approved chemicals throughout the production cycle so as to manage agronomic, pest, disease and/or environmental issues as they arise. Any delay in processing applications will have major operational and financial consequences for farmers and the broader agricultural sector, and

can impair a farmer's, and an industry's, ability to respond appropriately to biosecurity risks. GrainGrowers expressed this view during the consultation phase of the 'Cost benefit and risk analysis report'¹ prepared by Ernst & Young in 2016 and repeats it here.

Farmers as end users ultimately fund the APVMA's operations and it is important to consider the impact of change to the organization on their farm businesses. However, it is also important to consider that the regular interaction of the APVMA is generally with the product registrants, rather than farmers.

A key premise for the relocation was the establishment of a Centre of Excellence. While such a concept has merit, there are few details as to how this would be achieved nor the specific contribution the APVMA would make to it. There is nothing, for example, in the APVMA's relocation strategy to ensure the APVMA's actions and investments would underpin this development. It is therefore difficult to assess any likely industry benefits. More information on the nature and activities of the Centre of Excellence should be provided.

The relocation also raises significant questions about retaining and/or attracting skilled staff. This issue affects the capabilities of the current APVMA assessment processes to manage agricultural and veterinary product applications efficiently and to meet the demands of a workforce located both in Armidale and remotely (from home offices). All of these issues have the potential for a direct negative impact on the efficiency of processing applications.

The APVMA's performance has been a concern for some time. A 2016 analysis² showed that based on data from July 2011 to June 2014, only 33% of the 7941 applications considered were finalised on time (elapsed time basis), with an average elapsed time from lodgment to finalisation of 7.8 months. While this improved to 69% and 4.6 months for the period July 2014 and 31 March 2016, there is clearly a need for improvement.

According to the APVMA's own statistics (see table below), only 68% of applications on average were processed on time in 2015/16, and this increased slightly to 74% for the December 2016 quarter. This current performance level seems suboptimal for such an important regulatory function. It will no doubt decline further as key staff leave the organisation, with an immediate loss of in-house capability and difficulties in attracting quality replacements, particularly in Armidale. The APVMA's own relocation strategy clearly identifies the loss of skilled staff, and regulatory scientists in particular, as a major risk that will directly affect its operations. With 20 of the 100³ regulatory scientists having now left the organisation, it is difficult to see how the APVMA will be able to maintain its current performance in the short-term and on-time application processing will decrease. And this at a time when the number of applications is increasing.

¹ <http://www.agriculture.gov.au/SiteCollectionDocuments/apvma-cost-benefit-analysis.pdf>

² APVMA commissioned Oakton to analyse "Application Duration Statistics"

³ Information provided by APVMA Chief Executive Kareena Arthy to Senate Estimates hearing, 28 February 2017

Applications processed—December quarter 2016

	Commenced	Finalised	Within timeframe	2015–16 in timeframe	In progress	In progress still within timeframe
Pesticides	180	156	50%	57%	524	69%
Veterinary medicines	176	164	87%	80%	326	72%
Total products	356	320	69%	66%	850	70%
Permits	132	110	83%	70%	171	67%
Actives	187	199	88%	70%	300	91%
Total	675	629	78%	68%	1321	74%

Source: APMVA website (updated 8 February 2017)

Indeed in its own relocation strategy⁴, the APVMA says

“There is a high risk of impacts on business continuity throughout the transition period from anticipated staff departures (particularly the possibility of losing highly skilled and experienced staff), the lengthy time it takes to train new starters, and the re-tasking of existing staff to support critical work underpinning the transition. The impact on the quality and timeliness of decision making will be carefully monitored. Options for alerting applicants and industry to potential delays will be identified alongside the development of criteria for prioritizing applications for assessment when capacity and capability issues arise.”

The APVMA relocation strategy recognises the importance of staff retention and the Authority has offered a range of incentives for key staff to stay and preferably relocate. However, with 20% of the regulatory scientists having already left, it is now apparently proving difficult for the APVMA to recruit and retain the right calibre of staff. Given there is no fixed timeframe for relocation, and with the APVMA working towards 2019 as an end date, there will effectively be at least two years of staff instability and constant recruitment. This can only divert existing staff from core activities and further impact on service delivery for the 5000 applications the Authority handles every year. The result will be fewer new chemical products available to Australian farmers and potential commercial disincentives for businesses to bring new products to market given delays in the regulatory process. Given the variability of the production environment, it is imperative to have a pipeline of new and innovative products available to farmers to manage weed, pest and disease burdens. The APVMA is a critical part of this pipeline and therefore it is vital it operates in a timely and effective manner.

⁴ APVMA Relocation Strategy, section 3.6 Risk management and business continuity

The way forward

In conclusion, GrainGrowers strongly believes that relocation of agencies may provide benefits to agricultural industries and the broader public, but this must be considered on an individual basis and supported by a clear business case.

In the case of APVMA, GrainGrowers reiterates the importance of decreasing the timelines for product approvals and of ensuring the APVMA has the capacity and capability to deliver this for the agricultural sector and broader Australian community. Without an efficient regulatory agency, the ability of farmers to access appropriate chemicals to manage their businesses is in jeopardy and this will impact on farm productivity and trade opportunities.

Greater steps must be taken to monitor and manage the performance of the APVMA through this transition phase – regular reporting and close industry engagement are paramount.

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Kind regards



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