

The Senate

Finance and Public Administration
References Committee

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

June 2017

© Commonwealth of Australia 2017

ISBN 978-1-76010-582-2

Senate Finance and Public Administration Committee Secretariat:

Ms Lyn Beverley (Secretary)

Mr Tasman Larnach (Principal Research Officer)

Dr Joy McCann (Senior Research Officer)

Ms Margaret Cahill (Research Officer)

Ms Nicole Baxter (Administrative Officer)

The Senate

PO Box 6100

Parliament House

Canberra ACT 2600

Ph: 02 6277 3530

Fax: 02 6277 5809

E-mail: fpa.sen@aph.gov.au

Internet: www.aph.gov.au/senate_fpa

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website: <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

Printed by the Senate Printing Unit, Parliament House, Canberra.

Membership of the Committee

Members

Senator Jenny McAllister (Chair)	ALP, NSW
Senator James Paterson (Deputy Chair)	LP, VIC
Senator Kimberley Kitching	ALP, VIC
Senator Bridget McKenzie	NAT, VIC
Senator Lisa Singh	ALP, TAS
Senator Lee Rhiannon	AG, NSW

Participating Senators

Senator Katy Gallagher	ALP, ACT
Senator Janet Rice	AG, VIC

Table of Contents

Membership of the Committee	iii
Recommendations	vii
Chapter 1.....	1
Introduction	1
Referral	1
Conduct of the inquiry	2
Focus of the committee	2
Structure of the report.....	2
Acknowledgements	2
Chapter 2.....	3
The process of making the order.....	3
Introduction	3
The order.....	3
Timeline.....	7
Chapter 3.....	17
The APVMA's performance of its functions under the order.....	17
The risks associated with the move	17
Performance of functions	18
Staffing	25
Importance of the location of the regulator	28
Funding for the relocation	30
Mitigating the damage	32
Chapter 4.....	37
Conclusions and recommendations.....	37
Consultation and policy development leading to the making of the order.....	38
Role of the Finance Minister	39
Decentralisation policy.....	40
AUSTRALIAN GREENS ADDITIONAL COMMENTS	41
Appendix 1	43

Submissions and additional information received by the committee	43
Submissions	43
Answers to Questions taken on Notice.....	47
Tabled Documents	48
Form Letters	48
Additional information	48
Appendix 2	49
Public hearing	49
Appendix 3	53

List of Recommendations

Recommendation 1

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

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.

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.

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**
- 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.**

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.

Chapter 1

Introduction

Referral

1.1 On 8 February 2017, the following matter was referred to the Senate Finance and Public Administration References Committee for inquiry and report by 9 May 2017:

The operation, effectiveness, and consequences of the *Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016*, with particular reference to:

- (a) the process leading to the making of the order;
- (b) the policy of relocating corporate Commonwealth entities with agricultural policy or regulatory responsibilities, including:
 - (i) the identity of corporate Commonwealth entities that could be affected,
 - (ii) the policy's effect on the ability of affected entities to perform their functions, and
 - (iii) economic, environmental and capability implications of the policy;
- (c) the application of this policy to the Australian Pesticides and Veterinary Medicines Authority, including:
 - (i) the plan for relocation, and
 - (ii) the ability of the Australian Pesticides and Veterinary Medicines Authority to perform its functions from its new location, and any consequent risks to:
 - (A) human and animal health,
 - (B) productivity and profitability to the agriculture and fisheries sectors,
 - (C) chemical industries, and
 - (D) Australia's trading reputation; and
- (d) any other related matters.¹

1.2 On 9 May 2017, the Senate agreed to extend the reporting date until 9 June 2017.²

1 *Journals of the Senate*, No. 25—8 February 2017, p. 854.

2 *Journals of the Senate*, No. 39—9 May 2017, p. 1304.

Conduct of the inquiry

1.3 The inquiry was advertised on the committee website at www.aph.gov.au/fpa. The committee also directly contacted a number of relevant organisations and individuals to notify them of the inquiry and invite submissions by 10 March 2017. Submissions received by the committee are at Appendix 1.

1.4 The committee held a public hearing in Canberra on 11 April 2017 and Townsville on 19 May 2017. A list of witnesses who provided evidence to the committee is at Appendix 2. The Hansard transcripts may be accessed through the committee's website.

Focus of the committee

1.5 The committee wishes to stress that the focus of the committee inquiry, as per the terms of reference, has been the order and its application to the Australian Pesticides and Veterinary Medicines Authority (APVMA).

1.6 The committee notes that there have been a number of campaigns to shift the focus of this inquiry. The committee is aware of a letter that was sent to regional councils encouraging people to get involved in the inquiry that was seen by many as urging regional councils and towns to make a bid for federal agencies to move to their areas.³ The results of this can be seen in many of the submissions. A copy of this letter is at Appendix 3. A form letter campaign was also set up through the *getoutofthecity* website. The committee published a copy of this form letter on its website. Some of the form letters included short additional comments which the committee received as correspondence.

1.7 The committee did not consider it appropriate to deviate substantially from the clear terms of reference that were agreed by the Senate.

Structure of the report

1.8 This report is structured as follows:

- Chapter 2 examines the policy and consultative process leading to the order, and the order itself;
- Chapter 3 looks at the effects of the order on the performance of the APVMA; and the government's proposals to mitigate the disruption and risks inherent in the relocation; and
- Chapter 4 draws together the conclusions and recommendations of the committee.

Acknowledgements

1.9 The committee thanks all the individuals and organisations that made submissions to this inquiry and appeared at the public hearings.

3 Noel Towell, 'Bush towns to bid for Canberra departments', *Canberra Times*, 11 February 2017; Doug Dingwall, 'Regions pitch for government departments in APVMA Senate inquiry', *Canberra Times*, 14 March 2017.

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.

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.

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

AUSTRALIAN GREENS ADDITIONAL COMMENTS

1.1 The Greens agree with the majority report and support the recommendations contained within.

1.2 We are particularly concerned with both the process of identifying the location for the relocation of the APVMA and the impact of the relocation of the APVMA on the integrity of the institution and the ability of the regulator to carry out its functions.

1.3 Given both the Ernst and Young report¹ and the inadequate APVMA Relocation Strategy,² we believe that there is sufficient evidence to demonstrate that there is no net-benefit to relocating the APVMA to Armidale.

1.4 Therefore we believe that although pausing the APVMA relocation is appropriate (as recommended in the majority report), the idea should be scrapped entirely and the APVMA should remain in the ACT.

1.5 We hope that future attempts at decentralisation are considered more rigorously and holistically, and we support the recommendation for the establishment of a committee to investigate when and where decentralisation is appropriate.

Recommendation 1: That the APVMA relocation be scrapped entirely and that the APVMA remain located at its current site in the ACT

Senator Janet Rice

Greens spokesperson for Agriculture and Rural Affairs

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

2 APVMA, *APVMA in Armidale: Relocation strategy*, November 2016.

Appendix 1

Submissions and additional information received by the committee

Submissions

- 1 Department of Finance
- 2 ACT Government
- 3 Mr Adrian Twitt
- 4 Lachlan Shire Council
- 5 Narrandera Shire Council
- 6 Regional Development Australia Pilbara
- 7 Mr Quentin Schneider
- 8 Upper Spencer Gulf Common Purpose Group
- 9 Regional Development Australia Illawarra
- 10 Quilpie Shire Council
- 11 Ms Joy Corben
- 12 Cooperative Research Centres Association
- 13 Southern Downs Regional Council
- 14 Kingborough Council
- 15 Lake Eyre Basin Community Advisory Committee
- 16 Northern Rivers Regional Organisation of Councils
- 17 Shire of Toodyay
- 18 Winemakers' Federation of Australia
- 19 Mr Ivor Speirs
- 20 Australian Wool Growers LTD
- 21 Albury City Council
- 22 Shire of Narrogin
- 23 Cabonne Council
- 24 Narromine Shire Council
- 25 Mid Murray Council
- 26 Mr Paul Fisher
- 27 Rangeland NRM Alliance
- 28 Kempsey Shire Council
- 29 Rural City of Wangaratta
- 30 Strathbogie Shire
- 31 Central Goldfields Shire Council
- 32 Lockhart Shire Council
- 33 Parkes Shire Council
- 34 Animal Medicines Australia
- 35 Australian Pesticides and Veterinary Medicines Authority
- 36 Department of Infrastructure and Regional Development
- 37 Ms Gai Brodtmann MP
- 38 Chemistry Australia
- 39 Agsense and Gaven and Associates
- 40 Senator the Hon Zed Seselja

- 41 Mr Wal Collins
- 42 Gwydir Valley Irrigators Association
- 43 Goulburn Mulwaree Council
- 44 Campaspe Shire Council
- 45 City of Wagga Wagga
- 46 Regional Development Australia – Northern Inland NSW
- 47 Warrnambool City Council
- 48 Central NSW Councils (Centroc)
- 49 Armidale Regional Council
- 50 Colac Otway Shire
- 51 Narrabri Shire Council
- 52 Edward River Council
- 53 Tasmanian Farmers & Graziers Association
- 54 Mildura Rural City Council
- 55 Northern Midlands Council
- 56 Cowra Shire Council
- 57 Border Regional Organisation of Councils
- 58 Mr Graham McVean
- 59 Cotton Research & Development Corporation
- 60 Latrobe City Council
- 61 Regional Development Australia Far North
- 62 Regional Development Australia Wide Bay-Burnett
- 63 Dr Peter Main
- 64 Bega Valley Shire Council
- 65 Macquarie River Food & Fibre
- 66 Regional Development Australia Mackay-Isaac-Whitsunday
- 67 Dr Joe Smith
- 68 Manning Valley Business Chamber
- 69 Regional Development Australia – Northern Rivers
- 70 Mr Kevin Sorgiovanni
- 71 Regional Development Australia - Tasmania
- 72 Almondco
- 73 Janren Consulting Pty Ltd
- 74 Illawarra Business Chamber
- 75 Broken Hill City Council
- 76 Goondiwindi Regional Council
- 77 Ms Claire Pontin
- 78 Community and Public Sector Union
- 79 Bland Shire Council
- 80 Longreach Regional Council
- 81 City of Greater Geelong
- 82 Greater Shepparton City Council
- 83 Australian Dairy Products Federation
- 84 Bundaberg Regional Council
- 85 Townsville City Council
- 86 Central Desert Regional Council
- 87 Wellington Shire Council
- 88 City of Greater Bendigo
- 89 Port Macquarie-Hastings Council
- 90 Seafood Industry Victoria

-
- 91 Bathurst Regional Council
 - 92 Regional Universities Network
 - 93 Griffith City Council
 - 94 Regional Development Goldfields Esperance
 - 95 Eurobodalla Shire Council
 - 96 Commonwealth Fisheries Association
 - 97 Smartrivers
 - 98 Lithgow City Council
 - 99 Regional Development Australia ACT
 - 100 CWA of NSW
 - 101 Wollongong City Council
 - 102 Regional Development Australia NT
 - 103 Business SA
 - 104 Livingstone Shire Council
 - 105 Regional Development Australia - Far South Coast
 - 106 Leeton Shire Council
 - 107 Regional Development Australia Moreton Bay Inc
 - 108 Western Rock Lobster Council
 - 109 AgForce Queensland
 - 110 Mid-Western Regional Council
 - 111 Grain Growers Limited
 - 112 Cessnock City Council
 - 113 Mackay Regional Council
 - 114 Australian Grape and Wine Authority
 - 115 CropLife Australia
 - 116 Snowy Monaro Regional Council
 - 117 Lithgow District Chamber of Commerce
 - 118 National Farmers' Federation
 - 119 Hunter Business Chamber
 - 120 Regional Development Australia Sunshine Coast
 - 121 Orange City Council
 - 122 Grains Research & Development Corporation
 - 123 Shoalhaven City Council
 - 124 CCIQ
 - 125 Department of Agriculture and Water Resources
 - 126 Australian Dairy Farmers
 - 127 Trevor Ranford Pty Ltd
 - 128 Tourism Accommodation Australia
 - 129 Loddon Mallee RDA
 - 130 Committee for Greater Shepparton
 - 131 Moree Plains Shire Council
 - 132 Toowoomba Regional Council
 - 133 Logan City Council
 - 134 Pastoralists & Graziers Association of WA
 - 135 Dr Ron Edwards
 - 136 Regional Development Australia Barwon South West
 - 137 Gympie Regional Council
 - 138 Townsville Enterprise Limited
 - 139 Regional Development Australia Mid North Coast
 - 140 NSW Business Chamber

- 141 Name Withheld
- 142 Border Rivers Food & Fibre
- 143 Coleambally Irrigation Co-operative Limited
- 144 Regional Development Australia Grampians Region
- 145 RDA Orana
- 146 Meat & Livestock Australia Limited
- 147 Name Withheld
- 148 Maranoa Regional Council
- 149 Australian Veterinary Association
- 150 Dairy Australia
- 151 Mount Barker District Council
- 152 Gladstone Regional Council
- 153 Cloncurry Shire Council
- 154 Balonne Shire Council
- 155 City Of Wodonga
- 156 CQUniversity
- 157 Rural Industries Research & Development Corporation
- 158 Rockhampton Regional Council
- 159 Forbes Shire Council
- 160 Customer Owned Banking Association
- 161 Charles Sturt University
- 162 City of Ballarat
- 163 University of Newcastle
- 164 Regional Development Australia Yorke and Mid North
- 165 Australian SBT Industry Association
- 166 Mr Anthony Fox
- 167 Swan Hill Rural City Council
- 168 Regional Aviation Association of Australia
- 169 Wentworth Shire Council
- 170 Hinchinbrook Shire Council
- 171 Alice Springs Town Council
- 172 Regional Australia Institute
- 173 Dubbo Regional Council
- 174 Ricegrowers' Association of Australia
- 175 RDA Townsville and North West Queensland
- 176 City of Gold Coast
- 177 Cotton Australia
- 178 Regional Development Australia Murray
- 179 Lake Macquarie City Council
- 180 CWQRAPAD
- 181 Canberra Region Joint Organisation
- 182 NSW Farmers
- 183 Murray–Darling Basin Authority
- 184 Committee for Gippsland and Regional Development Australia Gippsland Committee
- 185 Regional Development Advisory Committee NSW
- 186 Clarence Valley Council
- 187 Regional Development Australia Central West
- 188 Wimmera Development Association
- 189 Poultry CRC
- 190 Maitland City Council

191	University of New England
192	RDA Whyalla and Eyre Peninsula and the Eyre Peninsula Local Government Association
193	Regional Capitals Australia
194	RDA Murraylands and Riverland
195	Port Stephens Council
196	Baw Baw Shire Council
197	Victorian Chamber of Commerce and Industry
198	The Veterinary Manufacturers and Distributors Association Ltd
199	Manning Valley Businessman's Association
200.	Australian Tuna Fisheries Pty Ltd
201	Confidential

Answers to Questions taken on Notice

- Answers to questions taken on notice at 11 April hearing from Gavin and Associates, received 16 April 2017
- Answers to questions taken on notice at 11 April hearing from APVMA, received 26 April 2017
- Answers to questions taken on notice at 11 April hearing from APVMA, received 5 May 2017
- Answers to questions taken on notice at 19 May hearing from Alice Springs Town Council received 19 May 2017
- Answers to questions taken on notice at 19 May hearing from Armidale Regional Council, received 25 May 2017
- Answers to questions taken on notice at 19 May hearing from Longreach Regional Council received 26 May 2017
- Answers to questions taken on notice at 19 May hearing from Shire of Toodyay, received 29 May 2017
- Answers to questions taken on notice at 19 May hearing from Greater Shepparton City Council, received 31 May 2017
- Answers to questions taken on notice at 19 May hearing from Bega Valley Shire Council, received 31 May 2017
- Answers to questions taken on notice at 19 May hearing from APSC, received 31 May 2017
- Answers to questions taken on notice at 11 April hearing from DAWR, received 6 June 2017
- Answer to question taken on notice at 19 May hearing from DAWR, received 6 June 2017

Tabled Documents

- Australian Pesticides and Veterinary Medicines Authority, Tabled Document , Canberra 11 April 2017
- Senator McKenzie, Tabled Document, Townsville, 19 May 2017

Form Letters

- Form Letter A
- Form Letter B

Additional information

- Additional information from Senator McAllister, received 31 May 2017

Appendix 2

Public hearing

*Tuesday 11 April 2017
Committee Room 2S1
Parliament House
Canberra, ACT*

Witnesses

Croplife

Mr Matthew Cossey, Chief Executive Officer
Mr Alastair James, Director, Agricultural Chemical Policy
Ms Jaelle Bajada, Director, Corporate Affairs

National Farmers Federation

Mr Mark Harvey-Sutton, Manager - Rural Affairs
Mr Reg Kidd, Taskforce Chair

Chemistry Australia

Mr Bernard Lee, Director, Policy and Regulation

Agsense and Gaven Associates

Mr Michael Gaven
Mr Stephen Pettenon

The Veterinary Manufacturers & Distributors Association

Mr Ian Saunders, President
Mr Jim Adams, Executive Director

Animal Medicines Australia

Mr Andrew Mason, President
Mr Benjamin Stapley, Executive Director

Dr Joe Smith

Department of Finance

Mr Stein Helgeby, Deputy Secretary, Governance and APS Transformation
Mr Lembit Suur, First Assistant Secretary, Governance and Public Management Reform Taskforce
Ms Thea Daniel, Assistant Secretary, Public Management Reform Agenda Policy

Department of Agriculture and Water Resources

Mr David Williamson, Deputy Secretary

Mr Ian Thompson, First Assistant Secretary, Sustainable Agriculture, Fisheries and Forestry Division

Mr Martin Walsh, Acting Assistant Secretary, Agvet Chemicals Branch

Mr Andrew McDonald, Special Adviser, Agvet Chemicals Branch

Australian Pesticides and Veterinary Medicines Authority

Ms Kareena Arthy, Chief Operating Officer

Mrs Stefanie Janiec, Chief Operating Officer

Mrs Elise Watt, Assistant Director

Mr Alan Norden, Executive Director, Registration Management and Evaluation

Community and Public Sector Union

Ms Nadine Flood, CPSU National Secretary

Mr Rupert Evans, Deputy National President

Mr Ron Marks, CPSU Delegate, APVMA

ACT Government

Ms Leesa Croke, Deputy Director General—Policy and Cabinet, Chief Minister, Treasury and Economic Development Directorate

Friday 19 May 2017

Quest Townsville on Eyre

19-21 Leichhardt Street

Townsville, Queensland

Witnesses

Australian Public Service Commission

Ms Kerryn Vine-Camp, First Assistant Secretary

Townsville City Council

Cr Jenny Hill, Mayor

Townsville Enterprise Limited

Mr Michael McMillan, Director, Policy and Investment

RDA Townsville and North West Queensland

Ms Glenys Schuntner, CEO

Mr Frank Beveridge, Acting Chair

Armidale Regional Council

Mr Tony Broomfield, Program Leader

Alice Springs Town Council

Mr Jamie de Brenni, Deputy Mayor

Mr Rex Mooney, CEO

Longreach Regional Council

Mrs Leonie Nunn, Deputy Mayor
Mr Ian Bodill, CEO

Shire of Toodyay

Mr Stan Scott, Mayor

Northern Rivers Regional Organisation of Councils (NOROC)

Cr Danielle Mulholland, President

Orange City Council

Mr Tony Boland, Business Projects Officer

Bega Valley Shire Council

Ms Kirsty McBain, Mayor

Cessnock City Council

Mr Bob Pynsent, Mayor
Mr Stephen Glen, General Manager

Community and Public Sector Union

Ms Amy Smith, Assistant Regional Secretary

City of Greater Bendigo

Mr Peter Hargreaves, Project Co-ordinator

Mildura Rural City Council

Mr Gerard Jose, CEO

Greater Shepparton City Council

Cr Denny Adem, Mayor
Mr Peter Harriott, CEO

Ballarat City Council

Ms Justine Linley, CEO

Appendix 3

**Copy of letter sent to regional councils from the Deputy
Prime Minister and the Minister for Regional
Development**



The Hon. Barnaby Joyce MP

Senator the Hon. Fiona Nash

Deputy Prime Minister
Minister for Agriculture and Water Resources
Leader of The Nationals
Federal Member for New England

Minister for Regional Development
Minister for Local Government and Territories
Minister for Regional Communications
Deputy Leader of the Nationals

Dear

We are writing to encourage you to get involved in an Australian Senate inquiry on the relocation of government bodies to regional areas. We believe the Senate committee would value your views on why areas outside big cities deserve jobs.

The inquiry will look at the operation, effectiveness and consequences of relocating corporate Commonwealth entities, as well as the economic, environment and capability implications. Inquiries such as this are an important mechanism for you to present your Council's views to Parliament and have them placed on the public record. The Terms of Reference are enclosed for your information.

Through our policy of decentralisation, including establishing Centres of Agricultural Excellence in regional Australia, the Turnbull / Joyce Government is boosting jobs and investing in regional communities. These moves are delivering substantial economic benefits not only to regional Australia, but to the national economy and all Australians.

We believe regional Australia deserves the benefits of public sector employment just as much as any capital city. After all, regional Australia supplies the water, food, electricity and gas that powers our cities and supports our high quality of life.

We understand the benefits of moving government agencies out of Canberra. We are already seeing significant savings of around \$1.2 million per year by relocating the Rural Industries Research and Development Corporation to Wagga Wagga. Public service jobs are driving downstream employment opportunities in regional communities and employees are reaping the benefits of affordable housing, a fantastic environment for families, fresh air, no gridlock, a sense of community and access to schools, parks, rivers and lakes.

We encourage you to make a submission to the inquiry by 10 March 2016. Explain to the Senate why regional Australia deserves an injection of government investment that will pay

off for years to come. We would welcome any research you have about how decentralisation can drive regional economic growth and build stronger regional communities.

The Senate Committee is unlikely to undertake regional consultation without sufficient interest and we suggest that your submission include a request to have a hearing in a regional area where you and others can represent the views of your community.

Submissions can be made:

- online at www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/PublicGovernance/
- by post to Senate Finance and Public Administration Committees, PO Box 6100, Parliament House, Canberra, ACT, 2600
- by email to fpa.sen@aph.gov.au.

Useful information about how to prepare a submission is available at www.aph.gov.au/Parliamentary_Business/Committees/Senate/How_to_make_a_submission. You may also contact the Committee Secretariat on 02 6277 3439 or at fpa.sen@aph.gov.au.

We urge you to have your say in this important national conversation.

Yours sincerely

Barnaby Joyce

Fiona Nash

Enc.

Terms of Reference

The operation, effectiveness, and consequences of the *Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016*, with particular reference to:

- a. the process leading to the making of the order
- b. the policy of relocating corporate Commonwealth entities with agricultural policy or regulatory responsibilities, including:
 - i. the identity of corporate Commonwealth entities that could be affected;
 - ii. the policy's effect on the ability of affected entities to perform their functions; and
 - iii. economic, environmental and capability implications of the policy;
- c. the application of this policy to the Australian Pesticides and Veterinary Medicines Authority, including:
 - i. the plan for relocation;
 - ii. the ability of the Australian Pesticides and Veterinary Medicines Authority to perform its functions from its new location, and any consequent risks to:
 - A. human and animal health;
 - B. productivity and profitability to the agriculture and fisheries sectors;
 - C. chemical industries; and
 - D. Australia's trading reputation;
- d. any other related matters.

Submission closing date is: **10 March 2017**. The report is due to be tabled on: **9 May 2017**

