



Bring back the APVMA board

ALMOST everyone agrees there is a problem with the regulator of agricultural and veterinary chemicals, the Australian Pesticides and Veterinary Medicines Authority (APVMA).

The crop chemical and veterinary medicines companies have been unhappy for some years. Many of them deal with similar regulators around the world and are well aware of the APVMA's declining performance.

Whereas they once rated it as among the best in the OECD world, they now consider it one of the worst, something I described back in June.

But an increasing list of people and groups also acknowledge there is a problem.

These include farmer organisations, key people in both the government and opposition, plus certain staff at the Authority itself.

And although there are two processes underway that are intended to improve things, one addressing the issue of cost recovery and the other aimed at cutting red tape and improving efficiency and effectiveness, many doubt either will make much difference.

Signs so far are certainly not encouraging. The second draft of proposed changes to the governing legislation, the Agricultural Chemicals Legislation Amendment Bill 2012, has drawn criticism from many quarters.

Among them, the crop chemical industry association CropLife has expressed disappointment that an opportunity for reform has been missed, pointing out that of the 287 pages of amendments proposed, "not one single rule process or regulation" has been removed. Rather, several new ones have been added.

It argues that the additional functions and processes are likely to further hinder efficiency and deliver no beneficial health, safety or environmental outcomes, and suggests the promise of reduced red tape and greater efficiency and effectiveness are merely cover for a political policy agenda.

It also points out that there has been no analysis of expected costs and benefits, which obviously makes predicted improvements in effectiveness and efficiency difficult to take seriously.

On cost recovery, agricultural and veterinary chemical suppliers are concerned at the proposal for the APVMA to be fully funded from charges and levies despite the fact that some of the Authority's activities have no regulatory component and its functions and responsibilities are set to be significantly expanded. This is contrary to the government's own cost recovery guidelines.

This would probably be less of an issue if the APVMA was considered to be doing a good job at delivering value for money in its core functions. But almost nobody thinks that any more. Moreover, industry proposals to introduce incentives for the organisation to lift its game by emphasising fee for service contingent on performance have been ignored.

The performance of the APVMA is particularly important to Australia's farmers and of more than passing interest to the state government agriculture departments that advise them. Access to modern chemicals at competitive prices underwrites their ability to compete internationally. A lack of modern chemicals or being compelled to pay higher prices obviously places them at a disadvantage.

Examples of this are anthelmintics for sheep and cattle and herbicides for crops. As worms and weeds develop resistance to existing products, which is not only inevitable but tends to be relatively swift in Australia, new products must be introduced if livestock and crop production are not to suffer.



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A study by Deloitte Access Economics has shown a strong link between the efficiency of the APVMA and the efficiency of Australia's primary producers. It found that if the regulation of agvet chemicals is conducted in a manner that is \$8 million per annum less efficient than it could otherwise be, it reduces aggregate output by \$21 million per annum. Allowing for income flows overseas, the impact on the living standards of Australians (GNP) is a reduction of \$18 million.

Eight million dollars is the amount of increased funding being sought under the proposed new cost recovery scheme.

It is now clear that what the APVMA requires is a major change in culture, from one that is grossly cautious and risk averse to one motivated to deliver more to the agricultural community than it costs. The question is, how can that be achieved?

It obviously starts with a new chief executive, although it goes well beyond that. Indeed, it could be argued the current drawn-out process of appointing a new incumbent is symptomatic of the wider problem.

But even when a new chief executive is appointed, and even assuming he or she is motivated to make a real difference, his or her boss will continue to be a politician, generally a Minister. And as most people know well, the main priority of politicians is to avoid mistakes and controversies. The risk averse culture starts at the top.

It wasn't always that way. Until 2006 the chief executive reported to a Board with representatives from state governments, farmers and chemical companies. Every month the CEO and senior management reported on performance against objectives and received policy direction. The Board chairman, not the chief executive, had primary contact with the Minister.

That changed as a result of the Uhrig Review, which recommended Commonwealth statutory authorities lacking full autonomy adopt "executive management" rather than a board.

At the time I predicted it would not end well because it amounted to taxation without representation, in a small way increasing the tyranny of government.

Quite simply, it removes any incentive to meet the expectations of those who pay the bills.

If the government really wants the APVMA to change its culture and return to the days when it was highly regarded, an obvious starting point would be to reinstate the board system of governance.

<http://theland.farmonline.com.au/blogs/agribuzz-with-david-leyonhjelm/bring-back-the-apvma-board/2631384.aspx?storypage=0>