SUBMISION IN RESPONSE TO

REVIEW OF AUSTRALIAN GOVERNMENT COST RECOVERY GUIDELINES

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Introduction

CropLife Australia

CropLife Australia (CropLife) is the peak industry organisation representing the agricultural chemical and biotechnology (plant science) sector in Australia. CropLife represents the innovators, developers, manufacturers, formulators and registrants of crop protection and agricultural biotechnology products. The plant science industry provides products to protect crops against pests, weeds and diseases, as well as developing crop biotechnologies that are essential to the nation's agricultural productivity, sustainability and food security. The plant science industry is worth more than $1.5 billion per year to the Australian economy and directly employs thousands of people across the country.

CropLife member companies spend more than $13 million a year on stewardship activities to ensure the safe use of their products on the environment and human health. CropLife ensures the responsible use of these products through its industry code of conduct and has set a benchmark for industry stewardship through programs such as ***drum**MUSTER*, ChemClear® and Agsafe Accreditation and Training.

The products of both the modern agricultural chemical industry and the modern crop biotechnology industry are critical to maintaining and improving Australia's agricultural productivity to meet future food security challenges.

The Agricultural and Veterinary Chemicals Code Act 1994 is the primary legislation regulating agricultural chemicals in Australia and accordingly determines how plant science and agricultural chemical companies bring crop protection products to the Australian market. Each of our members' products is rigorously assessed by the Australian Pesticides and Veterinary Medicines Authority (APVMA) to ensure they present no unacceptable risk to users, consumers or the environment. This is after plant science companies themselves have spent up to ten years and US$250 million researching and developing each new product. Without access to these important tools and products, farmers may potentially lose as much as 50% of their annual production to pests and weeds.

The Australia New Zealand Food Standards Code is the primary legislation regulating genetically modified (GM) food and food ingredients, and accordingly determines how agricultural biotechnology companies bring crop biotechnology products to the Australian market. Each of our members' food or food ingredients derived from GM crop plants is rigorously assessed by Food Standards Australia New Zealand (FSANZ) to ensure they present no unacceptable risk to consumers. This is after plant science companies have spent on average thirteen years and US$136 million researching and developing each new crop biotechnology product. Such GM food products are essential to ensuring that all Australians have access to a safe and nutritious food secure future.

CropLife and our member companies have a strong interest in the Review of the Australian Government Cost Recovery (AGCR) Guidelines and have in the past six months responded to both the Cost Recovery Discussion Paper released by the APVMA, and the Review of Cost Recovery Arrangements by FSANZ.

It is in the context of these recent experiences in dealing with cost recovery reviews of APVMA and FSANZ that CropLife makes this submission and identifies shortcomings in these agencies in complying with the current AGCR Guidelines.

CropLife also notes that the Department of Agriculture, Fisheries and Forestry (DAFF) has recently called for submissions to a comprehensive First Principles Review of the Cost Recovery arrangements for the APVMA which will examine and recommend options to "strengthen the financial sustainability, transparency and of the APVMA's cost recovery arrangements".

CropLife is pleased that the review by DAFF is to take place as CropLife has on many occasions pointed to the weaknesses in the current cost recovery arrangements of the APVMA. It is especially important that the any amendments that may be made to the AGCR Guidelines are incorporated in the DAFF First Principles Review. CropLife will be submitting to this review also.

Recommendations

CropLife's recommendations to the Department of Finance and Deregulation Review of Cost Guidelines are as follows:

- There must be strict adherence to the AGCR Guidelines by all agencies, without exception.
- All agency cost recovery proposals must demonstrate how they are adhering to the Guidelines; Cost Recovery Impact Statements must be mandatory.
- Agencies must demonstrate and justify overhead allocations that have been made in Activity Based Costing models and the activities that those overheads represent to ensure that cost recovery is limited to those activities that can be justifiably recovered.
- All activity based modelling and assumptions and workings should be made publicly available to all fee paying participants.
- Agencies should indicate clearly the activities and costs associated with parliamentary services, public relations, community consultation, and Freedom of Information costs to the agency which must be funded not from cost recovery activities.
- Agencies must demonstrate clearly the efficiency measures that they propose to achieve over the length of any cost recovery proposal and be required to report annually and publicly on the improved efficiency gains.
- Agencies must demonstrate that they have market tested the internal costs of operations for assessment work undertaken and that Service Level Agreements with other Government agencies are similarly market tested both for the cost of such services, but also in whether the services have been delivered according to all contractual obligations (including timeliness and within budgeted cost).
- Agencies should not be responsible for the development of cost recovery impact statements but these should be conducted by the either the relevant policy Department, or where such a cost recovery exercise is in respect of Departmental activity, the development of the cost recovery impact statement should be carried out by the Department of Finance and Deregulation.
- All cost recovery agencies should be subject to the Government conducting independent business process reviews at least every three years to ensure that agency activity is being conducted in the most efficient and least costly manner and is meeting the objectives of only recovering those costs that relate to the specific cost recovery activities.
- There must be on-going monitoring of cost recovery arrangements to ensure the arrangements are appropriate.
- Cost recovery arrangements should not stifle innovation or impact industry's ability to remain viable and competitive.
- The Department should develop further guidelines on the level of reserves that agencies can maintain.

Background

In the case of the APVMA which administers the National Registration Scheme (NRS) for agvet chemicals, in partnership with State and Territory agencies, (and in collaboration with other Commonwealth agencies), the NRS has operated on a fully cost recovered basis since 1996.

The complexity of fees and charges for applications and annual fees and levies calculated on agvet sales, has, by its very nature lead in CropLife's view, to a cost recovery regime that is neither fair, equitable or leads to efficiency within the agency.

Despite (measured over time) the agency fully recovering costs from registrants of agvet products, it has failed to meet overall statutory timeframes for various categories of applications. We are concerned that the agency may recoup more than the costs required yet not meet its statutory timeframes.

CropLife therefore has questioned whether the current utilisation of cost recovery for all APVMA's activities is appropriate for such an agency as resources are, from our examination of its operations, being diverted away from its core function of product registration.

In the case of FSANZ's cost recovery review, it has been difficult for CropLife to assess whether the fees and charges that it is proposing are efficient given the magnitude of the proposed fees increases, and the lack of transparency or availability of financial documentation and analysis being provided by the agency.

CropLife would contend that despite the current AGCR Guidelines, agencies are not adhering fully to those guidelines.

In order that the Department of Finance and Deregulation fully understand CropLife's concerns on the current Guidelines and the way that agencies have been deficient in adhering to those Guidelines, we have enclosed as Annexures 1 & 2 CropLife's responses to both the APVMA Cost Recovery Discussion Paper and to FSANZ on its proposal for Cost Recovery.

Issues

Time Frame of Consultation Process

CropLife is responding to the Department of Finance and Deregulation *Review of Australian Government Cost Recovery Guidelines*, noting that Review will examine whole-of-government processes and reporting requirements, including clarifying policy, streamlining processes and increasing transparency in relation to Australian Government cost recovery activities.

CropLife notes that this Review will take approximately twelve months and that it is proposed that the new Guidelines will take effect from early 2013.

CropLife would wish to be consulted further by the Department as the Review progresses as the Review may have implications that will require further input from CropLife and its members.

Justification of the Cost Recovery System

Modern agricultural chemistry tools and products must be supported by a regulatory scheme that maximises the benefits associated with their effective and responsible use, while minimising the costs from excessive, unnecessary, inappropriate and/or ineffective regulation. The onus should be on Government to demonstrate that the cost recovery system imposed on any industry is justified, linked to services provided by the associated regulator, and does not result in undesirable or net negative outcomes.

It is important that farmers have access to the latest tools and technologies to ensure international competitiveness, improved productivity on the available land that is utilised to produce food and for the Australian economy to pay its part in providing affordable food in a growing world.

Efficiency

Agencies that subject industry to cost recovery must demonstrate that they are utilising the funds collected from industry efficiently. Such agencies should, in CropLife's view be subject to efficiency dividend measures similar to those that have been imposed on all Government Departments. These efficiency dividends should either be rebated to those that pay for the system, or with the agreement of the fees payers utilised to drive further efficiency in the assessment of registrations and applications. In short, Regulators must efficiently conduct their regulatory activities to support applicants and registrants of agricultural chemical products and assessing crop biotechnology products.

CropLife remains concerned that over a number of years, there has only been limited improvement in the efficiency of the regulatory system for agricultural chemicals and little, if any improvement in APVMA productivity.

CropLife is concerned that agencies such as APVMA and FSANZ are essentially monopoly providers of regulatory services and that their respective cost structures should be subject to the same level of scrutiny as other monopoly service providers. Examples where such scrutiny applies are those services regulated through, for example, the Australian Competition and Consumer Commission.

Compliance with Policy and Guidelines

CropLife members have always approached the funding of both the National Registration Scheme and FSANZ with the highest level of good corporate citizenship and accordingly have been and remained prepared to pay fair and equitable fees for product registrations, applications and assessments.

It is CropLife's position that other aspects of agencies activities should be funded by Government appropriation.

CropLife has indicated to the APVMA that the proposals that it put in its Discussion Paper for a revised cost recovery model did not comply with the Government's own policies or COAG's agreed principles on such matters. This is an issue that the Discussion Paper does not even seek to address or justify in any manner.

An industry based cost recovery fee and levy system should only be seeking to recover such monies as required to support the directly attributable activity, in the case of the APVMA, the registration of products.

CropLife has previously argued that compliance, adverse experience reporting and chemical review programs are designed to confirm the integrity of the regulatory system for the benefit of public health and safety, and the environment. As such, appropriation and a more equitable balance between cost recovery and Government funding may be appropriate and should be considered. Furthermore, the costs associated with the range of other activities undertaken by the APVMA, such as community communication and consultation, should be funded.

Levies currently paid by registrants in additional to annual fees should not as is the case at present, be used as a balancing item in recovering the total annual budget requirement of the APVMA. To do so would be inconsistent with the current AGCR Guidelines.

Shortcomings in Cost Recovery Documentation Provide by Agencies

There have been distinct failings in the cost recovery documentation provided by agencies on which CropLife and its members have had to base their submissions and comments. There has been a failure of agencies to present any economic modelling or analysis of the impacts of increased fees and charges proposed and that are been passed on to industry, and ultimately to end users.

Whilst in the case of the APVMA CropLife was able to gain access to the report prepared for the agency by PWC for the Activity Based Costing (ABC) Model, there still remained a lack of transparency and detail, particularly in relation to how the allocation of overheads had been apportioned and clear understanding of what activities and resources were being allocated through overheads. Did these resources that were being allocated represent activities that should not be cost recovered, such as policy advice, community activities or legal costs associated with complying with the new requirements under Freedom of Information legislation or public relations activity not associated with core registration activity? CropLife believes that more transparency is required so that we can better understand what our members are being asked to pay for.

In the case of the FSANZ cost recovery documentation, where the agency is proposing a 57% increase in the hourly rate charged for assessment work, we have not, at this time been able to examine FSANZ's ABC model as it has not been released. We have not been able to analyse the results or assumptions made that would aid industry's consideration of the proposed increase and allow for a more meaningful critique and comment on the methodology utilised by FSANZ.

FSANZ has stated that the methodology is "consistent with the Guidelines and the practices of other government agencies that provide similar regulatory functions." If this is the case then FSANZ should allow the assumptions and methodology to be tested.

We are concerned that this information would remain commercial in confidence and we are unable to understand the reluctance of FSANZ to release its ABC modelling. We would contend that the current guidelines allow for the release of such information and the guidelines provide direction as to how to balance issues relating to the public release of documents such as the ABC model and maintaining commercial confidence. In particular the AGCR Guidelines (Page 47) note:

> "'Commercial in confidence' is not usually a sufficient reason for withholding information for most products. Only a small proportion of the products of these agencies are commercial in nature. Overall the benefits of transparency greatly outweigh and commercial considerations."

CropLife **strongly considers** that FSANZ should operate transparently in the same manner that it expects from its fee-paying customers and cooperate in making the ABC report available to stakeholders.

Market Testing

In respect of both the APVMA and FSANZ we are concerned that both agencies have failed to "test the market" in terms of the assessment work that they undertake or have undertaken by other Government agencies through Service Level Agreements

The testing of the costs of the other agency work as well as their own assessment work should be benchmarked against similar services offered either by other institutions, subject experts and private consultants with particular expertise.

In our submissions to both agencies CropLife has highlighted alternative means for assessing applications as opposed to performing the assessment work 'in house' including work sharing with overseas regulators. In the case of GM food or food ingredients if was approved by an overseas regulatory agency recognised as appropriately qualified by FSANZ, then approval should be given by FSANZ without having to go through another set of safety assessments.

In CropLife's view market testing should be a parameter that has to be addressed by any agency considering the development and implementation of a new cost recovery regime.

Cost increase exceeds CPI without demonstrating any efficiency or productivity improvements

The AGCR Guidelines state that only efficient costs should be recovered. FSANZ, for instance should provide more evidence that it is supplying the relevant services in an efficient manner. In particular, CropLife is aware that the hourly rate for similar scientific assessment work carried out by the Department of Sustainability, Environment, Water, Population and Communities (DSEWPAC) for the Australian Pesticides and Veterinary Medicines Authority (APVMA) is $141 per hour, which is well below the $180 FSANZ propose in the Consultation Paper.

The expectation of Government and the community that agencies become more productive over time is reflected in the so-called 'efficiency dividend'. It is essential that these Government wide productivity expectations apply equally to cost recovered and appropriation funded activities of Government agencies. In particular, it is important that agencies do not use cost recovered activities to generate revenue to defray the budget constraints faced in appropriation funded activities.

CropLife has indicated similar concerns to the APVMA regarding its failure to demonstrate that it has made efficiencies in the delivery of registrations of agricultural chemicals.

FSANZ has, in CropLife's view, failed to clearly demonstrate where it has returned any efficiency dividend to its stakeholders. Rather, it is clearly demonstrating a failure to reduce its costs, which is exemplified in FSANZ seeking additional cost recovery revenue from applicants without disclosing in the Consultation Paper any benchmark that demonstrates a net benefit.

There is nothing that FSANZ has disclosed in its cost recovery explanation for increasing its fees that clearly demonstrates to CropLife that fees charged for cost recovered work are not cross-subsidising appropriation-funded work.

Due to the lack of transparency from FSANZ in refusing to disclose its ABC modelling, CropLife was unable to formally comment on whether FSANZ has taken into account productivity improvements that must be achieved in return for large scale increases in fees.

In the absence of specific data on the FSANZ ABC model, CropLife puts forward that typically, real wage increases (i.e. over and above CPI) are paid for in return by an increase in output per worker. Over time, as workers become better trained, more highly skilled and better equipped, they are able to produce more output per unit of time. In real terms, FSANZ's **real unit labour costs** should decline over time (and hence the hourly rate for cost recovery should remain steady or even decrease as productivity improves) as they do across the rest of the economy.

CropLife also had echoed similar concerns in response to the APVMA's Cost Recovery Discussion Paper that there were no demonstrable productivity gains for increased costs to applicants.

CropLife is unclear as to whether agencies are seeking to pay its staff more for the same amount of output per unit of time under new models of cost recovery, or whether there is any allowance for productivity improvements over time. In the absence of further evidence to the contrary, the default assumption in any ABC modelling should be that every dollar of additional wages paid (over and above general CPI inflation) is exactly offset by an increase in the output per worker. This would allow agencies to over time gradually reduce its headcount (and therefore overheads) as staff became more productive.

Agricultural R&D needs to be strengthened, not stifled

Globally, the rate of yield growth of the major cereal crops has been declining steadily[1]. A continuation of this trend will not be sufficient to meet global food demands in 2050. Reversing this decline is a major challenge for primary producers, agricultural scientists and policy makers alike[2].

[1] Fischer, RA, Byerlee, D and Edmeades, GO 2009, 'Can technology deliver on the yield challenge to 2050?' Paper produced for the FAO High-Level Expert Forum on How to Feed the World in 2050, Rome.

[2] Food and Agriculture Organization of the United Nations (FAO) 2009, 'How to feed the world in 2050'. High-Level Expert Forum, Rome.

Noting the recent slowdown in productivity growth in Australian broadacre cropping, Sheng et al (2011)[3] analysed the average effect of R&D on broadacre total factor productivity (TFP) between 1952-53 and 2006-07 and demonstrated that investment in R&D has had a significant and positive effect on broadacre TFP. Average rates of return have been generated in the order of 28-47 per cent.

Bringing innovations in agricultural R&D to market requires a clear and level playing field, not massively expensive and potentially should not be impeded by unnecessary regulatory hurdles and cost imposts. In the case of FSANZ publicly funded R&D researchers will simply not be able to afford to bring new products through the regulatory system – effectively stifling innovation in plant science and potentially devastating agricultural research in Australia. The effects of this could be profound.

Similarly this the case in the agricultural chemical arena where companies make decisions based on the anticipated returns they expect by registering new and innovative formulations or new active ingredients. Should the regulatory hurdles be set too high and the costs deemed prohibitive, farmers are likely to miss out on the opportunity to use an expanded portfolio of chemicals that will lead to greater productivity gains. It is also important that regulators understand that some innovative chemicals utilised in small specialty crops will not be registered in Australia for use, purely on the grounds that the costs of registration are/or will be prohibitive.

The policy outcomes sought remain unclear

As discussed already in this submission, the level of fees and charges by agencies may be a barrier to entry for better agricultural solutions and are likely to stifle, rather than encourage innovation, resulting in fewer applicants bringing products to market. This will have a 'knock-down' effect further back in the value chain, with fewer tools being made available to assist Australian farmer's combat pests, weeds and diseases, if the regulatory cost of having these tools approved is prohibitive.

This would have a potentially disastrous effect on farm-gate productivity at the same time as the Government has released a National Food Plan green paper through the Department of Agriculture, Fisheries and Forestry (DAFF). The DAFF website states:

> "The Australian Government is developing Australia's first National Food Plan to better integrate all aspects of food policy to ensure a sustainable, globally competitive and resilient food supply that supports access to nutritious and affordable food."

The Government must conduct an independent Business Process Review of Agencies' operations in the interest of transparency

CropLife notes that both the APVMA and FSANZ conducted ABC modelling to determine cost recovery revenue sought and how the revenues will be allocated over the activities of the respective regulator. However, it is difficult for stakeholders to understand the intricacies of the ABC model without fully studying how the ABC has been interpreted and the assumptions associated with its adoption.

The ABC model is an important tool for allocating costs to various activities; however, on its own it does not guarantee that agencies conduct their activities in the most efficient manner possible. For example, the ABC model outlined in the FSANZ Consultation Paper included all overheads, and from the little information available seemed to make no attempt to determine whether activities associated with overheads are integral to the service being provided, as the AGCR Guidelines require. Agencies need to demonstrate and justify whether the costs being recovered are efficient costs. As a further example in the case of FSANZ the proposed exorbitant fee increases are justified on the basis that FSANZ has been under-recovering the real cost of assessing cost recovered applications. But the Consultation

3 Sheng Y, Gray E, Mullen JD and Davidson A 2011, 'Public investment in agricultural R&D and extension: an analysis of the static and dynamic effects on Australian broadacre productivity'. ABARES research report 11.7, September.

Paper did not make any reference to whether the cost increase (to recover the supposed 'real cost') is efficient?

Business Process Reviews of agencies would be essential and valuable to examine whether there are better ways of performing its functions, whether the balance of administrative to technical staff is appropriate, whether some tasks could be outsourced, and whether the Service Level Agreements with other Government Agencies or current 'in-house' service model is the most effective and efficient way of procuring these services. Such reviews should be made available as part of any cost recovery discussions with stakeholders or fully disclosed and outlined in cost recovery impact statements thus allowing agencies to re-evaluate its human resources requirements and it would also give stakeholders clarity on whether existing resources are being used efficiently to perform the cost recovery functions of the agency.

OTHER MATTERS

Cost recovery being used inappropriately to 'drought-proof' the APVMA's revenue stream

In its Discussion Paper, the APVMA has given some justification for increasing fees so that its revenues are less exposed to drought conditions. The APVMA advises (Page 10):

> *"Periods of lower than average rainfall or drought have resulted in lower agvet chemical use, and this directly causes lower levy revenue in the following year".*

At Page 11 the APVMA states:

> *"To the extent it is consistent with Australian Government Cost Recovery Guidelines, the APVMA believes it would be prudent to reduce the reliance on the levy and thus lower the potential impact of income fluctuations flowing from drought events".*

CropLife is not convinced that the evidence presented in the APVMA Discussion Paper is sufficiently robust to enable the APVMA to draw this conclusion.

Whilst there may be anecdotal evidence that APVMA revenue was lower at the same time as the drought in parts of Australia, there are other factors of which industry could inform the APVMA that have contributed to a significant shift in market conditions that are unrelated to drought.

The APVMA would, for instance, be aware of current investigations by the Australian Customs Service into the import of herbicides that may indicate other reasons for revenue shifts. Similarly, changes in exchange rates and terms of trade that will affect pricing of imported materials have affected industry.

We also suggest that the APVMA again consult the AGCR Guidelines, which state as follows:

> *"It is important for an agency to be aware of the agency objectives relevant to each activity or product to:*

- *understand the purpose of the activity and who benefits or creates the need for the activity;*
- *assess whether adopting cost recovery would undermine the objectives of the activity;*
- *if cost recovery is appropriate, choose an approach to charging that is consistent with the objectives of the activity; and ensure that* **cost recovery is not undertaken simply to earn revenue".**

On its own admission, much of the Discussion Paper is focused on generating a reliable revenue stream. In the summary, the APVMA states that the Paper "*concentrates on ensuring appropriate and sustained revenue to enable efficient and effective administration of regulation*".

CropLife therefore and reasonably surmises that the APVMA considers its cost recovery mechanism largely as a revenue exercise, rather than industry facing a cost structure that reflects the true cost of its activities.

It could be concluded from this that the activity of the APVMA will be driven purely on revenue receipts, rather than assessing applications when they are received, no matter what number of applications are received in a given period.

Capping of levies

CropLife also notes that the Henry Tax Review (2009, Chapter E1) addressed the issue of industry levies. The fuel levy used to fund the Civil Aviation Safety Authority (CASA) has some similar characteristics to the APVMA levy, namely that it raises revenue in a way that is not closely aligned to risk.

> *"A large, complex charter operation is inspected more often than an aerial work operation with only an occasional charter. However, since half of CASA financing comes from taxing aviation fuel used in domestic flights, airlines pay for regulation according to how much fuel they use on domestic trips, no matter how risky their operations are. Reforming CASA fees to recover costs from those requiring tighter regulation (and therefore imposing the spillover costs) would improve the efficiency of the airline industry".*

CropLife fails to see any argument offered by the APVMA as to why fees should not be capped; rather it continues to adopt such a measure without any appropriate policy justification. The APVMA has never offered a reasoned rebuttal to industry's call to cap the levy component on fees.

CropLife understands that DAFF has taken the position in other areas of its operations that it is far more important to focus Government resources on the areas of higher risk and to use cost recovery as more than a revenue raising too - by using cost recovery to create price signals that encourage good behaviour and discourage high risk or illegal behaviour.

The requirement for a financial reserve for agencies

CropLife noted that the APVMA has devoted part of its Discussion Paper to discuss the reasoning behind the maintenance of a healthy financial reserve. We noted that the APVMA proposes to reduce the size of the reserve and provides its reasoning behind such a change in policy. CropLife suggested that as a cost recovery agency, the APVMA should break even on average, but due to the nature of the agricultural sector and the agency's operating costs, there will always be fluctuations in revenues and costs from year to year.

In the Discussion Paper (Page 11) the APVMA notes:

> *"Without this 'buffer', the APVMA could lapse into negative equity, which would breach financial regulations".*

However, it is not clear to CropLife where in the *Financial Management and Accountability Regulations 1997* (1 January 2012 compilation) there is a requirement for a reserve or a prohibition on negative equity.

To assist stakeholders in understanding the need for a reserve, CropLife sought clarification of the citation within the regulations that makes the holding of substantial reserves as a requirement. Whether a financial reserve is necessary for reasons other than FMA Regulations is another question. If the APVMA was only able to pay its staff from its own revenues, there could be a risk of a cash shortfall or the need for a temporary bank overdraft. However, unlike a small business that can only spend the money it has in its bank account or up to the limit of its overdraft, it is unclear whether this is the case for the APVMA. If it is the case that revenues paid to the APVMA, payments to suppliers and payments to staff are instead paid from a central consolidated revenue account, then CropLife questions the need for an agency to maintain a substantial financial reserve. CropLife would argue that if the payment of wages to the staff of the APVMA is not, in fact, dependent on the receipt of revenues from industry, then the financial reserves of the size envisaged is not necessary.

While unclear from the material presented in the APVMA's Discussion Paper, it may be the case that if the APVMA reserve became negative it would not actually result in the agency being unable to operate, and its bills would continue to be paid out of consolidated revenues.

CropLife would assert that if that is the case, it would be more sensible for the APVMA to pursue a financial strategy of breaking even on average, rather than maintaining a financial reserve that is always positive.

CropLife has reviewed the number of applications finalised for pesticide registrations in the fiscal years 2008-2011 in the most recent three fiscal years where a full fiscal year of data is available. The data are from the APVMA website publications *Registration Statistics 2010-11, 2009-10, 2008-09*.

The data show that out of 4,471 applications finalised in the past three fiscal years, 1 was rejected (0.02%), 141 were withdrawn by the applicant (3%) and 4,329 (97%) were granted by the APVMA.

Putting to one side the applications withdrawn by the applicant, 99.98% of applications where a decision was required were granted. This appears to reflect a situation where companies will rarely submit an application for a product or active ingredient that they believe is unlikely to be granted by the APVMA.

The data would suggest that there are already sufficient incentives (such as reputational risk and public liability) for companies to only seek registration for products that are safe and effective, resulting in the APVMA granting applications in 99.98% of cases that proceed to a final decision.

A contributing factor to this high success rate is that in many cases, products may have been approved for use in other jurisdictions that prescribe to high standards of environment and human health protection.

Given the $19.1 million of work undertaken by the APVMA to finalise applications, which rarely results in an outcome other than 'granted', it raises some questions:

- Is the APVMA focusing its resources on the areas of greatest potential risk? Are there other higher risk areas – such as the AERP, Chemical Review, Quality Assurance, Compliance and Import programs – that may be more deserving of these resources (and as noted above, the AGCR Guidelines suggests those activities should be funded by appropriations)?

- Is it necessary to spend this amount of resources regulating an activity that appears *prima facie* to have a near 100% rate of compliant conduct? CropLife would suggest that further efficiency could be gained by introducing a fast-track or self-assessment process for companies with a good track record of compliance.

Conclusion

CropLife supports a comprehensive review of the Australian Government Guidelines on Cost Recovery by the Department of Finance and Deregulation. It is important that where cost recovery arrangements are in place that agencies are clearly able to demonstrate in a fully transparent manner that the fees/levies are utilised only for those direct activities to which the charges have been incurred by industry. These fees and charges must be cost effective to allow for the growth of Australian industry and allow for industry to bring to market innovative products that will drive overall improvements in the Australian economy.

CropLife would be concerned that any current reviews of cost recovery fees and charges should not be concluded until such time as the Australian Government has considered the outcomes of the current review being conducted by the Department of Finance and Deregulation and endorsed any changes to the Guidelines for Cost Recovery.